

FRANCHISE DISCLOSURE DOCUMENT



Pigtails & Crewcuts Franchise, LLC
a Georgia limited liability company
3495 Piedmont Road, Suite 402
Building 11
Atlanta, GA 30305
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The franchise offered is to own and operate a children's specialty hair salon, which also offers services like nail and toe polishes and up-dos and sells novelties, gifts, cosmetics, and private label hair care products for children, under the "Pigtails & Crewcuts" name. Each salon will also have the capacity to offer children's birthday parties in a fun-filled, wholesome setting.

The total investment necessary to begin operation of a Pigtails & Crewcuts business ranges from \$99,500 to \$256,000, presuming you rent your salon premises. This includes \$46,750 to \$83,000 that must be paid to the franchisor or an affiliate. If you enter into a Development Addendum to the Franchise Agreement, you must commit to developing a minimum of three Salons, and the total investment to begin operation if you acquire development rights for a minimum of three Salons ranges from \$137,000 to \$293,500. This includes \$67,500 that must be paid to the franchisor or an 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 this Disclosure Document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Michelle Holliman at 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305, (770) 752-6800 ext. 2507.

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

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

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

Issuance date of this Franchise Disclosure Document: April 20, 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 Exhibit C. |
| 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 D 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 Pigtails & Crewcuts business in my area? | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| What's it like to be a Pigtails & Crewcuts franchisee? | Exhibit C 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 the agency information in Exhibit A.

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

Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Georgia. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Georgia than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

**(THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

EACH OF THE FOLLOWING PROVISIONS IS VOID AND UNENFORCEABLE IF CONTAINED IN ANY DOCUMENTS RELATING TO A FRANCHISE:

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT 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 PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 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 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) THE FAILURE OF THE PROPOSED FRANCHISEE 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.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

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.

* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

* * * *

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

STATE OF MICHIGAN DEPARTMENT OF THE ATTORNEY GENERAL
G. MENNEN WILLIAMS BUILDING, 7TH FLOOR
525 W. OTTAWA STREET
LANSING, MICHIGAN 48909
TELEPHONE NUMBER: (517) 335-7567

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Exhibits

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This Disclosure Document describes our offer of Pigtails & Crewcuts unit franchises. While we also have previously offered Pigtails & Crewcuts area representative business franchises (“**Area Businesses**”), we are not currently offering franchises for Area Businesses. We may, however, choose to offer such franchises for Area Businesses in the future.

To simplify the language in this Disclosure Document, “**we,**” “**us,**” or “**our**” means Pigtails & Crewcuts Franchise, LLC, the franchisor. “**You**” or “**your**” means the person (or persons) who signs a franchise agreement with us or the entity that buys a salon, including all owners of a corporation, general partnership, limited partnership, limited liability, or any other type of entity (an “**Entity**”). Each individual with direct or indirect ownership interest in your Entity will be referred to as an “**Owner.**”

The Franchisor

Pigtails & Crewcuts Franchise, LLC is a Georgia limited liability company that was organized on December 18, 2002. Our corporate address is 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305, and our telephone number is (770) 752-6800. We do not have any affiliates or parents. We have not had any predecessors during the 10-year period immediately before the close of our most recent fiscal year. Our agents for service of process are disclosed in Exhibit A. We conduct business under the name Pigtails & Crewcuts®. We began offering Pigtails & Crewcuts unit franchises in December 2005 and Area Businesses in December 2016 (as stated above, however, we are not currently offering Area Businesses franchises and have not offered Area Business franchises since April 2022). Other than these two programs, we have never offered any other franchises in any other line of business. We do not conduct any other business activities other than selling and supporting Pigtails & Crewcuts® franchises. Our majority owner and Chief Executive Officer, President, and Manager, Wade Brannon, however, has owned a Salon (as defined below) in Atlanta, Georgia since November 2015. We consider this Salon a company-owned outlet for purposes of this disclosure document.

The Franchise

“**Pigtails & Crewcuts Salons**” or “**Salons**” are a distinctive children’s specialty hair salon. You will be required to operate your Salon as required by the terms of the Franchise Agreement (the current form of which is attached as Exhibit E) and our standards and specifications. Our franchise includes the right to perform all services, including haircutting, nail and toe polishes, up-dos, and hosting customized parties, and offer all products, including novelties, gifts, cosmetics, and private label hair care products for children, offered by or through Pigtails & Crewcuts Salons. In connection with our Salon concept, we have developed and designed various customized hair care products, which we sell not only under the Pigtails & Crewcuts brand but also under other brands we may create and develop.

A typical Pigtails & Crewcuts Salon occupies approximately 1,200 to 1,500 square feet of space that may be either owned by you or leased from a third party. All Pigtails & Crewcuts

Salons are constructed to our specifications as to size, layout, decor, and the like. A typical Salon has 4 styling chairs for children and 2 regular barber chairs; however, each Salon must have at least 3 children's chairs and 2 regular barber chairs. A Pigtails & Crewcuts Salon may be either a freestanding building or an in-line retail plaza space, but, in any event, ample parking, good visibility and availability of prominent signage are necessities.

By operating a Salon, you have access to the elements of our franchise system like the common use and promotion of the "PIGTAILS & CREWCUTS" trade name and other trademarks, trade names, service marks, logotypes, and other commercial symbols we designate (collectively, the "**Marks**"), procedures for inventory and management control, training, advertising, promotional programs and ongoing assistance. At any time, we may add or delete products and/or services, and you must follow suit. The Pigtails & Crewcuts Salons use the method of operation, products, concept, format, style and trade secrets developed, adopted, and approved by us. You will operate a Pigtails & Crewcuts Salon as an independent business utilizing the Marks, business concepts, support, guidance and materials developed by us. You will offer and provide products and services to the general public under the terms and conditions contained within the Franchise Agreement and our confidential operations manual (the "Operations Manual") that will be loaned to you at the time of training. You may not offer other services or products without our prior written approval.

As further detailed in Item 5, if you are granted the right to develop multiple Salons (either 3 Salons or 5 Salons only), you must sign the Development Addendum to the Franchise Agreement (the current form of which is attached as Exhibit E to the Franchise Agreement) (the "**Development Addendum**"). For each Salon developed under the Development Addendum, you will sign our then-current form of Franchise Agreement, which may differ from the form of Franchise Agreement attached as Exhibit E to this Disclosure Document.

We expect prospective franchisees to have a minimum net worth of \$150,000. An individual may own a franchise for investment purposes provided he or she successfully completes training and has a full-time manager who also successfully completes training. Prior business management experience is vital for new franchisees, and prior salon management experience is highly desirable. Prior business ownership experience also is highly desirable.

Area Representative Program

As stated above, while we are no longer currently offering franchises for Area Businesses, we may in the future offer qualified parties the opportunity to operate as a Pigtails & Crewcuts area representative ("**Area Representative**") that will operate an Area Business under the terms of an Area Representative Agreement with us (the "**Area Representative Agreement**"). Area Representatives recruit individuals interested in purchasing Salons and assist us in providing certain support and services to Salons located in a designated area.

If we appoint an Area Representative to operate an Area Business in the area in which your Salon is located, such Area Representative may provide training, support, marketing, and other services to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement. We may, without your

consent, appoint an Area Representative or a substitute for the Area Representative at any time. Currently, there are no Area Representatives in operation.

Competition

You will compete primarily with single-owner salons and salons and haircutting chains that perform traditional barbering and hair styling and related services. The target market for the services and products offered at Pigtails & Crewcuts Salons is comprised of individuals of both sexes from age 1 through age 12. The hair salon business is very competitive and often driven by fierce price competition. We believe, however, that we have created a niche market by creating a specialty salon with a unique trade dress and appearance, which is designed to cater to the needs of young children and their parents that will be distinguishable from other hair salons.

Industry-Specific Regulations

You must comply with industry-specific federal, state and local laws, including those relating to licensing of hair stylists and site location, as well as public health and safety codes and ordinances.

You must acknowledge in the Franchise Agreement that you will keep apprised of, and comply with, all applicable laws, including the Americans with Disabilities Act. You must ensure that your Computer System (as defined in Item 8), including your POS System or your credit card processing terminals (whichever are responsible for processing credit card transactions), are in compliance with the most current Payment Card Industry (PCI) standards.

Many laws vary from jurisdiction to jurisdiction. We encourage you to inquire about the laws, regulations and ordinances that affect the operation of your Salon. We do not assume any responsibility for advising you on these regulatory or legal matters.

ITEM 2

BUSINESS EXPERIENCE

Unless another location is specified, the location of the persons listed below is Atlanta, Georgia.

Wade H. Brannon, Jr. – Chief Executive Officer, President and Manager

Mr. Brannon has served as our Chief Executive Officer, President and Manager since November 2004.

Michelle Holliman – Vice President of Franchise Development

Ms. Holliman has served as our Vice President of Franchise Development since October 2017.

Theresa Vona – Vice President of Franchise Support

Ms. Vona has served as our Vice President of Franchise Support since October 2017.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

You must pay us a non-refundable initial franchise fee of \$30,000 for your Pigtales & Crewcuts Salon franchise, payable in one lump sum when you sign the Franchise Agreement. We do not finance your payment of the initial franchise fee.

If you want to open additional Salons, and we permit you to do so, you will pay an initial franchise fee for each additional Salon according to the following formula: (i) our then-current initial franchise fee less \$5,000 for the second Salon; and (ii) our then-current initial franchise fee less \$10,000 for the third Salon and all additional Salons thereafter. Our “then-current” initial franchise fee for additional Salons is the initial franchise fee we charge new franchisees as of the date you open your additional Salon. For example, assume you sign a Franchise Agreement and pay us \$30,000 for your first Salon. If, one year later, you want to open two additional Salons, and at that time our initial franchise fee is \$35,000, you would pay us \$30,000 for the second Salon (\$35,000-\$5,000) and \$25,000 for the third Salon (\$35,000-\$10,000). With our consent, which we have the right to withhold for any reason, you may open additional Salons at locations accepted by us. Either way, however, you must pay an initial franchise fee for each Salon. To take advantage of this tiered franchise fee schedule, you are not required to contractually obligate yourself to develop additional Salons. Please note that you are eligible to take advantage of the tiered initial franchise fees only if the same legal entity owns and operates each Salon. The tiered pricing schedule is not available to your subsidiaries, affiliates, or other related entities.

We have also instituted another program to encourage you to commit to developing multiple Salons. If you commit at the time you sign your Franchise Agreement with us to develop either 3 Salons or 5 Salons (we do not offer any variations), you will not only receive a further reduced initial franchise fee than described above, but you will also have the benefit of a specific geographic area within which you will have the exclusive right to develop your Salons. This geographic area, which will be mutually agreed upon by you and us, will be larger than the

single Salon territory provided to each franchisee and described in Item 12, and is intended to provide you with a large enough area in which to locate acceptable locations for the number of Salons you will be obligated to develop. If you commit to developing 3 salons, you will pay an initial franchise fee of \$22,500 per Salon or a total of \$67,500. If you commit to developing 5 Salons, you will pay an initial franchise fee of \$20,000 per Salon or a total of \$100,000. To participate in this program, you will be required to (i) sign the Development Addendum at the time you sign your initial Franchise Agreement; (ii) agree with us on a development schedule for the 3 or 5 Salons, which will be reflected in the Development Addendum; (iii) agree with us on the specific geographic territory within which the Salons will be developed; and (iv) pay us in one lump sum the full amount of the cumulative initial franchise fees for the Salons to be developed (either \$67,500 or \$100,000, as the case may be). Once you sign the Development Addendum and pay the cumulative initial franchise fees, the entire amount of the initial franchise fees is fully earned and is non-refundable. Once you develop the number of Salons committed to under your Development Addendum, the Development Addendum will terminate, and the development territory specified in the Development Addendum will be eliminated. At that point, the only territorial rights you will have will be the territory designated in your Franchise Agreement.

The initial franchise fee is uniform, except as stated in this Item 5.

Prior to attending our initial training program, you must pay us for each Salon a training fee in the amount of \$1,250 (“Initial Training Fee”), which fee is in addition to the initial franchise fee for the Salon. The Initial Training is non-refundable and uniform.

Before you open a Salon, you must purchase an initial opening inventory of branded hair care products and supplies from us and our approved suppliers. The total costs for the initial opening inventory for one Salon may range from \$5,000 to \$10,000 depending on your projected needs. You must also pay us \$500 to \$750 for an initial supply of marketing materials relating to the opening of your Salon, and \$2,000 to \$3,000 for interior graphics and signage. Additionally, you must pay us \$18,000 to \$38,000 for equipment, decorations, and furnishings supplied by us for the opening of your Salon. The purchase price for these items is non-refundable.

Except as noted above, you do not pay us or our affiliates any other fees or payments for services or goods before your Salon opens.

ITEM 6

OTHER FEES

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|-------------|-------------------|--|------------|
| Royalty Fee | 5% of Gross Sales | 10 th day of each month for the prior month’s Gross Sales | See Note 1 |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---------------------------------|---|---|--|
| Advertising Fee | 2% of Gross Sales | Same as Royalty Fee | Payable to a separate advertising account, which may be held in our name or the name of a separate entity |
| Product and Equipment Purchases | Will vary under the circumstances | Upon placing of the order | We will provide a price list to you on your request. Products you buy from us will include a profit for us. For some of these products and equipment, we are the sole approved supplier. |
| Renewal Fee | \$2,500 | Before renewal | Payable when, and if, you renew your Franchise Agreement. There are other conditions to renew. |
| Transfer/Assignment Fee | \$5,000 | Before consummation of the transfer or sale | Payable when, and if, you transfer or sell your franchise. No charge if the franchise is transferred to an entity that you control. There are other conditions to transfer. |
| Late Fee and Interest | Currently, \$100 late fee plus lesser of 18% per annum or the highest rate allowed by law | Immediately on demand | Late fee is due on all overdue amounts. We reserve the right to increase the late fee to a maximum amount of \$200 upon written notice to you. Interest begins from the date of non-payment or underpayment. We will not extend credit to you for the purchase of products from us if your payments are more than 30 days past due. After that, you must pay for your product purchases in advance in cash or by cashier's check or certified check. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|-----------------------------------|---|-----------------------|--|
| Audit Expenses | Fee equal to cost of audit, including the charges of any independent accountants, travel expenses and per diem personnel charges. The audit fees will be reasonable for your business. You should check with your accountant to determine what is reasonable. | On receipt of invoice | If you understate any payment owed to us by 2% or more or fail to provide us with any required reports, you must reimburse us for our actual costs incurred in conducting the audit (we may include attorneys' fees, accountants' fees, travel expenses and compensation of our employees), plus \$2,500 for our indirect and overhead expenses. Under the Franchise Agreement, we have the option to require that your annual financial statements be reviewed by a CPA before submitting them to us. |
| Additional Training or Assistance | Trainer fees are approximately \$250 per day plus travel expenses and per diem personnel charges | As incurred | We may provide additional training or assistance to you for an extra charge. If we do, you must reimburse us for travel, living expenses, and other costs incurred by our trainer. As of the date of this Disclosure Document, we do not charge a fee for additional training, but we reserve the right to do so in the future. |
| Indemnification | Will vary under the circumstances | As incurred | You must reimburse us and related parties for all claims arising from your operation of your franchise |
| Insurance Premiums | Premiums and our costs; will vary under circumstances | Immediately on demand | You must reimburse us if we purchase insurance for you because you failed to do so. Check with your insurance agent for a range of the premiums you are likely to pay. |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|--|-------------|---|
| Conferences | Reasonable costs of the conferences, which could increase if our costs increase | Upon demand | If we require you to attend a conference or regional meeting, you may have to pay a reasonable attendance fee, which has been as high as \$250, but has been reduced to \$100. We reserve the right to increase the fee in the future. |
| Reimbursement of Costs and Expenses Regarding Modification of Franchise Agreement | Costs and attorneys' fees | Upon demand | |
| Computer System Fee | Currently, you are not required to pay us or our affiliates a Computer System Fee. | As incurred | <p>We may require you to enter into agreements with, and pay a reasonable fee to, us, our affiliates, or approved suppliers for required modifications and enhancements to the Computer System (as defined in Item 8) or other maintenance and support programs.</p> <p>As of the date of this Disclosure Document, you are not required to pay a Computer System Fee; instead, the Computer System Fee for franchisees is paid from the Ad Fund. We reserve the right at any time to require franchisees to pay the Computer System Fee rather than using Ad Fund fees to pay for the fee.</p> |

| TYPE OF FEE | AMOUNT | DUE DATE | REMARKS |
|---|---|---|--|
| Liquidated Damages (Termination Before Scheduled Expiration Date) | Depends how long Salon operated before termination: (i) \$100,000 if Salon operated for less than 2 years or never opened; (ii) if Salon operated for at least 2 years, either 36 or the number of months remaining in franchise term (had it not been terminated), whichever is shorter, times sum of average monthly Royalty Fees plus average monthly Advertising Fund contributions you had to pay us during 12 months before the month of termination; or (iii) 150% of amount due under (i) or (ii) if we terminate because you violate non-competition restrictions or you terminate the Franchise Agreement without cause | Within 15 days after termination | Payable if we terminate for cause or you terminate without cause |
| Costs of Arbitration Proceeding | Will vary under circumstances | Immediately upon decision of arbitrator | Due if arbitrator determines you owe us all costs of the arbitration, including the arbitrator's costs and our out-of-pocket expenses, but not attorneys' fees |
| Testing of New Supplier | A fee not to exceed the reasonable cost of any evaluation, testing and inspections as undertaken | As arranged | Due only if you request our approval of supplier or item |
| Late Report Fee | \$150 for each applicable report | As incurred | Due if you fail to submit financial statements, reports, and/or other operating data, information, or supporting records when due |

* Unless this Disclosure Document specifically provides otherwise, all fees are imposed by and payable to us and are non-refundable. All fees are uniform except under extraordinary circumstances.

Note 1: "Gross Sales" means the aggregate of all moneys and receipts derived from (i) all products prepared and services performed at your Pigtails & Crewcuts Salon; (ii) sales and orders made, solicited or received at your Pigtails & Crewcuts Salon; (iii) all other business whatsoever conducted or transacted at or from your Pigtails & Crewcuts Salon; (iv) all other revenues derived from the exploitation of the Pigtails & Crewcuts system and/or the Marks by you; and (v) insurance proceeds and/or condemnation awards for loss of sales, profits or business, and whether these Gross Sales are evidenced by cash, credit, check, gift certificates, services, property or other means of exchange. However, there will be excluded from Gross Sales (a) all sales taxes imposed by governmental authorities directly on sales and actually collected from customers, provided such taxes are added to the selling price and are, in fact, paid by you to the appropriate governmental authority; and (b) the amount of discounts to customers in the form of coupon sales up to 5% of Gross Sales, provided the related sales have been included in Gross Sales. Cash refunds and credit given to customers will be deducted in computing Gross Sales to the extent that this cash and credit represent amounts previously included in Gross Sales and on which a Royalty Fee was previously paid. Gross Sales will be deemed to be realized by you at the time of the sale or delivery of the products, merchandise or services, irrespective of the time when you actually receive your payment. Gross Sales consisting of property or services will be valued at their fair market value at the time this property or services were received by or for the account of you. Royalties, advertising fees and all other fees or amounts payable to us are currently withdrawn by us from a bank account specified by you by means of an electronic funds transfer.

ITEM 7

ESTIMATED INITIAL INVESTMENT

| YOUR ESTIMATED INITIAL INVESTMENT | | | | |
|---|-----------------------|--------------------------|---|--------------------------------------|
| (SALON DEVELOPED UNDER FRANCHISE AGREEMENT) | | | | |
| TYPE OF EXPENDITURE | ESTIMATED COST | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
| Initial Franchise Fee (Note 1) | \$30,000 | Lump Sum | Upon signing Franchise Agreement | Us |
| Leasehold Improvements (Note 2) | \$15,000 to \$103,000 | As Arranged | Before opening | Landlord, Contractors |
| Rent (3 months) (Note 2) | \$7,500 to \$18,000 | As Incurred | Before opening and ongoing | Landlord |
| Initial Training Fee | \$1,250 | Lump Sum | Before attending our initial training program | Us |
| Travel and Living Expenses While Training (Note 3) | \$1,250 to \$2,500 | As Incurred | During training | Hotels, Restaurants, Airlines |
| Furnishings, Fixtures, Equipment and Decorating | \$18,000 to \$38,000 | As Arranged | Before opening | Suppliers, Contractors, Us |
| Exterior Signage | \$1,500 to \$11,000 | As Arranged | Before opening | Suppliers, Landlord (possibly), Us |
| Interior Graphics/Signage | \$2,000 to \$3,000 | As Arranged | Before opening | Us |
| Opening Inventory | \$5,000 to \$10,000 | As Arranged | Before opening | Us, Suppliers |
| Opening Supplies | \$3,000 to \$5,000 | As Arranged | Before opening | Suppliers |
| Initial Supply of Marketing and Promotional Materials | \$500 to \$750 | Lump Sum | Before opening | Us |

| YOUR ESTIMATED INITIAL INVESTMENT | | | | |
|--|-----------------------|--------------------------|----------------------------|--|
| (SALON DEVELOPED UNDER FRANCHISE AGREEMENT) | | | | |
| TYPE OF EXPENDITURE | ESTIMATED COST | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
| Computer Hardware/ Software | \$3,500 to \$4,000 | As Arranged | Before opening | Suppliers |
| Grand Opening Advertising (Note 4) | \$3,000 to \$4,000 | As Arranged | Before opening and ongoing | Suppliers |
| Professional Fees | \$1,000 to \$5,500 | As Arranged | Before opening and ongoing | Your Accountants, Attorneys, Real Estate Broker, Architect |
| Miscellaneous Opening Costs (Note 5) | \$2,000 to \$5,000 | As Arranged | As Arranged | Suppliers, Utilities, Tradesmen |
| Additional Funds – 3 months (Note 6) | \$5,000 to \$15,000 | As Arranged | As Arranged | Suppliers, Employees |
| Total Estimated Initial Investment (Notes 7 and 8) | \$99,500 to \$256,000 | | | |

Explanatory Notes

The chart above contains estimates of a franchisee's total initial investment for one Salon, based upon our experience in franchising Pigtales & Crewcuts Salons. The chart should be read in conjunction with the following notes. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

None of these fees or payments are refundable.

Note 1: The initial franchise fee is non-refundable and includes the loan of our Operations Manual. The initial franchise fee may be reduced under the circumstances described in Item 5, including if you agree to develop and operate at least 3 or 5 Salons under a Development Addendum. This chart assumes you have not entered into a Development Addendum.

Note 2: These figures presume that you will be leasing the Pigtales & Crewcuts Salon premises. Leasing expenses will vary depending upon the size of the premises, its location, and the requirements of individual landlords. Landlords typically require payment in advance of the first and/or last (or more) month's rent. The total estimated initial investment shown in the chart

above includes the amount of these estimated pre-opening costs (including the “triple net” costs). Some franchisees prefer to own the Pigtails & Crewcuts Salon premises in which they will operate. The costs of purchasing vary so widely as to preclude reasonable estimation by us, and consequently, this initial investment table does not reflect the potential purchase cost of real estate or the costs of constructing a building. Regardless of whether you lease or purchase the Pigtails & Crewcuts Salon premises, a typical Pigtails & Crewcuts Salon occupies approximately 1,200 to 1,500 square feet of space. The Pigtails & Crewcuts Salon may be either a freestanding building or an in-line retail plaza space, but, in any event, the Salon must have ample parking, good visibility and availability of prominent signage. The cost of leasehold improvements will vary widely depending upon the size and condition of the premises, whether or not there are any existing and comparable leasehold improvements in the premises, the extent and quality of improvements desired by you over and above our minimum requirements, landlord’s cash contribution to the cost of the improvements, and the like. The amount shown is based upon our past experience. These figures may vary considerably throughout different parts of the United States.

Note 3: In addition to paying us the Initial Training Fee, you must arrange and pay for all food and lodging expenses for the people who attend the initial training program. Costs vary depending on the distance traveled and the type of lodging.

Note 4: You must, at your expense, implement a grand opening marketing program for your Salon consistent with the requirements in the Operations Manual and other Operating System standards. At least 45 days before your Salon’s grand opening date, you must prepare and submit to us for our approval a proposed grand opening marketing program reflecting expenditures of at least \$3,000 and covering a period before and after the grand opening date that we specify. You must implement the approved grand opening marketing and pay all expenses consistent with the grand opening marketing program approved by us.

Note 5: This figure includes security deposits, utility costs, insurance premiums, business licenses, and permits.

Note 6: This estimates your expenses during the first three months of operation. These expenses include payroll costs (excluding any wage or salary paid to you), other miscellaneous expenses and working capital. These figures are estimates based on our past business experience. We cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors like how closely you follow our methods and procedures; your management skill, experience and business knowledge; local economic conditions; the local market for our product; the prevailing wage rate; competition; and the sales level achieved during the initial period.

Note 7: We relied on our and our predecessor’s experience in operating the original Pigtails & Crewcuts Salon, and our management’s business acumen to compile these estimates.

Note 8: We do not offer direct or indirect financing to franchisees for any of these items. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, collateral you pledge, policies of your lending

institution, and economic conditions in your area. The estimate does not include any finance charges, interest, or debt service obligations. See also Item 10 of this Disclosure Document.

| YOUR ESTIMATED INITIAL INVESTMENT | | | | |
|--|---|--------------------------|--------------------------------------|--------------------------------------|
| (DEVELOPMENT OF MULTIPLE SALONS UNDER DEVELOPMENT ADDENDUM – (for a Minimum of Three Salons)) | | | | |
| TYPE OF EXPENDITURE | ESTIMATED COST | METHOD OF PAYMENT | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
| Initial Franchise Fees | \$67,500 (Note 1) | Lump Sum | Upon Signing of Development Addendum | Us |
| TOTAL (for development of first Salon) (Notes 2 and 3) | \$137,000 to \$293,500 See Table above for range of development costs for each Salon | | | |

Explanatory Notes

The chart above contains an estimate of a franchisee’s total initial investment in connection with the execution of a Development Addendum for the development of three Salons. (You may develop only three or five Salons under the Development Addendum.) The chart should be read in conjunction with the following notes. You should review these figures carefully with a business advisor before making any decision to enter into a Development Addendum.

All amounts that you pay to us or our affiliates are non-refundable. Third party suppliers will decide if payments to them are non-refundable.

Note 1: Upon signing the Development Addendum, you must pay us the initial franchise fee for each Salon that you agree to develop. If you sign a Development Addendum for the development of three Salons, the initial franchise fee for each Salon is reduced to \$22,500, for a total of \$67,500. If you sign a Development Addendum for the development of five Salons, the initial franchise fee for each Salon is reduced to \$20,000, for a total of \$100,000. The total initial investment to begin operation if you acquire development rights for a minimum of three Salons is \$137,000 to \$293,500.

Note 2: For each Salon that you develop under a Development Addendum, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Salon, as described in the first table in this Item 7. At the time that you sign each Franchise Agreement executed under the terms of the Development Addendum, however, you

will not be required to pay an initial franchise fee for the applicable Salon as the initial franchise fee for that Salon was paid in full upon signing the Development Addendum.

Note 3: We do not offer direct or indirect financing to franchisees for any of these items.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as described below, you are not obligated to purchase or lease from us, our affiliates, or designated or approved suppliers or under our specifications, any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, or real estate relating to operating your Salon. You must ensure that the Salon strictly complies with all applicable laws and maintains adequate insurance policy coverage in the amounts that we periodically specify.

You must operate your Salon according to our specifications, rules and standards, (collectively the "Standards"), which may regulate, among other things, the type and brands of products and supplies your Salon uses; required and authorized products and services that the Salon must offer to customers and standards and specifications for those products and services; designated and approved suppliers of products and services for the Salon; and types and brands of equipment, merchandise, employee uniforms, furnishings, fixtures, inventory, paper products, packaging, and other items used, sold, displayed or distributed in your Salon. The standards are contained in the Operations Manual or otherwise communicated to you by us in writing. We may, at any time, change, delete, add to or modify any of our Standards. These changes, deletions, additions or modifications, which will be uniform for all franchisees, may require additional expenditures by you. You may purchase these items from any approved supplier, although for many items there may only be one approved supplier. If we do not designate an approved supplier for an item, you must purchase the item from a supplier who meets the Standards for the item. We intend to be an authorized supplier of certain products and equipment, and we may even be the sole designated supplier of one or more items, in which case, you would have to buy the item from us at our then-current price (which will exceed costs and include a profit margin). We have the right to designate our affiliate as a designated or approved supplier and as the sole designated and approved supplier. Currently, we are the only approved supplier of certain shampoos, washes, and conditioners, most of which bear our trademark. Additionally, we are the only approved supplier for selected printed materials like frequent customer cards, point-of-sale displays and mailers and for selected furniture items like kids chairs and sofas. We do not have any affiliates that are currently approved suppliers of any products or services to the franchise system. Our Operations Manual will contain the names of approved or designated suppliers, which may include us and/or our affiliates, as modified periodically by us. None of our officers currently owns an interest in any suppliers to the system.

You will be billed a reasonable mark-up, surcharge and handling fee on all supplies, products, furniture and equipment that you purchase from us, including purchases we make on behalf of you from a third party supplier, in an amount as we may periodically prescribe. The mark-up, surcharge and handling fee will generally range between 0% and 10% of the total order placed by you with us, although we have the right to adjust these percentages upward. We

derive revenues (and profits) from your purchases from us. During fiscal year 2022, we received revenues of \$139,215 of our total revenues of \$1,689,832, or 8.24% of our total revenues, from franchisee purchases of these items from us.

We have the right to receive payments from suppliers based upon their dealings with you and other franchisees and to use the monies we receive without restriction for any purpose we deem appropriate or necessary. Although not required, we may negotiate purchase arrangements with suppliers for the benefit of our franchisees. We may receive fees from a supplier as a condition of our approval of that supplier. We do not provide material benefits to franchisees (for example, renewal of existing or granting additional franchises) based on their use of designated or approved suppliers. We do not currently receive payments from authorized suppliers related to their dealings with our franchisees and the Pigtails & Crewcuts system.

We estimate that purchases and leases made by you from designated or approved suppliers, or according to our standards and specifications will represent 95% or more of your total cost of establishing and approximately 10% of the total cost of operating your Salon.

Site Selection. You may not enter into a lease or purchase agreement for the premises for your Salon until we have accepted the location of the premises. In addition, you must submit for acceptance by us a site plan and any modification to our specifications for the Salon. The construction of the premises must be completed according to our specifications. Any lease or similar encumbrance with respect to the premises must include, among other things, a provision permitting you to assign your interest in the premises to us when your Franchise Agreement expires or terminates. In addition, it must incorporate the other provisions specified in the Franchise Agreement.

Advertising. Any advertising or marketing materials not prepared or previously approved by us must be submitted to us for approval at least one week before any publication or run date. All advertising and promotion must be factually accurate and must not detrimentally affect the Marks or the Pigtails & Crewcuts franchise system. We may, in our sole discretion, withhold our approval if we determine that the materials do not fit within our promotional concept for the Pigtails & Crewcuts franchise system or that the advertising materials may be damaging to the franchise system or that otherwise are inconsistent with our concept of advertising the Salon. We will promptly provide you with written notification of our approval or disapproval. You must discontinue your use of any approved advertising within five days of your receipt of this request if we subsequently request you to do so.

Computer Hardware and Software. You must purchase or lease and/or license (as specified by us) and install at your Salon, at your sole expense, the computerized point-of-sale system, computer systems, software, hardware, telephone lines, network connections, communications equipment, high speed internet access, and other equipment that we require periodically (collectively, "Computer System"). Each component of the Computer System must be approved by us, and you must purchase components of the Computer System only from approved suppliers, which may include us and/or our affiliates. We may require you to purchase or lease any component of the Computer System from a single source, which may include us and/or our affiliates. Currently, we have one approved supplier for the Computer System.

Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and you must meet the other insurance-related obligations in the Franchise Agreement. You must at all times during the term of the Franchise Agreement maintain in force at your sole expense and under policies of insurance issued by carriers approved by us:

- (a) Comprehensive public and product liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Salon or otherwise in conjunction with your conduct of the business under the franchise. Such insurance coverage will be maintained under one or more policies of insurance containing minimum liability protection of \$2,000,000 combined single unit of bodily and personal injury, death and property damage;
- (b) All insurance required under the lease for your Salon;
- (c) Worker's compensation insurance;
- (d) Employment Practices Liability Insurance; and
- (e) Business interruption insurance in amounts sufficient to cover loss of income and other expenses for a minimum of six months.

All insurance policies will name us (and our members, officers, directors, and employees) and our affiliate(s) as additional insureds, contain a waiver by the insurance carrier(s) of all subrogation rights against us, and will provide that we receive 20 days' prior written notice of termination, expiration, cancellation or modification of any such policy. If any of your insurance companies fail to give us the required notice, the policy of that company may be disapproved by us. Under those circumstances, you will be required to find additional coverage satisfactory to us with an alternative carrier.

Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances.

You will provide us annually a copy of the certificate of insurance or other evidence of the renewal or extension of each required insurance policy. Your failure to provide insurance coverage as indicated will be considered a default and subject to termination. The cost of your insurance will vary depending on the insurance carriers' charges, the terms of payment, and your insurance history.

Request for Supplier Approval. If you propose to purchase any products, equipment or other items from a supplier that we have neither designated nor approved as meeting our Standards, you must submit a written request to us with information and samples we consider necessary to determine whether the item and source meet our then current criteria. The proposed supplier must provide us with certain financial and operational information and permit our representatives to inspect its facilities (e.g. business offices and/or manufacturing facilities, as

applicable). Before we approve a supplier, we will evaluate the economic terms of a possible relationship and ensure that the proposed supplier meets our requirements. We reserve the right, at our option, and at the proposed supplier's expense, to inspect or re-inspect the facilities, equipment, and raw materials of any supplier, at any time.

The proposed supplier must pay, in advance, a fee not to exceed the reasonable cost of any evaluation, testing, and inspections we undertake. We will, within 30 days after we receive the completed request and after we complete any evaluation and inspection or testing, notify you in writing of our approval or disapproval of the proposed supplier. We may condition our approval on the new suppliers; willingness and ability to comply with our Standards and other criteria. We may refuse any of your requests for supplier approval if we already have designated a particular source for the item and we do not desire to expand the list of approved sources. We are not required to approve any supplier. You must not offer for sale or sell any of the proposed supplier's products until you receive our written approval of the proposed supplier.

We may revoke our approval of particular goods or services, or of the supplier that supplies them, if we determine, in our sole discretion, that they no longer meet our standards or specifications. If you receive a written notice of revocation from us, you must stop selling disapproved products and/or stop purchasing from the disapproved supplier.

Currently, we have not arranged any purchasing and/or distribution cooperatives, associations, or programs among our franchisees.

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 OR EXHIBIT IN AGREEMENT | SECTION IN DEVELOPMENT ADDENDUM | DISCLOSURE DOCUMENT ITEM |
|--|--|---------------------------------|--------------------------|
| a. Site selection and acquisition/lease | Sections 3.1, 3.2 and 3.3 of Franchise Agreement | Section 5 and Exhibit B | Items 7, 8, 11 and 12 |
| b. Pre-opening purchases/leases | Sections 3.1, 3.2, 3.3, 3.4 and 3.6 of Franchise Agreement | Not Applicable | Items 5, 7, 8 and 11 |
| c. Site development and other pre-opening requirements | Sections 3.1, 3.4 and 3.6 of Franchise Agreement | Section 6 | Items 7, 8 and 11 |

| OBLIGATION | SECTION OR EXHIBIT IN AGREEMENT | SECTION IN DEVELOPMENT ADDENDUM | DISCLOSURE DOCUMENT ITEM |
|---|--|--|---------------------------------|
| d. Initial and ongoing training | Sections 2.1, 7.2, and 8.1 of Franchise Agreement | Not Applicable | Items 6, 7 and 11 |
| e. Opening | Section 3.7 of Franchise Agreement | Section 4 | Item 11 |
| f. Fees | Sections 7 and 16.3 of Franchise Agreement; | Section 2 | Items 5, 6, 7, 8 and 11 |
| g. Compliance with standards and policies/Operations Manual | Sections 2.2, 2.4, 3.4, 8.1 and 8.2 of Franchise Agreement | Not Applicable | Items 8, 11, 13, 14 and 16 |
| h. Trademarks and proprietary information | Sections 4 and 5 of Franchise Agreement | Not Applicable | Items 8, 11, 13 and 14 |
| i. Restrictions on products/services offered | Section 8.1 of Franchise Agreement | Not Applicable | Items 8, 11 and 16 |
| j. Warranty and customer service requirements | Not Applicable | Not Applicable | Items 12 and 16 |
| k. Territorial development and sales quotas | Not Applicable | Sections 3 and 4 | Not applicable |
| l. Ongoing product/service purchases | Sections 2.2, 3.6, 7.7 and 8.1 of Franchise Agreement | Not Applicable | Items 6, 7 and 8 |
| m. Maintenance, appearance and remodeling requirements | Sections 3.4, 3.6 and 8.2 of Franchise Agreement | Not Applicable | Items 8 and 11 |
| n. Insurance | Section 8.4 of Franchise Agreement | Not Applicable | Items 6, 7 and 8 |
| o. Advertising | Sections 7, 8.1, 8.3 and 9 of Franchise Agreement | Not Applicable | Items 6, 7, 8 and 11 |
| p. Indemnification | Sections 6.5 and 6.6 of Franchise Agreement | Not Applicable | Item 6 |

| OBLIGATION | SECTION OR EXHIBIT IN AGREEMENT | SECTION IN DEVELOPMENT ADDENDUM | DISCLOSURE DOCUMENT ITEM |
|--|---|--|---------------------------------|
| q. Owner's participation/management/staffing | Sections 2.1, 2.4, 2.5 and 8.1 of Franchise Agreement | Not Applicable | Items 11 and 15 |
| r. Records and reports | Section 10 of Franchise Agreement | Not Applicable | Item 11 |
| s. Inspections and audits | Sections 8.2, 10 and 11 of Franchise Agreement | Not Applicable | Item 6 |
| t. Transfer | Sections 7.6 and 12 of Franchise Agreement | Section 8 | Items 6 and 17 |
| u. Renewal | Sections 1.5, 7.6 and 13 of Franchise Agreement | Not Applicable | Items 6 and 17 |
| v. Post-termination obligations | Section 15 of Franchise Agreement | Not Applicable | Items 14, 15 and 17 |
| w. Non-competition covenants | Sections 1.4, 2.4, 5.3 and 15.4 and Exhibits C and D of Franchise Agreement | Not Applicable | Items 15 and 17 |
| x. Dispute resolution | Section 16.4 of Franchise Agreement | Not Applicable | Item 17 |
| y. Personal Guarantees | Section 1.3 and Exhibit B of Franchise Agreement | Not Applicable | Item 15 |
| z. Confidential Information | Sections 1.4, 2.2, 2.4, 5.1 and 5.2 and Exhibits C and D of Franchise Agreement | Not Applicable | Items 11, 14 and 15 |

ITEM 10

FINANCING

Neither we nor our affiliates offer any direct or indirect financing. Neither we nor our affiliates guarantee any of your notes, leases or obligations.

ITEM 11

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

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

Services Before Opening. Before you begin operating your Salon, we will:

(a) License you the Marks necessary to commence the franchised business (see Franchise Agreement, Section 1.2).

(b) Loan you a copy of our Operations Manual, which contains mandatory and suggested specifications, standards, and procedures. The Operations Manual may be provided to you in text and/or electronic format. The Operations Manual is confidential and proprietary and remains our property. We have the right to modify the Operations Manual as we deem appropriate, although the modifications will not alter your status and rights under the Franchise Agreement (see Franchise Agreement, Section 2.2). See Exhibit B for a copy of the Table of Contents of the Operations Manual. As of the date of this Disclosure Document, the Operations Manual contains a total of 162 pages. You must comply with the terms of the Operations Manual (other than any personnel and security-related policies and procedures, which are for your optional use). Because complete and detailed uniformity under many varying conditions might not be possible or practical, we may, as we deem best, vary Standards for any Salon based upon the peculiarities of any condition or factors that we consider important to that Salon's successful operation. We need not grant you a similar variation or accommodation.

(c) Within 90 days of your signing the Franchise Agreement, assist you in selecting, and then approving (if appropriate) a lease for your Salon site. We do not choose the site, but will give support and guidance (see Franchise Agreement, Section 3).

(d) Once we approve your site, we will designate a territory for you in Exhibit A to the Franchise Agreement (see Franchise Agreement, Section 1.2).

(e) Provide you with a copy of the design plans and build-out specifications for your Salon, and a written list of designated suppliers for the purposes of acquiring products, fixtures, furnishings, signs, and other equipment. We must approve any and all changes or revisions to the design plans and/or build-out specifications for your Salon before you begin construction (see Franchise Agreement, Sections 3.4 and 3.6).

(f) Help you put together your order for opening inventory (see Franchise Agreement, Section 3.6).

(g) Before your commencement of Salon operations, train you and your Operating Manager, if someone other than you, for a period of three days at a location designated by us and two days on-the-job-training at your Salon (see Franchise Agreement, Section 2).

Services During Operation. During your operation of the Salon, we will:

- (a) Give you periodic guidance (as we deem necessary) about (i) the methods and procedures to be utilized at the Salon; (ii) child haircut and hair care product sales; (iii) offering and conducting children's birthday parties; (iv) formulating and implementing advertising and promotional programs; and (v) establishing administrative, accounting and general operating procedures (see Franchise Agreement, Section 2.3).
- (b) Receive and process your orders for inventory (see Franchise Agreement, Section 8.1).
- (c) Notify you of changes to, or the creation of, Salon standards and specifications and additional approved or designated suppliers, or the termination of existing approved or designated suppliers (see Franchise Agreement, Section 8.1).
- (d) Refrain from operating or granting a third party the right to operate a Pigtales & Crewcuts Salon in your territory (see Franchise Agreement, Section 1.2).
- (e) Review and, if appropriate, approve advertising and promotional materials you intend to use (see Franchise Agreement, Section 8.1).
- (f) As we deem necessary, provide other resources and assistance we develop for you and other franchisees.
- (g) Complete and ship products, equipment and supplies that you order from us.
- (h) Conduct additional training if you request and if we have personnel available.

Advertising.

You must, at your expense, implement a grand opening marketing program for your Salon consistent with the requirements in the Operations Manual and other Operating System standards. At least 45 days before your Salon's grand opening date, you must prepare and submit to us for our approval a proposed grand opening marketing program reflecting expenditures of at least \$3,000 and covering a period before and after the grand opening date that we specify. You must implement the approved grand opening marketing and pay all expenses consistent with the grand opening marketing program approved by us.

We provide advertising materials and services to you through a national advertising fund we have established (the "Ad Fund"). You must participate in the Ad Fund by contributing 2% of your monthly Gross Sales. The Ad Fund is not our asset and it will be established as a discreet banking account and monies received from you will be accounted for separately from our other funds. There is no fiduciary or trust relationship created by our administering the Ad Fund. We anticipate all of our franchisees will contribute to the Ad Fund, although there is no prohibition against us charging higher or lower rates for future franchisees. If we own any Salons, we will contribute to the Ad Fund on the same basis as franchisees contribute.

We direct all advertising programs developed with funds from the Ad Fund and have sole discretion over the creative concepts, materials, media used, media placement, and allocation of these programs. Any advertising program or campaign we develop may include dissemination of advertising through print, radio, television, point-of-purchase materials, or other media. This coverage may be local, regional or national in scope. We may employ an advertising agency or other agency to assist in the development, production and dissemination of advertising materials, or we may hire personnel to perform these functions. We have no obligation to spend any amount on advertising in the area where your Salon is located, nor do we guarantee that you will benefit directly or in proportion to your contribution to the Ad Fund. Any amounts that remain in the Ad Fund at the end of a year will be applied toward expenses in the next or succeeding years.

We may charge all costs of the formulation, development and placement of advertising and promotional materials to the Ad Fund. These costs may change to include the proportionate share of our employees who devote time and render services for advertising and promotion or the administration of the Ad Fund. We have the right to use the Ad Fund to pay license fees to the Motion Picture Licensing Corporation for the right of our franchisees to show movies (e.g. VCR or DVD formats) at their Salons. We will not use the funds of the Ad Fund for our general operating expenses, but we may use the Ad Fund to pay the reasonable salaries, benefits and expenses of personnel who manage, administer and/or perform services for or on behalf of the Ad Fund; the Ad Fund's other administrative costs; travel expenses of personnel who are on Ad Fund business; meeting costs; and other costs for equipment, supplies and other materials relating or allocable to Ad Fund business; and other expenses that we incur in activities reasonably related to administering or directing the Ad Fund and its programs, including conducting market research and other research and development activities, public relations, preparing advertising, promotion, and marketing materials, and collecting and accounting for contributions. The Ad Fund is not audited. Upon the request of a franchisee, we will provide the franchisee with unaudited financial statements for the Ad Fund. We will not use funds from the Ad Fund for advertising that is principally a solicitation for the sale of franchises. We may use legal proceedings or collection agents to collect Ad Fund contributions, and expenses associated with both will be paid by the Ad Fund. We have the right to forgive, waive or settle all claims by or against the Ad Fund. We may reduce a franchisee's contribution to the Ad Fund. If we terminate the Ad Fund, we will distribute all unspent monies to the contributors in proportion to their contributions to the Ad Fund during the preceding 12 months.

The Ad Fund may spend in any fiscal year more or less than the total contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest (if any) earned on contributions to pay costs before using the Ad Funds' other assets. During fiscal year 2022, the Ad Fund spent 1% of its total expenditures on administration, 67% on production of advertising and marketing materials, 28% on media placement, 1% on website and other electronic communications, and 3% on licensing fees.

We may cause the Ad Fund to be incorporated or operated through a separate entity if we deem appropriate, but the Ad Fund is not our asset.

Any advertising or marketing materials not prepared or previously approved by us must be submitted to us at least one week before any publication or run date for approval. All advertising and promotion must be factually accurate and must not detrimentally affect the Marks or the Pigtails & Crewcuts franchise system. We may, in our sole discretion, withhold our approval if we determine that the materials do not fit within our promotional concept for the Pigtails & Crewcuts franchise system or that the advertising materials may be damaging to the franchise system. We will provide you with written notification of our approval or disapproval within a reasonable time. You must discontinue your use of any approved advertising within five days of your receipt of this request if we subsequently request you to do so (see Franchise Agreement, Section 8.3).

We or our affiliates may establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "Digital Marketing") that are intended to promote the Marks, your Salon, and the entire network of Salons. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Salon.

We do not restrict where you can conduct your advertising, and other franchisees will not be precluded from advertising in your territory just like you will not be restricted from advertising in someone else's territory. We or our affiliates may advertise within your territory for the sale of products and supplies.

No advertising or promotion may be conducted by you over the Internet/worldwide web, whether within or outside your territory, without our consent, which we can withhold for any or no reason. You may not develop, maintain or authorize any website, other online presence or other electronic medium that mentions or describes the Salon or its products or services or displays any of our Marks without our prior approval. You may not conduct commerce or directly or indirectly offer or sell any products or services using any website; another electronic means or medium, over otherwise over the Internet.

There are currently no franchise advertising councils that advise us on advertising and marketing policies. However, we may form, change, and dissolve these councils.

Computer Hardware and Software. You will promptly purchase or lease and/or license (as specified by us) and install at the Salon, at your sole expense, the Computer System that we require. We publish the then-current specifications (including the necessary components) for the Computer System in our Operation Manuals. Currently, the Computer System includes a personal computer system with customer display, a cash drawer, receipt printer, scanner, monitor, keyboard, pin pad, barcode scanner, two tablets, label printer, point-of-sale software, Quickbooks Online financial, and high-speed Internet access.

Each component of the Computer System must be approved by us, and you must purchase components of the Computer System only from approved suppliers, which may include us and/or our affiliates. We may require you to purchase any component of the Computer System from a single source, which may include us and/or our affiliates. Currently, there is one

approved supplier for the Computer System. The estimated cost of the current Computer System ranges is \$3,500 to \$4,000, which includes the computer hardware and point-of-sale system software. In addition, you must pay the approved supplier of the Compute System a monthly fee ranging from \$200 to \$400 to access the software system and Quickbooks online.

You must use the Computer System consistent with our standards. If it becomes advisable at any time, in our sole discretion, for us to change, upgrade, or discontinue use of any component of the Computer System, you will comply with our directions, at your expense, within a reasonable time after notice to you. We will have no liability or obligation whatsoever with respect to our requirement that you modify or discontinue use of any component of the Computer System or any unauthorized modifications to the Computer System that you make. We may require you to enter into agreements with, and pay a reasonable fee to, us, our affiliates, or approved suppliers for required modifications and enhancements to the Computer System or other maintenance and support programs. Currently, we provide you with technical support for the Computer System, and we reserve the right to charge a reasonable fee for providing this support. As of the date of this Disclosure Document, we are not charging franchisees this fee. Instead, these fees for franchisees are paid out of the Ad Fund. We reserve the right at any time to cease having the fees paid by the Ad Fund and, instead, charge franchisees directly for these support fees. We do not expect that there will be compatible equivalent components of our approved point-of-sale system available to franchisees.

You must use the Computer System, among other things, to post all product and service sales, keep inventory control, post sales tax, refunds and credits, and maintain customer information. You must maintain the Computer System in good working order at all times, and, as stated above, periodically upgrade or update the system during the term of the Franchise Agreement according to our directives. There are no limitations on the frequency and cost of this obligation. We reserve the right to poll your Computer System at any time, whether during normal business hours or at other times during the day in order to retrieve and compile information concerning your Salon, although our current point-of-sale software (as of the date of this Disclosure Document) does not allow us to do so (see Franchise Agreement, Section 10). If, and when, the point-of-sale software permits us to independently poll your Computer System, we intend to do so, and we will have the right to use data and information derived from polling your Computer System in any manner that we deem appropriate. (If, however, we include that information in our Franchise Disclosure Document and promotional materials, we will not individually identify you or the Salon.) In doing so, we will not disrupt your normal business operations, and you are required to allow us to access the Computer System. We also reserve the right to change and periodically update our Computer System specifications.

You also are required to comply with our standards for processing electronic payments and all other standards, laws, rules and regulations applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments, including the Payment Card Industry (“PCI”) Data Security Standards, Fair and Accurate Credit Transactions Act. All costs of complying with such electronic payment requirements are at your expense.

Site Selection. The site on which your Salon is located must be accepted by us. You must submit to us for our approval the location of the site within 180 days after you and we sign

the Franchise Agreement (see Franchise Agreement, Section 3.2). The site for your Salon may be leased or owned by you. Our approval of a site will be based on the information you give us to review, including a site plan. The information you give us generally should include: (i) square footage; (ii) traffic patterns, flow, and total count; (iii) density and income level of the surrounding population; (iv) land and building costs; (v) zoning patterns; (vi) surrounding educational and recreational facilities; (vii) terms of the lease, if any; (viii) the distance from competing businesses, including other Pigtales & Crewcuts Salons; (ix) area population of children under 12 years old; and (x) other factors having a substantial bearing on the proposed site.

We will notify you of our approval or disapproval of your proposed site within a reasonable time, which is generally 10 days after we receive all relevant information for our review.

If we are unable to agree upon a site within 180 days after you and we sign the Franchise Agreement, or according to any extensions of the 180-day limit that we may approve in writing, the Franchise Agreement will be terminated, and the initial franchise fee will not be refunded. If you do not complete the construction or build-out of your Salon within nine months after you and we sign the Franchise Agreement, or according to any extensions of the nine-month limit that we may approve in writing, we may terminate the Franchise Agreement and keep the initial franchise fee.

Start-up Time. We expect that franchisees will typically open their Pigtales & Crewcuts Salon three to nine months after they sign the Franchise Agreement. The factors that affect this timing are identification of a suitable location, financing, building permits, zoning, local ordinance issues, and delayed installation of equipment, fixtures, and signs.

Conferences and Meetings. Although we are not obligated under the Franchise Agreement, we may hold periodic conferences, management meetings or refresher courses to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, and the like. These conferences may be held at our Atlanta, Georgia location or another location that we may designate. We may charge you a fee to attend these meetings or conferences. You must pay your own travel and accommodation expenses (see Franchise Agreement, Sections 2.1 and 2.5).

Electronic Funds Transfer. You must sign, as we require, our then-current form of authorization agreement for pre-authorized payments, which permits us to debit your account monthly for payment of royalty and advertising fees and debit your account as we deem necessary for product purchases from us (see Franchise Agreement, Section 7.4).

Training. Below is a description of our initial 5-day training program as of the date of this Disclosure Document. Training programs are subject to change as procedures and processes change. Prior to the opening of your Salon, you (or, if you are a business entity, each person having an ownership interest in you of 25% or more) and the Operating Manager (if someone other than you or one of your owners having an ownership interest in you of 25% or more) must attend and successfully complete to our satisfaction our initial training program in the operation of a Salon. Currently, however, we require only you (or, if you are a business entity, one of your

principal owners) and your Operating Manager (if someone other than you or the applicable principal owner) to attend and complete to our satisfaction our initial training program. If the designated individuals fail to complete the initial training program as required, we have the option of terminating your Franchise Agreement, and you will not be entitled to a refund of your initial franchise fee. Training will occur at our facility in Atlanta, Georgia, or at another facility that we will designate, and at a designated Pigtails & Crewcuts Salon. During fiscal year 2022, we expect to conduct our initial training program at least four times. See Item 7 for a description of costs and expenses associated with the initial training program (see Franchise Agreement, Section 2.1). In connection with our initial training program, you must pay us the Initial Training Fee and pay for your and your employees' wages, travel and other expenses incurred during training.

During the term of the Franchise Agreement, we may require you or your Operating Manager and/or previously trained and experienced personnel to attend and satisfactorily complete various training courses, programs and conventions that we choose to provide periodically at the times and locations we designate, although currently none are offered or planned. We also may require any new Operating Manager for your Salon to satisfactorily complete a training program that we have approved before they begin working for you. We may charge reasonable fees for these training courses, programs and conventions. You must pay all wages, benefits, travel and other expenses that you and your personnel incur in these courses, programs or conventions.

The initial training program instructional materials include various training aids including detailed handouts (such as menu and birthday party descriptions, advertising and marketing examples), vendor reference materials (such as user guides, pricing guidelines, etc.), operations forms (such as checklists and financial spreadsheets) and the Operations Manual.

TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---|-----------------------------|------------------------------|-------------|
| DAY 1 | | | |
| Welcome/ Meet & Greet | 0.5 | 0 | Atlanta, GA |
| Salon Mission & Obligations | 1 | 0 | Atlanta, GA |
| Pre-Opening & Equipment | 1.25 | 0 | Atlanta, GA |
| Lunch | 0 | 0 | Atlanta, GA |
| Retail/ Product Lines/ Approved Vendors | 1.25 | 0 | Atlanta, GA |

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|--|------------------------------------|-------------------------------------|-----------------|
| Party Overview | .75 | 0 | Atlanta, GA |
| National Vendors | 1.25 | 0 | Atlanta, GA |
| End of Day/ Wrap Up | .25 | 0 | Atlanta, GA |
| DAY 2 | | | |
| Question/ Answer | .25 | 0 | Atlanta, GA |
| Employee Management/ Operations | 2.75 | 0 | Atlanta, GA |
| Lunch | 0 | 0 | Atlanta, GA |
| In-Salon Training | 0 | 5 | Atlanta, GA |
| DAY 3 | | | |
| Question/ Answer | .25 | 0 | Atlanta, GA |
| Financial Overview | 1.5 | 0 | Atlanta, GA |
| Intro to POS | 2 | 0 | Atlanta, GA |
| Lunch | 0 | 0 | Atlanta, GA |
| Intro to POS | 3.5 | 0 | Atlanta, GA |
| Closing Books | 1.5 | 0 | Atlanta, GA |
| DAY 4 | | | |
| Question/ Answer | .25 | 0 | Atlanta, GA |
| Franchisee/ Franchisor Relationship | 1.5 | 0 | Atlanta, GA |
| QuickBooks Review | 2 | 0 | Atlanta, GA |
| Lunch | 0 | 0 | Atlanta, GA |
| Marketing | 3 | 0 | Atlanta, GA |

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---------------------|------------------------------------|-------------------------------------|-----------------|
| End of Day/ Wrap Up | .25 | 0 | Atlanta, GA |
| DAY 5 | | | |
| Question/ Answer | .25 | 0 | Atlanta, GA |
| Marketing Part 2 | 1.5 | 0 | Atlanta, GA |
| Test & Graduation | .75 | 0 | Atlanta, GA |
| TOTALS | 27.5 | 5 | |

Explanatory Notes:

Note 1: Our training instructors have the following experience and concentration in the areas they will be teaching:

Wade Brannon has 35 years of franchise industry experience and 15 years of experience teaching the subjects described above which are specific to a Pigtails & Crewcuts franchise or a franchise in the children’s haircutting industry.

Michelle Holliman has 24 years of franchise industry experience and 14 years of experience teaching the subjects which are specific to a Pigtails & Crewcuts franchise or a franchise in the children’s haircutting industry.

Theresa Vona has 20 years of franchise industry experience and 10 years of experience teaching the subjects which are specific to a Pigtails & Crewcuts franchise or a franchise in the children’s haircutting industry.

ITEM 12

TERRITORY

You will operate your Salon from a location that we approve. You may relocate the Salon only with our prior written approval. If the Salon’s lease expires and is not renewed or if the landlord terminates the Salon’s lease, you will have 30 days to relocate the Salon, provided you are not in breach of the lease or otherwise in default under the Franchise Agreement. If you relocate the Salon, you will pay all expenses and liabilities to terminate the lease and complete the move. Your failure to relocate the Salon within the 30-day period will be considered a default under the Franchise Agreement and subject to termination. You may not operate any part of your franchise from any other location without our prior approval. We have not established a set of conditions or criteria under which we evaluate or approve relocation requests.

We will grant you an exclusive territory (the “Territory”), which will consist of a three-mile radius around the site of your Salon. The Territory is not identified until the site of your Salon is selected, which means the site is approved by us. Once the site is selected and approved by us, it is added to Exhibit A to the Franchise Agreement, and we both sign Exhibit A. As long as you are in compliance with the Franchise Agreement, during the term of the Franchise Agreement, we will not operate a Pigtails & Crewcuts Salon within your Territory, and we will not authorize anyone else to do so.

Except as specifically described in the preceding paragraph, your right to use our operating system and the Marks granted under the Franchise Agreement is non-exclusive. We retain the right in our sole discretion to:

(1) Establish, and grant to other franchisees or licensees the right to establish, a Pigtails & Crewcuts salon or any other business using the Marks, the operating system or any variation of the Marks and the operating system, in any location outside the Territory, on any terms and conditions that we deem appropriate;

(2) Develop, use and franchise anywhere (including within the Territory) the rights to any trade names, trademarks, service marks, commercial symbols, emblems, signs, slogans, insignia, patents or copyrights not designated by us as Marks, for use with similar or different franchise systems for the sale of similar or different products or services than those constituting a part of the operating system without granting you any rights;

(3) Ship, sell and provide products identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Territory through any distribution channels, including grocery stores, pharmacies, Internet websites, catalog sales, telemarketing, and delivery services irrespective of the proximity to your Salon without compensation to you; provided, however, that any sales will not be made from a Pigtails & Crewcuts salon located in the Territory; and

(4) Take any other action that we are not expressly prohibited from taking under the Franchise Agreement.

Other than through the Development Addendum described below, you have no options, rights of first refusal or similar rights to acquire additional franchises. Neither we nor any of our affiliates operates, franchises, or has present plans to operate or franchise a business under a different trademark that sells or will sell products or services similar to those that you will offer, although we may do so in the future.

You may solicit customers and advertise your Salon anywhere you choose. There are no restrictions on you, any of our other franchisees, or us to prevent any soliciting or advertising in someone else’s protected territory. No franchisee is obligated to pay compensation to another franchisee for soliciting customers from the other franchisee’s territory. You may only sell products at retail to customers who are physically present at the Salon. You may not sell products or services at wholesale. You may not offer or sell any products or services through telemarketing, catalog sales, mail order or a website, another electronic means or medium, or otherwise over the Internet.

We maintain the right to operate company-owned Pigtales & Crewcuts Salons anywhere other than in a franchisee's Territory. We also reserve the right to operate, for ourselves or others, businesses using the Marks to distribute products or offer services that may be similar to or different from those found in Pigtales & Crewcuts Salons, both within and outside a franchisee's Territory, so long as we do not do so through the operation of a Pigtales & Crewcuts Salon. We also reserve the exclusive right to sell products identified with the Marks both within and outside your Territory through any distribution channels (whether at retail or wholesale), including sales through catalogs, the Internet and other e-commerce, mail order, kiosks, mass merchandise, supermarkets and club stores, except through the operation of a Pigtales & Crewcuts Salon, even if you sell these products at your Pigtales & Crewcuts Salon. Nothing restricts us or our affiliates from soliciting and accepting orders for products from customers inside the Territory, and you are not entitled to any compensation from those orders.

Under the Development Addendum, you commit to developing and operate 3 or 5 Salons. You will pay the total amount of initial franchise fees associated with the number of Salons you commit to developing at the time you sign the Development Addendum. When you sign the Development Addendum, you receive a territory during the term of the Development Addendum (the "**Development Territory**") in which you will select sites for the additional Salons, so long as you are not in default under the Development Addendum and Franchise Agreement. Your development of those additional Salons in the Development Territory will proceed according to the timing and performance schedule in the Development Addendum. This schedule usually requires you to exercise an option to open a Salon every 6-9 months, beginning construction or renovation of the Salon within 120 days after we approve the site, and opening the Salon five months after you exercise the option. If you fail to comply with the time schedule in the Development Addendum, your development rights will terminate, and you will lose the Development Territory. You and we will agree on the boundaries of the Development Territory, which will generally cover a discrete market area. Even though you have an exclusive right to open Salons within the Development Territory, we still have the right to approve each site within the Development Territory where you propose to locate a Salon. That means that you must select a site within the Development Territory for the additional Salon(s) and submit certain site-approval documents to us similar to what you submitted for your initial Salon. If we approve the site, you and we will enter into an addendum to your Franchise Agreement designating the site as an approved location. You must satisfy certain conditions in the Development Addendum in order to exercise your development rights for additional Salons. We will not establish a company-owned or franchised Salon in your Development Territory while the Development Addendum remains in effect.

The Development Addendum provides that your right to the Development Territory ends at the earlier of: (i) the termination of the Development Addendum for failure to meet your development obligations, which includes failing to operate continually the required number of Salons under the development schedule; or (ii) the opening of the last Salon you are required to develop under the Development Addendum. Once you have timely opened a Salon under the Development Addendum, we will add the Salon to your Franchise Agreement through an addendum to the Franchise Agreement. When we do so, that new Salon will have a territory that consists of a 3-mile radius from the new Salon, as described earlier in this Item 12.




We have not established any minimum sales quota and do not require any certain level of market penetration in order for you to maintain your Territory or Development Territory. We will not reduce the size of your Territory or Development Territory even if the population in it increases. Likewise, we will not expand the size of your Territory or Development Territory if the population in it decreases. Any rights that are not specifically granted to you are retained by us.

ITEM 13

TRADEMARKS

We grant you the non-exclusive right to operate your Salon under the name “Pigtails & Crewcuts” or any other name(s) we may designate. The following is a list of the principal Marks that we own and that you may use with your Salon, subject to your use conforming with the Franchise Agreement, the Operations Manual, and other written directives we may issue. We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”).

REGISTERED TRADEMARKS

| Mark | Registration Number | Registration Date |
|---|---------------------|-------------------|
| PIGTAILS & CREWCUTS | 4,281,388 | 1/29/13 |
|  | 4,620,004 | 10/14/14 |
|  | 5,664,815 | 1/29/19 |
|  | 5,668,491 | 2/05/19 |
| Pigtails & Crewcuts | 5,683,358 | 2/26/19 |

We are the owner of all right, title, and interest in and to the Marks and the goodwill associated with them. All goodwill associated with the Marks remains our exclusive property. All usage of the trademarks by you and any goodwill established will inure to our exclusive benefit. All required affidavits for the principal Marks have been filed. There are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving the Marks. We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal Marks in any state.

No agreements limit our right to use or license the Marks.

You must notify us immediately when you learn about an infringement of or challenge to your use of a Mark. We will take the action we think appropriate. We have the right to exclusively control any litigation, USPTO proceeding, or other proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark.

You must not directly or indirectly contest our right to the Marks, trade secrets or business techniques that are part of our business. We have no contractual obligation to protect you against claims of infringement regarding your use of the Marks, but we might do so when your rights require protection. In that case, if you cooperate with us, we will pay all costs, including attorneys' fees and court costs, associated with any litigation required to defend or protect your authorized use of the Marks. We will not pay any of your attorneys' fees if you hire your own attorney.

If we believe at any time that it is advisable for us and/or you to modify, discontinue using and/or replace any Mark, and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions (such as costs you incur in changing the signs or replacing supplies), for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

The provisions of the Franchise Agreement apply to any and all other trademarks, service marks, and trade dress authorized and licensed for use by us to you during the term of the Franchise Agreement. You must follow the Franchise Agreement and specifications when you use the Marks. The Marks are the only trademarks, service marks or logotypes you may use to identify the Salon. You may not use any Mark as part of any corporate or trade name or as part of any domain name or electronic address you maintain on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents, patent applications or registered copyrights are material to your Pigtails & Crewcuts franchise. We claim common law rights and copyright protection in a number of items you will use in the operation of your Pigtails & Crewcuts Salon, including our Operations Manual, and in certain other materials and information related to the Pigtails & Crewcuts system, like our marketing materials, specifications, marketing techniques, advertising programs, advertising strategies, supplier lists, expansion plans, and other information we create or use. We have not registered any of these copyrighted materials with the United States Registrar of Copyrights, but need not do so at this time. You may use these items while operating your Salon, but only according to the Franchise Agreement. As between you and us, we own exclusively all rights to these copyrighted works.

We may claim copyright protection in certain techniques we create and may patent certain processes and equipment we develop. If we do, we will notify you and, if the copyrights and patents are material to your obligations under the Franchise Agreement, we will authorize you to use them at no additional charge.

There currently are no effective adverse determinations of, or pending material proceedings before, the USPTO, the United States Copyright Office, or any court involving the copyrighted works. No agreement limits our right to use or allow others to use the copyrighted works. We do not know of any copyright infringement that could materially affect you.

If we believe at any time that it is advisable for us and/or you to modify, discontinue using and/or replace any of the copyrighted works, and/or use one or more additional or substitute copyrighted or copyrightable items, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse you for your expenses in complying with these directions.

We are not required to protect or defend our copyrights, although we intend to do so when it is in the best interests of the Pigtails & Crewcuts system. We have the exclusive right to control any copyright or patent litigation. While we are not required to participate in your defense or to indemnify you for damages or expenses you incur if you are a party to any administrative or judicial proceeding involving our confidential information or other information in which we claim common law rights and copyright protection, we may reimburse you for your liability and reasonable costs in connection with defending our confidential information and other information in which we claim common law rights and copyright protection.

We will have the right at any time, on notice to you, to make additions to, deletions from, and changes in any item in which we claim common law copyright or registered copyright protection. You must adopt and use all additions, deletions, and changes as we direct, at our expense.

We will provide you with certain information we consider to be confidential and proprietary or trade secrets. This information includes information in the Operations Manual, our standards, specifications, layouts, designs, and other plans and specifications relating to a Salon,

methods of operation, formulas for our branded hair products, operational procedures, sales and marketing techniques, and knowledge and experience used in developing and operating a Salon; marketing research and promotional, marketing and advertising programs for Salons; knowledge of specifications for and suppliers of, and methods of ordering, products, materials and supplies that operators of Salons use and sell, knowledge of the operating results and financial performance of franchised Salons, customer communication and retention programs, along with data used or generated in those programs; all other information generated by, or used or developed in, the operation of a Salon, including customer names, addresses, telephone numbers and related information (such as credit card information and information about the customer's purchases) and any other information we reasonably designate as confidential and proprietary or trade secret information.

You must maintain the confidentiality of all our confidential information and trade secrets, including items in which we claim common law copyright and registered copyright protection, both during and after the term of the Franchise Agreement. You may not use this information in any other business or in any manner that we do not approve in writing, and you may not communicate, divulge, or otherwise display this information to anyone other than your employees who have a need to know of it in order to operate your Pigtails & Crewcuts Salon. You must have all your owners sign the Noncompetition and Nondisclosure Agreement for Interested Parties attached to the Franchise Agreement as Exhibit C and your Operating Manager (if not an owner) and other managers, supervisory employees and other employees having access to confidential and proprietary information or received training from us sign the Noncompetition and Nondisclosure Agreement for Employees attached to the Franchise Agreement as Exhibit D, covenanting that they will maintain the confidentiality of our confidential information and the secrecy of our trade secrets. We have the right to take legal action against you if there has been an unauthorized use of our confidential information or trade secrets through you or your employees.

No agreements limit our right to use or license our confidential and proprietary and trade secret information or copyright materials.

We do not know of any superior rights or infringing uses that could materially affect your use of our confidential and proprietary and trade secret information.

You must disclose to us all ideas, concepts, techniques or materials relating to a Salon, whether or not protectable intellectual property and whether created by or for you or your owners, employees or contractors. They will be our property and you must sign the documents we request and otherwise help us obtain intellectual property rights in them. You may not use any of these concepts, techniques or materials in operating the Salon or otherwise without our prior approval.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Your Pigtails & Crewcuts Salon must always be under the direct, on premises supervision of (i) you or an individual having an ownership or voting interest in you of 25% or more or (ii) a designated manager (in each case, the "Operating Manager"). The Operating Manager must directly supervise and be responsible for the day-to-day management and proper operation of your Pigtails & Crewcuts Salon. The Operating Manager must be present at the Salon for significant periods of time because the Franchise Agreement requires your Salon to be open at least 8 hours per day, 6 days per week and 52 weeks per year, other than certain holiday exceptions. The Operating Manager, whomever it may be, must at all times be someone that has successfully completed our initial training program. You must obtain our written approval of the person or persons designated as the Operating Manager. The Operating Manager cannot have an interest or business relationship with any Competitive Business (defined below). A "Competitive Business" is any business, service, or activity (other than a Pigtails & Crewcuts Salon operating under the System) that derives 20% or more of its Gross Sales from the sale of children's hair care products and services including parties held at the Salon. The Operating Manager need not have an equity interest in you or the Salon. We also may require that any individual having an ownership or voting interest in you of 25% or more must attend and successfully complete our initial training program.

If the Operating Manager is not already bound by the Franchise Agreement and does not have an ownership interest in you, he or she must sign the Noncompetition and Nondisclosure Agreement for Employees attached as Exhibit D to the Franchise Agreement. This agreement prohibits your Operating Manager from directly or indirectly engaging in a Competitive Business that competes with the operations of your Pigtails & Crewcuts Salon or any other Pigtails & Crewcuts Salon within a 10-mile radius of a licensed or Company-operated Pigtails & Crewcuts Salon and disclosing our confidential and proprietary information and trade secrets. These restrictions apply for two years after the expiration or termination of the Operating Manager's employment with you.

Our operations Standards may regulate your staffing levels and employee qualifications, training standards, requirements and procedures, and appearance, but you control your employees and the terms and conditions of their employment. We also require your other supervisory and management employees and those employees who have received our confidential and proprietary information to enter into the same agreement. Your directors, officers, general partners, members, and shareholders, if any, must sign the Noncompetition and Nondisclosure Agreement for Interested Parties attached as Exhibit C to the Franchise Agreement, which subjects them to similar restrictions, except that the restrictions apply for two years after the expiration, termination, cancellation or transfer of the Franchise Agreement.

If you are a corporation, limited liability company or other business entity, each of your owners will personally guarantee your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement, including the arbitration and confidentiality provisions and restrictions on owning interests in or performing services for a Competitive Business. The Guaranty of Payment and

Performance you and your owners will sign is in the form attached to the Franchise Agreement as Exhibit B.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must conduct the business operated at your Pigtails & Crewcuts Salon as required by the Operations Manual and the Franchise Agreement. We require you to offer and sell only those products and services approved by us. You must offer all goods and services that we designate as required for all franchisees. These required goods and services include children's haircuts, children's birthday parties, nail and toe polishes, up-dos, sale of novelties, gifts, cosmetics, and private label hair care products for children.

You may not offer for sale, sell or otherwise distribute, at the Salon any unauthorized products or services. For example, you may not offer hair products and accessories, whether branded or otherwise, that we do not approve. We have the right to add additional authorized goods and services that you must offer. There are no limits on our right to do so.

We will not restrict you from soliciting any customers, no matter who they are or where they are located. However, you may only sell products to consumers for consumer purposes (and not for resale). You may not sell products at wholesale.

ITEM 17

**RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP**

This table lists certain important provisions of the franchise agreement and related agreements. You should read these provisions in agreements attached to this Disclosure Document as Exhibit E.

| PROVISION | SECTION IN FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---------------------------------|--|--|
| a. Length of the franchise term | Section 1.5 of Franchise Agreement Sections 4 and 9 of Development Addendum | 10 years of Franchise Agreement Expires on the date on which the last Salon required to be developed opens, unless earlier terminated |

| PROVISION | SECTION IN FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---|---|---|
| b. Renewal or extension of the term | Sections 1.5 and 13 of Franchise Agreement | If you have complied with obligations during the Franchise Agreement term and meet certain other renewal conditions, you can renew for 3 additional consecutive 5-year terms. After that, your right to renew, if any, will be governed by the terms of your then-current Franchise Agreement |
| c. Requirements for franchisee to renew or extend | Section 13 of Franchise Agreement | You must for each renewal term: not be in default; maintain ownership or leasehold interest in the Salon location; give notice; sign the then-current Franchise Agreement; pay a renewal fee; sign a general release; and refurbish or relocate the Salon, if necessary. The terms of the then-current form of Franchise Agreement may differ materially from the terms contained in the Franchise Agreement attached to this Disclosure Document |
| d. Termination by franchisee | Section 14.1 of Franchise Agreement | You can terminate only if we fail to cure a default under the Franchise Agreement within 90 days (or 150 days in some instances) after you give us written notice of termination |
| e. Termination by franchisor without cause | Not Applicable | We may not terminate without cause. |
| f. Termination by franchisor with "cause" | Sections 14.2, 14.3 and 14.4 of Franchise Agreement | We can terminate only if you default, including the occurrence of certain events (described in (g) and (h) below). The Franchise Agreement describes these defaults. In some instances, you will have an opportunity to cure the default. We may terminate the Franchise Agreement before opening if you fail to obtain a suitable location or commence operation of your Salon within the specified time frame or if the designated individuals (currently, you (or, if you are a business entity, one of your principal owners) and your Operating Manager (if someone other than you or the applicable principal owner)) fail to attend and/or successfully complete to our satisfaction our initial training program. |

| PROVISION | SECTION IN FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|--|---|--|
| g. "Cause" defined – curable defaults | Section 14.4 of Franchise Agreement | Failure to comply with our standards and procedures or any term of Franchise Agreement not covered in (h) below, including understatement of fees or failure to submit required reports and maintain required insurance. You have 30 days (or 60 days in some instances) after we give you written notice to cure the default. |
| h. "Cause" defined – non-curable | Section 14.3 of Franchise Agreement | Insolvency; bankruptcy; abandonment of the franchise; failure to pay required fees after written notification; conviction of a felony or crime involving moral turpitude; operation of the Salon is a safety hazard; making material misrepresentations; unauthorized transfer; unauthorized use of any Mark or disclosure of a trade secret; failure to comply with any applicable law; or unauthorized seizures. |
| i. Franchisee's obligations on termination/non-renewal | Section 15 of Franchise Agreement | Obligations include complete de-identification of Salon and payment of amounts due, including liquidated damages (if applicable); return confidential materials; cancel assumed name registration; transfer telephone number; and no investment in Competitive Business. |
| j. Assignment of contract by franchisor | Section 12.1 of Franchise Agreement | No restriction on our right to assign; we may assign without your approval |
| k. "Transfer" by franchisee – defined | Section 12.2 of Franchise Agreement | Includes transfer of Franchise Agreement, any interest in Franchise Agreement, transfer of assets of Salon, or transfer of any interest in your Salon if you are an entity |
| l. Franchisor's approval of transfer by franchisee | Sections 12.2 and 12.4 of Franchise Agreement | We have the right to approve all transfers but will not unreasonably withhold approval. Transfer/assignment fee must be paid. |
| m. Conditions for franchisor approval of transfer | Section 12.4 of Franchise Agreement | You are not in default under Franchise Agreement; transferee qualifies; fee paid; transferee completes required training; release and non-compete agreement signed by you; and new Franchise Agreement signed by transferee |

| PROVISION | SECTION IN FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|---|--|---|
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 12.6 of Franchise Agreement | We can match any offer for the transfer of your business or any ownership interest |
| o. Franchisor's option to purchase franchisee's business | Section 15.5 | We may buy the Salon and/or the location of the Salon at fair market value after the Franchise Agreement is terminated or expires (without renewal). The right to the location of the Salon may include requiring you to lease or sublease the location to us. |
| p. Death or disability of franchisee | Section 12.5 of Franchise Agreement | Franchise must be assigned by estate to an approved buyer within six months. Spouse is approved transferee, provided he/she has had material involvement in the operation of the Salon. |
| q. Non-competition covenants during the term of the franchise | Sections 1.4, 5.3 and 15.4 of Franchise Agreement | No involvement in Competitive Business. |
| r. Non-competition covenants after the franchise is terminated or expires | Sections 1.4, 5.3 and 15.4 of Franchise Agreement | No involvement for two years in Competitive Business within a 10-mile radius of (i) your Salon and (ii) any other Pigtales & Crewcuts Salon operating in the county in which your Salon is located. |
| s. Modification of the agreement | Section 16.1 of Franchise Agreement | No modifications unless agreed to in writing. We may revise the Operations Manual, and you must comply with each requirement. |
| t. Integration/merger clause | Sections 16.1 and 16.9 Section 11 of Development Addendum | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the Disclosure Document and franchise agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Section 16.4 | All disputes must be arbitrated, except (i) claims arising out of the restrictions on competitive activities and covenants not to compete and (ii) we have the right to seek injunctive relief under certain circumstances. All arbitrations will take place in Atlanta, Georgia. |

| PROVISION | SECTION IN FRANCHISE OR OTHER AGREEMENT | SUMMARY |
|--------------------|--|--|
| v. Choice of forum | Section 16.7 Section 12 of Development Addendum | Subject to arbitration requirement, litigation is permitted for certain claims, but must be held in Georgia (subject to applicable state law). All arbitrations will take place in Atlanta, Georgia (subject to applicable state law). |
| w. Choice of law | Section 16.7 Section 12 of Development Addendum | Except Federal Arbitration Act and other federal law, Georgia law governs (subject to state law). Non-competition agreements which are governed by the laws of the state in which the Salon is located. |

Applicable state law may require additional disclosures related to the information in this Disclosure Document. These additional disclosures appear in Exhibit F attached to this Disclosure Document.

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

At the end of 2022, there were 69 franchised Salons, eight of which opened after January 1, 2022. The following table includes actual historical average annual Gross Sales for 2022 for the 61 franchised Salons that operated for all of 2022 (the “2022 Franchised Salons”). The franchised Salon that was reacquired by us during 2022 has not been included in the data set for this table.

AVERAGE ANNUAL GROSS SALES FOR FRANCHISED SALONS FOR 2022

| Average Gross Sales | Number and Percent of Franchised Salons Attaining or Exceeding Average Gross Sales | Median Gross Sales | Lowest Gross Sales | Highest Gross Sales |
|----------------------------|---|---------------------------|---------------------------|----------------------------|
| \$306,047 | 24/61 (39.34%) | \$290,421 | \$119,049 | \$565,643 |

Notes to Item 19:

“Gross Sales” means the aggregate of all moneys and receipts derived from (i) all products prepared and services performed at a Salon; (ii) sales and orders made, solicited or received at the Salon; (iii) all other business whatsoever conducted or transacted at or from the Salon; (iv) all other revenues derived from the exploitation of the Operating System and/or the Marks by the applicable franchisee; and (v) insurance proceeds and/or condemnation awards for loss of sales, profits or business, and whether such Gross Sales are evidenced by cash, credit, check, gift certificates, services, property or other means of exchange. However, there will be excluded from Gross Sales (a) all sales taxes imposed by governmental authorities directly on sales and actually collected from customers, provided such taxes are added to the selling price and are, in fact, paid by the applicable franchisee to the appropriate governmental authority; and (b) the amount of discounts to customers in the form of coupon sales up to 5% of Gross Sales, provided the related sales have been included in Gross Sales. Cash refunds and credit given to customers are deducted in computing Gross Sales to the extent that such cash and credit represent amounts previously included in Gross Sales and on which a Royalty Fee was previously paid. Gross Sales are deemed to be realized by the applicable franchisee at the time of the sale or delivery of the products, merchandise or services, irrespective of the time when the applicable franchisee actually receives payment. Gross Sales consisting of property or services will be valued at their fair market value at the time such property or services were received by or for the account of you. In the Tables above, the Gross Sales figures have been rounded to the nearest dollar.

All of the 2022 Franchised Salons are located in strip-centers.

The information has been taken from financial reports submitted by the franchisees.

The Gross Sales figures do not reflect deductions for the expenses that you are likely to incur in order to generate Gross Sales including, without limitation, cost of sales, operating expenses, or other costs or expenses that must be deducted from the Gross Sales figures to obtain net income or profit. Expenses that franchisees are likely to incur include: (i) labor costs including payroll, taxes and benefits for any employees; (ii) occupancy costs such as rent and utilities; (iii) costs of supplies; (iv) debt service; and (v) bookkeeping and other professional services.

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

You should conduct an independent investigation of the costs and expenses in operating a Salon. We also encourage you to contact existing franchisees to discuss their experiences with the

system and their franchised Salons. Franchisees listed in this disclosure document may be one source for obtaining additional information on costs and expenses in operating a Salon.

Written substantiation of the data used in preparing this report will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Pigtailes & Crewcuts Franchise, LLC does 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 Wade Brannon at 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305, (770) 752-6800, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Fiscal Years 2020 to 2022

| Column 1 Outlet Type | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets at the End of the Year | Column 5 Net Change |
|-------------------------|------------------|---|---|------------------------|
| Franchised | 2020 | 63 | 62 | -1 |
| | 2021 | 62 | 62 | 0 |
| | 2022 | 62 | 69 | +7 |
| Company- Owned | 2020 | 1 | 1 | 0 |
| | 2021 | 1 | 1 | 0 |
| | 2022 | 1 | 2 | +1 |
| Total Outlets | 2020 | 64 | 63 | -1 |
| | 2021 | 63 | 63 | 0 |
| | 2022 | 63 | 71 | +8 |

Table No. 2

Transfers of Outlets From Franchisees To New Owners (Other Than Franchisor)
For Fiscal Years 2020 to 2022

| Column 1 | Column 2 | Column 3 |
|----------------|----------|---------------------|
| State | Year | Number of Transfers |
| California | 2020 | 1 |
| | 2021 | 1 |
| | 2022 | 0 |
| Colorado | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 3 |
| Georgia | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 1 |
| Kansas | 2020 | 2 |
| | 2021 | 0 |
| | 2022 | 0 |
| Louisiana | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| North Carolina | 2020 | 0 |
| | 2021 | 0 |
| | 2022 | 2 |
| South Carolina | 2020 | 0 |
| | 2021 | 1 |
| | 2022 | 1 |

| Column 1 | Column 2 | Column 3 |
|-----------|----------|---------------------|
| State | Year | Number of Transfers |
| Tennessee | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 2 |
| Texas | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 1 |
| Virginia | 2020 | 1 |
| | 2021 | 0 |
| | 2022 | 0 |
| Total | 2020 | 5 |
| | 2021 | 2 |
| | 2022 | 10 |

Table No. 3

Status of Franchised Outlets
For Fiscal Years 2020 to 2022

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Termina- tions | Col. 6 Non- Renewals | Col. 7 Reacquired by Franchisor | Col. 8 Ceased Opera- tions- Other Reasons | Col. 9 Outlets at End of the Year |
|-----------------|----------------|--|-----------------------------|-----------------------------|----------------------------|--|--|---|
| Alabama | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| Arizona | 2020 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Arkansas | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| California | 2020 | 7 | 0 | 0 | 0 | 0 | 3 | 4 |
| | 2021 | 4 | 0 | 1 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Colorado | 2020 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2021 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Florida | 2020 | 4 | 1 | 0 | 0 | 0 | 1 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 2 | 0 | 0 | 0 | 0 | 6 |
| Georgia | 2020 | 6 | 1 | 0 | 0 | 0 | 0 | 7 |
| | 2021 | 7 | 1 | 0 | 0 | 0 | 0 | 8 |
| | 2022 | 8 | 0 | 0 | 0 | 1 | 0 | 7 |
| Hawaii | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Illinois | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| Kansas | 2020 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2021 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | 2022 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Termina- tions | Col. 6 Non- Renewals | Col. 7 Reacquired by Franchisor | Col. 8 Ceased Opera- tions- Other Reasons | Col. 9 Outlets at End of the Year |
|-----------------|----------------|--|-----------------------------|-----------------------------|----------------------------|--|--|---|
| Louisiana | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Maryland | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Mississippi | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Missouri | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska | 2020 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Jersey | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| New York | 2020 | 1 | 0 | 0 | 0 | 0 | 1 | 0 |
| | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| North Carolina | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Oklahoma | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| | 2022 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Oregon | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| South Carolina | 2020 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 1 | 0 | 0 | 0 | 0 | 5 |

| Col. 1 State | Col. 2 Year | Col. 3 Outlets at Start of Year | Col. 4 Outlets Opened | Col. 5 Termina- tions | Col. 6 Non- Renewals | Col. 7 Reacquired by Franchisor | Col. 8 Ceased Opera- tions- Other Reasons | Col. 9 Outlets at End of the Year |
|-----------------|----------------|--|-----------------------------|-----------------------------|----------------------------|--|--|---|
| Tennessee | 2020 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2022 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| Texas | 2020 | 8 | 1 | 0 | 0 | 0 | 0 | 9 |
| | 2021 | 9 | 1 | 0 | 0 | 0 | 0 | 10 |
| | 2022 | 10 | 1 | 0 | 0 | 0 | 0 | 11 |
| Virginia | 2020 | 5 | 0 | 0 | 0 | 0 | 0 | 5 |
| | 2021 | 5 | 0 | 1 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Wisconsin | 2020 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Totals | 2020 | 63 | 5 | 1 | 0 | 0 | 5 | 62 |
| | 2021 | 62 | 4 | 4 | 0 | 0 | 0 | 62 |
| | 2022 | 62 | 8 | 0 | 0 | 1 | 0 | 69 |

Table No. 4

Status of Company-Owned Outlets
For Fiscal Years 2020 to 2022

| State | Year | Outlets at Start of the Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---------|------|---------------------------------------|-------------------|---|-------------------|----------------------------------|----------------------------------|
| Georgia | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 1 | 0 | 0 | 2 |
| Totals | 2020 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 1 | 0 | 0 | 2 |

Table No. 5

Projected Openings as of December 31, 2022

| State | Franchise Agreements Signed But Outlets Not Opened | Projected New Franchised Outlets In The Next Fiscal Year | Projected New Company-Owned Outlets In The Next Fiscal Year |
|----------------|--|--|---|
| Alabama | 0 | 1 | 0 |
| Arizona | 0 | 1 | 0 |
| Florida | 1 | 3 | 0 |
| Colorado | 1 | 1 | 0 |
| Georgia | 0 | 1 | 0 |
| Kentucky | 1 | 1 | 0 |
| South Carolina | 0 | 1 | 0 |
| Tennessee | 0 | 1 | 0 |
| Texas | 2 | 3 | 0 |
| Totals | 5 | 13 | 0 |

Exhibit C contains (i) the names, addresses, and telephone numbers of our franchisees who have Salons open and operating as of December 31, 2022; (ii) the names, addresses, and telephone numbers of our franchisees who have signed Franchise Agreements with us as of December 31, 2022, but who have not yet opened a Salon.

Exhibit C also contains the names, and the last known addresses and telephone numbers of franchisees who had franchises terminated, canceled, or not renewed by us in fiscal year 2022, or who otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in fiscal year 2022. We have no franchisees who did not communicate with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Clauses

As a standard practice, if and when we enter into a termination agreement with a former franchisee, we require the former franchisee to agree to maintain all information that the former franchisee has about us confidential. However, during our last 3 fiscal years, none of our franchisees have signed confidentiality clauses restricting their ability to speak openly about their experience with the Pigtales & Crewcuts franchise system.

Franchisor Sponsored Franchisee Organizations

We have established a Franchise Advisory Council (“FAC”). The FAC currently serves us as a sounding board on issues that affect the franchise system like marketing, product and operations.

Independent Trademark Specific Franchisee Organizations

There are currently no trademark-specific franchisee organizations associated with the Pigtails & Crewcuts franchise system.

ITEM 21

FINANCIAL STATEMENTS

Exhibit D contains our audited balance sheets as of December 31, 2022, December 31, 2021, and December 31, 2020, and the related statements of income and member’s deficit and cash flows for the fiscal years then ended.

ITEM 22

CONTRACTS

The following agreements are exhibits to this Disclosure Document:

- Exhibit E Franchise Agreement
- Exhibit A Location and Territory
- Exhibit B Guaranty of Payment and Performance
- Exhibit C Noncompetition and Nondisclosure Agreement for Interested Parties
- Exhibit D Noncompetition and Nondisclosure Agreement for Employees
- Exhibit E Development Addendum
- Exhibit F State Specific Addendum
- Exhibit G Franchisee Disclosure Questionnaire
- Exhibit H General Release

ITEM 23

RECEIPT

Exhibit I contains detachable Receipts acknowledging your receipt of this Disclosure Document. Please return one Receipt to us and retain the other for your records. If you are missing these Receipts, please contact us at the following address or telephone number:

Pigtails & Crewcuts Franchise, LLC
3495 Piedmont Road, Suite 402, Building 11
Atlanta, Georgia 30305
Telephone: (770) 752-6800

EXHIBIT A

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

I. State Administrators: We believe this information is accurate as of the date of this Disclosure document. However, the names, addresses and/or telephone numbers of these state administrators change over time. You should verify this information.

CALIFORNIA

Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500 or (866) 275-2677

FLORIDA

Department of Agriculture and Consumer Services
Division of Consumer Services
City Centre Building, Suite 7200
227 N. Bronough Street
Tallahassee, Florida 32301
(850) 410-3754

HAWAII

Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Office of Attorney General
Franchise Bureau
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

INDIANA

Indiana Securities Division
Franchise Section
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

MARYLAND

Office of The Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
Lansing, Michigan 48913
(517) 335-7567

MINNESOTA

Minnesota Department of Commerce
Securities-Franchise Registration
85 7th Place, Suite 280
St. Paul, Minnesota 55101
(651) 539-1500

NEBRASKA

Department of Banking and Finance
1200 N Street, Suite 311
P.O. Box 95006
Lincoln, Nebraska 68509
(402) 471-3445

NEW YORK

NYS Department of Law
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Department of Commerce and Consumer Affairs
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Indiana Secretary of State
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MARYLAND

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Baltimore, Maryland 21202-2020

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Michigan Department of Commerce
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MINNESOTA

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EXHIBIT B
TABLE OF CONTENTS
OF THE OPERATIONS MANUAL

[SEE ATTACHED]



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TOTAL NUMBER OF PAGES IN MANUAL **162**

EXHIBIT C

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FRANCHISEES THAT HAVE NOT OPENED THEIR SALONS AS OF DECEMBER 31, 2022

| Franchise Owner(s) | City | State | Telephone Number |
|--------------------------------|---------------|--------------|-------------------------|
| Codi & Boon Newsom | Fort Collins | CO | (512) 418-6559 |
| Amanda Schmidt & Carlos Costas | Ocala | FL | (352) 553-6018 |
| Amanda & Kyle Golden | Bowling Green | KY | (270) 779-0179 |
| Cournette & Reginald Hawkins | Cypress | TX | (832) 418-0500 |
| Maria & Jim Mosher | Pflugerville | TX | (713) 458-0593 |

FRANCHISEES WHO TERMINATED BEFORE FRANCHISE OPENING IN 2022

| Franchise Owner(s) | City | State | Telephone Number |
|---------------------------|--------------|--------------|-------------------------|
| Mike Stanton | Atlanta | GA | (770) 714-7213 |
| Sarah & Fant Camak | Huntersville | NC | (864) 356-8141 |
| Jennifer & Frank Hurst | Severna Park | MD | (808) 754-0351 |

FRANCHISEES WHO TRANSFERRED THEIR SALONS IN 2022

| Franchise Owner(s) | City | State | Telephone Number |
|-----------------------------|------------------|--------------|-------------------------|
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| Rob Smith | Northfield | CO | (720) 372-6006 |
| Rob Smith | Parker | CO | (720) 372-6006 |
| Bonnie & Will Howard | Smyrna | GA | (770) 624-3692 |
| Evan Carroll | Blakeney | NC | (704) 779-5118 |
| Evan Carroll | Cotswold | NC | (704) 779-5118 |
| Evan Carroll | Fort Mill | SC | (704) 779-5118 |
| Kelly Hailey & Sharon Hogan | Northshore | TN | (423) 718-8181 |
| Kelly Hailey & Sharon Hogan | Ooltewah | TN | (423) 718-8181 |
| Amanda Short | Belterra Village | TX | (512) 576-2258 |

**FRANCHISEES WHO HAVE NOT COMMUNICATED WITH US WITHIN 10 WEEKS OF THE DATE OF THIS
DISCLOSURE DOCUMENT**

None.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave our franchise system.

EXHIBIT D

FINANCIAL STATEMENTS OF
PIGTAILS & CREWCUTS FRANCHISE, LLC

[SEE ATTACHED]

PIGTAILS & CREWCUTS FRANCHISE, LLC

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members
Pigtails & Crewcuts Franchise, LLC

Opinion

We have audited the accompanying financial statements of Pigtails & Crewcuts Franchise, LLC (the Company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of income and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information that includes the schedules of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Symphona LLP".

Dublin, Georgia
April 5, 2023

PIGTAILS & CREWCUTS FRANCHISE, LLC
BALANCE SHEETS
December 31,

| | 2022 | 2021 |
|--|--------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 310,159 | \$ 75,883 |
| Restricted cash | 221,331 | 334,942 |
| Total cash and cash equivalents | 531,490 | 410,825 |
| Accounts receivable | 130,474 | 162,487 |
| Grants receivable | - | 35,000 |
| Inventory | 27,565 | 7,464 |
| Prepaid expense | - | 5,457 |
| Total current assets | 689,529 | 621,233 |
| PROPERTY AND EQUIPMENT, NET | 9,806 | 13,583 |
| OTHER ASSETS | | |
| Deferred franchise expenses | 207,259 | 130,310 |
| Right-of-use asset under operating lease, net | 81,168 | - |
| Other assets | 4,701 | 3,919 |
| Intangible assets, net of amortization | 23,222 | 26,889 |
| Total other assets | 316,350 | 161,118 |
| Total assets | \$ 1,015,685 | \$ 795,934 |
| LIABILITIES AND MEMBERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 45,898 | \$ 14,622 |
| Related party notes payable | 65,000 | 65,000 |
| Accrued bonuses | 50,000 | - |
| Current portion of operating lease obligation | 66,045 | - |
| Deferred rent-current portion | - | 1,489 |
| Other liabilities | 16,030 | 5,958 |
| Total current liabilities | 242,973 | 87,069 |
| NONCURRENT LIABILITIES | | |
| Deferred franchise fee revenue | 773,339 | 745,094 |
| Operating lease obligation, net of current portion | 45,472 | - |
| Deferred rent, less current portion | - | 30,349 |
| Total liabilities | 1,061,784 | 862,512 |
| MEMBERS' DEFICIT | (46,099) | (66,578) |
| Total liabilities and members' deficit | \$ 1,015,685 | \$ 795,934 |

The accompanying Notes to Financial Statements
are an integral part of these statements

PIGTAILS & CREWCUTS FRANCHISE, LLC
STATEMENTS OF INCOME AND MEMBERS' DEFICIT
Years Ended December 31,

| | 2022 | Percentage of Net Revenues | 2021 | Percentage of Net Revenues |
|-------------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|
| NET REVENUES | <u>\$ 1,689,832</u> | <u>100.0</u> | <u>\$ 1,317,478</u> | <u>100.0</u> |
| OPERATING EXPENSES | | | | |
| General and administrative expenses | 1,104,663 | 65.4 | 850,787 | 64.5 |
| Advertising fund expense | 390,477 | 23.1 | 261,547 | 19.9 |
| Depreciation and amortization | <u>7,444</u> | <u>0.4</u> | <u>7,443</u> | <u>0.6</u> |
| Total operating expenses | <u>1,502,584</u> | <u>88.9</u> | <u>1,119,777</u> | <u>85.0</u> |
| OTHER INCOME | | | | |
| Grant income from PPP loan | - | - | 80,000 | 6.1 |
| Employee retention tax credit | <u>-</u> | <u>-</u> | <u>168,211</u> | <u>12.8</u> |
| Total other income | <u>-</u> | <u>-</u> | <u>248,211</u> | <u>18.9</u> |
| NET INCOME | 187,248 | <u>11.1</u> % | 445,912 | <u>33.9</u> % |
| MEMBERS' DEFICIT, BEGINNING | (66,578) | | (512,490) | |
| Shareholder distributions | <u>(166,769)</u> | | <u>-</u> | |
| MEMBERS' DEFICIT, ENDING | <u>\$ (46,099)</u> | | <u>\$ (66,578)</u> | |

The accompanying Notes to Financial Statements
are an integral part of these statements

PIGTAILS & CREWCUTS FRANCHISE, LLC
 STATEMENTS OF CASH FLOWS
 Years Ended December 31,

| | 2022 | 2021 |
|---|------------|------------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 187,248 | \$ 445,912 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 7,444 | 7,443 |
| Grant income from PPP loan | - | (80,000) |
| Reduction of right-of-use asset held under operating lease | 63,425 | - |
| Employee retention tax credit | - | (168,211) |
| Changes in: | | |
| Accounts receivable | 32,013 | (82,323) |
| Grants receivable | 35,000 | (35,000) |
| Note receivable | - | 10,000 |
| Initial franchise fee receivable | - | 15,000 |
| Inventories | (20,101) | (811) |
| Prepaid expenses | 5,457 | (5,457) |
| Other assets | (782) | - |
| Deferred franchise expenses | (76,949) | (72,457) |
| Accounts payable | 31,276 | 4,695 |
| Deferred franchise fee revenue | 28,245 | 102,065 |
| Operating lease obligation | (63,425) | - |
| Deferred rent | (1,489) | 424 |
| Accrued bonuses | 50,000 | - |
| Other liabilities | 10,072 | 781 |
| Net cash provided by operating activities | 287,434 | 142,061 |
| FINANCING ACTIVITIES | | |
| Distributions paid | (166,769) | - |
| Proceeds from PPP loan | - | 80,000 |
| Employee retention tax credits received | - | 168,211 |
| Payments related to notes payable | - | (6,000) |
| Net cash (used in) provided by financing activities | (166,769) | 242,211 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 120,665 | 384,272 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 410,825 | 26,553 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 531,490 | \$ 410,825 |
| SUPPLEMENTAL DISCLOSURES | | |
| Right-of-use asset obtained in exchange for operating lease liabilities | \$ 174,942 | \$ - |

The accompanying Notes to Financial Statements
 are an integral part of these statements

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pigtails & Crewcuts Franchise, LLC (the Company) was organized on November 6, 2003 as a Georgia limited liability company through the acquisition of all intellectual properties and trademark rights from Pigtails & Crewcuts, Inc. The Company is in the business of franchising hair care salons and boutiques primarily for children under the name of "Pigtails & Crewcuts".

Basis of Accounting

The Company's financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include checking accounts, a money market account, and restricted cash. Restricted cash represents cash collected for the Advertising Fund and is restricted for uses related to advertising activities. The Company places its cash and cash equivalents on deposit with a financial institution in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts in the United States. As of December 31, 2022 and 2021, the Company had deposits of \$290,503 and \$212,517, respectively, in excess of the insured limits.

Property and Depreciation

The cost of property, and equipment is depreciated over the estimated useful lives of the related assets. Depreciation and amortization is computed on the straight line method for financial reporting purposes. Depreciation expense for the years ended December 31, 2022 and 2021 was \$3,777 and \$3,776, respectively.

Income Taxes

The Company was formed as a limited liability company and is treated as a partnership for federal income tax purposes. The earnings and losses of the Company will be included in the members' income tax returns. Consequently, the Company's income or loss is presented without a provision or credit for federal and state income taxes. The Company's income or loss will be allocated to members in accordance with the organizational agreement.

The Company accounts for uncertainties in income taxes by evaluating its tax positions. Management has concluded that the Company has taken no uncertain tax positions as of December 31, 2022 that require adjustment to the financial statements to comply with authoritative guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2019.

Inventories

Inventories consist of certain equipment and materials which are utilized to outfit the franchised stores and are valued at the lower of cost or net realizable value.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

The Company operates as a franchise sales company for children’s hair salons. Credit is granted to franchisees for various products and equipment used in the startup of the salons. The Company also records receivables for royalties and other amounts due and unpaid. The receivables are stated at the amount management expects to collect from outstanding balances. Doubtful accounts are eliminated from accounts receivable by the direct write-off methods. Subsequent collections of accounts which have been written off are reported as income in the period collected. The Company uses the direct write-off method due to historically immaterial amounts of bad debt incurred. The direct write-off method is not in accordance with generally accepted accounting principles. Had generally accepted accounts principles been used, the financial statements as a whole would not change materially from the statements presented.

Revenue Recognition

The Company disaggregates revenue by major source as it is believed to best depict how the nature, timing, and uncertainty of revenue and cash flows are affected by economic conditions.

The following table disaggregates the Company’s revenue by source of revenue for the years ended December 31:

| | 2022 | 2021 |
|---|--------------|--------------|
| Franchise royalties | \$ 988,798 | \$ 791,892 |
| Franchise fees - initial, renewal, transfer | 178,685 | 93,460 |
| Franchise fees - pre-opening services | 89,070 | 97,100 |
| Advertising fund revenue | 414,174 | 322,303 |
| Sales of product, net | 1,755 | 3,772 |
| Other | 17,350 | 8,951 |
| Total revenue | \$ 1,689,832 | \$ 1,317,478 |

Franchise royalties include continuing fees received from the franchising of salons. Franchise agreements are executed for each franchise salon which establishes the terms of the arrangement between the Company with the franchisee. These agreements require the franchisee to pay ongoing royalties of 5% of its gross sales. Royalties are billed on a monthly basis and debited from the franchisee’s checking account through an ACH transaction initiated by the Company. As the royalties meet the criteria to be subject to the sales and usage-based royalties’ exception for licenses of intellectual property, the Company recognizes royalty fees at the time of billing and does not consider royalties part of the total “transaction price” under the franchise agreement.

Advertising fund revenue includes contributions to the advertising fund by franchisees. Revenue related to these contributions is based on a percentage of sales of the franchised salons and is recognized as earned along with royalties.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Franchise fees are fees from the franchisees including initial fees, upfront fees from area developers, and transfer fees. The Company charges a nonrefundable up-front fee for each new franchise location in return for services the Company agrees to provide to the franchisee. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement for a period of 5 years. Also subject to the Company's approval and payment of a transfer fee, the franchisee may transfer its franchise rights to another franchisee establishing a new franchise period of 10 years. As these franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement, these initial fees, renewal fees and transfer fees are deferred and recognized over the term of the agreement. Upfront fees from area development agreements are deferred and recognized on a pro-rata basis over the term of the individual salon franchise agreement as salons under the development agreement are opened. Breakage occurs when a franchisee does not meet its development schedule set forth in the franchise agreement and/or a store closes before the term of the contract has concluded. The full, unamortized balance is recognized in the year of breakage and/or when the contract is repurchased/transferred to another entity, if applicable.

The Company has identified the following additional performance obligations included in the franchise agreements related to pre-opening services: (1) site selection services, (2) general business training program, and (3) equipment discounts. The Company allocated a transaction price from the initial franchise fee amount to each of the performance obligations using a best estimate of the standalone selling price of each distinct good or service in the contract. The standalone selling price was determined using various approaches: the adjusted market approach, cost plus margin approach, and residual value. The Company recognizes pre-opening service revenue as the service is provided to the franchisee. Pre-opening service revenue of \$89,070 and \$97,100 was recognized for the year ended December 31, 2022 and 2021, respectively, which is reported in net revenues on the income statement.

Sales from products represents income generated from buying and selling equipment to franchisees to outfit franchised stores. Revenue is recognized at the point of sale. The income generated from these sales is shown net of associated costs.

Contract Balances

The following table provides information about receivables and contract liabilities (deferred franchise fees) from contracts with customers:

| | 2022 | 2021 |
|-----------------------------------|------------|------------|
| Royalties receivable | \$ 92,603 | \$ 73,271 |
| Ad fund receivable | \$ 35,955 | \$ 29,309 |
| Deferred revenue - franchise fees | \$ 773,339 | \$ 745,094 |
| Deferred franchise expenses | \$ 207,259 | \$ 130,310 |

Significant changes in deferred franchise fees are as follows:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Deferred franchise fees at beginning of period | \$ 745,094 | \$ 643,029 |
| Revenue recognized during the period | (267,755) | (190,560) |
| New deferrals due to cash received and other | 296,000 | 292,625 |
| Deferred franchise fees at end of period | <u>\$ 773,339</u> | <u>\$ 745,094</u> |

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Advertising Costs

It is the policy of the Company to expense advertising costs as they are incurred and are included in “general and administrative expenses” and “advertising funds expenses”. The Company had advertising costs of \$75,466 and \$49,792 for the years ended December 31, 2022 and 2021, respectively. The advertising fund incurred \$390,477 and \$261,547 in expenses related to advertising for the years ended December 31, 2022 and 2021, respectively.

Reclassifications

Certain reclassifications have been made to prior periods to conform to current reporting.

Adoption of Accounting Standard

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02-*Leases (Topic 842)*, which requires lessees to recognize assets and liabilities on the balance sheet for almost every lease and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. Operating leases will go onto the balance sheet as right-of-use assets (ROU) and lease liabilities. The effective date of the amendment, as updated by ASU 2020-05- *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, for the Company is for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Company adopted the standard retrospectively at the beginning of the period of adoption, January 1, 2022, through a cumulative-effect adjustment, and did not apply the new standard to comparative periods.

The standard provides a number of practical expedients. The Company elected the “transition package of practical expedients” which includes the following three practical expedients that are required to be elected all at once for existing leases at transition 1) no reassessment of lease classification, 2) no re-evaluation of embedded leases, 3) no reassessment of initial direct costs. The Company elected the practical expedient to combine lease and non-lease components accounting for each as a single lease component. The Company elected the short-term lease practical expedient which allows for non-capitalization for leases with lease terms of 12 months or less, without a purchase option. The Company has elected the practical expedient to use the risk-free rate as the discount rate for valuating leases when the rate implicit to the lease is not readily available. See additional information in Note 10. Leases.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 2. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at December 31:

| | 2022 | 2021 |
|---------------------------|------------|------------|
| Royalties receivable | \$ 92,603 | \$ 73,271 |
| Ad fund receivables | 35,955 | 29,309 |
| Other receivables | 1,916 | 59,907 |
| Total accounts receivable | \$ 130,474 | \$ 162,487 |

NOTE 3. INTANGIBLE ASSETS

The Company purchased all intellectual properties and trademark rights used or held for use in the franchising of hair care salons and boutiques primarily for children under the name of “Pigtails & Crewcuts” from Pigtails & Crewcuts, Inc. on November 6, 2003 for \$250,000. The Company also agreed to pay the seller 10% of the Company’s net profit per year up to \$150,000. However, the Company satisfied this agreement during the year ended December 31, 2014, through a negotiated lump sum payment of \$55,000 which terminated the original agreement.

Inasmuch as only intangible assets were acquired, the original amount paid of \$250,000 was allocated to intangibles. The final payment of \$55,000 during the year ended December 31, 2014 was also allocated to intangible assets. The purchased intangibles will be amortized against future periods over their useful life. The following is a summary of intangible assets at December 31:

| | 2022 | 2021 |
|--------------------------------|------------|------------|
| Intangible assets | \$ 305,000 | \$ 305,000 |
| Less: accumulated amortization | 281,778 | 278,111 |
| Intangible assets, net | \$ 23,222 | \$ 26,889 |

Amortization expense was \$3,667 for each of the years ended December 31, 2022 and 2021.

NOTE 4. SALES OF PRODUCT INCOME AND COSTS

The Company buys and sales equipment to franchisees to outfit franchised stores. The income generated from these sales is shown net of associated costs. The following is a summary of sales of product income and costs for the years ended December 31:

| | 2022 | 2021 |
|---------------------------------|------------|------------|
| Sales of product and other | \$ 139,215 | \$ 127,098 |
| Less: Equipment and other costs | 137,460 | 123,326 |
| Sales of product and other, net | \$ 1,755 | \$ 3,772 |

NOTE 5. DEFERRED COSTS

In accordance with generally accepted accounting principles in the United States, the Company defers certain incremental costs such as broker fees and commissions. Under ASU 2014-09 subtopic Accounting Standards Codification (“ASC”) 340-40, *Other Assets and Deferred Costs: Contracts with Customers*, the Company defers these costs and recognizes them over time as the Company satisfies its performance obligation to the franchisees. Deferred costs at December 31, 2022 and 2021 was \$207,259 and \$130,310, respectively.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 6. ADVERTISING FUND

The Company maintains an advertising fund established to collect and administer funds contributed for use in advertising and promotional programs for Company-operated and franchised salons. Under the terms of the franchise agreement, all Pigtails & Crewcuts franchisees are required to contribute 2% of monthly gross sales to the advertising fund. The Company does not charge the advertising fund any administrative fees. Under Topic 606, the revenue and expenses of the advertising fund is fully consolidated into the Company’s statements of income and members’ deficit.

NOTE 7. GRANT INCOME

In response to the COVID-19 pandemic, the Paycheck Protection Program (“PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and administered by the U.S. Small Business Administration (“SBA”). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll and other identified eligible expenses (“qualified expenses”). If the loan proceeds are fully utilized to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization during the covered period.

The Company received loan proceeds in the amount of \$80,000 under the second round of the PPP on February 8, 2021 and received full forgiveness of the loan on August 31, 2021. Accordingly, the Company recognized \$80,000 as part of “Other Income” during the year ended December 31, 2021 for the amount of the second round of the PPP loan under IAS 20 and no liability for the PPP loan is reflected on the balance sheet as of December 31, 2021.

NOTE 8. EMPLOYEE RETENTION CREDIT PROGRAM

The Employee Retention Credit (“ERC”) program was created under the CARES Act in March 2020 (and subsequently modified, expanded and extended by additional legislation), with the goal of encouraging employers to retain and continue paying employees during periods of pandemic-related reductions in business volume. ERCs are similar to the PPP loans as they are another form of government assistance. However, whereas PPP loans provided funds requiring recipients to qualify for forgiveness by incurring qualifying expenditures in subsequent periods, ERCs are an employment tax credit if certain expenses are incurred by eligible employers. For consistency, the Company will apply IAS 20 in accounting for ERC as it previously adopted IAS 20 for reporting similar programs (PPP loans).

During 2021, it was determined that the Company met the appropriate conditions and qualified for the ERC. Under IAS 20, the Company recognized 168,211 in ERC as part of “Other Income” for the year ended December 31, 2021. Grants receivable for the ERC at December 31, 2021 was \$35,000 which represented refunds due on the 2020 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarter ended June 30, 2020. The Company received the refund during the year ended December 31, 2022.

NOTE 9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Company entered into two loans with related parties. The terms and outstanding balances at December 31, are as follows:

| | 2022 | | | 2021 |
|--|-----------|-----------|-----------|-----------|
| | Current | Long-term | Total | Total |
| Related party loan- due on demand, 0% interest | \$ 65,000 | \$ - | \$ 65,000 | \$ 65,000 |
| | \$ 65,000 | \$ - | \$ 65,000 | \$ 65,000 |

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 10. LEASES

The Company leases its headquarters facility and shared office space in Fulton County, Georgia. On January 1, 2019 the Company began a 68 month lease. The lease will be up for renewal in fiscal year 2024. As a result of adopting ASC 842 on January 1, 2022, the Company recorded on its balance sheet significant ROU assets and corresponding lease liabilities balances associated with the operating lease.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date of the lease based on the estimated present value of lease payments over the lease term. The Company's variable lease payments consist of non-lease services related to the lease.

Variable lease payments are excluded from the ROU assets and lease liabilities and are recognized in the period in which the obligation for those payments is incurred. The Company uses its risk-free rate as the incremental borrowing rate in determining the present value of lease payments when the rate implicit to the lease is not readily available.

The following represents the weighted average term and discount rate for operating leases outstanding as of December 31, 2022:

| | |
|--------------------------------|------------------|
| | Operating |
| Weighted average term (years) | 1.67 |
| Weighted average discount rate | 1.04% |

The following represents components of lease cost as of December 31, 2022:

| | |
|----------------------|-----------|
| Operating lease cost | \$ 48,065 |
|----------------------|-----------|

The following table represents undiscounted cash flows due and a reconciliation to the discounted amount recorded as of December 31, 2022:

| Year Ended December 31, | Operating Lease |
|--|-----------------|
| 2023 | \$ 66,836 |
| 2024 | 45,612 |
| | 112,448 |
| Less impact of present value discount | 931 |
| Present value of net minimum lease payment | \$ 111,517 |

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE 11. RETIREMENT CONTRIBUTION

A Safe Harbor 401(k) plan was implemented in January of 2018. Employees are eligible to participate in the plan on the first of the month following 1 year of service and have attained age 18 and are expected to work 1000 hours in twelve consecutive months. The Company will make matching contributions in two different ways. The Safe Harbor match is equal to 100% on the first 3% and 50% on the next 2% for a total match of 4%. Employees can opt out of the plan or change their contribution at any time. Employer contributions and expense for the 401(k) plan were \$24,286 and \$5,943 for the year ended December 31, 2022 and 2021, respectively.

NOTE 13. SUBSEQUENT EVENTS

The Company performed an evaluation of subsequent events through April 5, 2023, the date upon which the Company's financial statements were available for issue. The Company has not evaluated subsequent events after this date.

PIGTAILS & CREWCUTS FRANCHISE, LLC
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 Years Ended December 31,

| | 2022 | | | 2021 | | |
|--------------------------------|--------------|------|---|------------|------|---|
| Management salaries and wages | \$ 517,271 | 30.6 | % | \$ 454,710 | 34.5 | % |
| Payroll taxes | 40,489 | 2.4 | | 39,611 | 3.0 | |
| Employee benefits | 32,633 | 1.9 | | 18,413 | 1.4 | |
| Franchise development expenses | 195,966 | 11.4 | | 117,187 | 8.9 | |
| Travel and entertainment | 78,826 | 4.7 | | 21,660 | 1.6 | |
| Rent | 67,482 | 4.0 | | 67,353 | 5.1 | |
| Occupancy expenses | 14,384 | 0.9 | | 12,271 | 0.9 | |
| Legal fees | 29,749 | 1.8 | | 41,895 | 3.2 | |
| Computer expense | 43,436 | 2.6 | | 11,977 | 0.9 | |
| Accounting fees | 23,178 | 1.4 | | 21,790 | 1.7 | |
| Other | 46,647 | 2.8 | | 36,986 | 2.8 | |
| Office supplies | 2,109 | 0.1 | | 2,662 | 0.2 | |
| Liability insurance | 9,427 | 0.6 | | 4,197 | 0.3 | |
| Taxes and licenses | 3,066 | 0.2 | | 75 | - | |
| | \$ 1,104,663 | 65.4 | % | \$ 850,787 | 64.5 | % |

See Independent Auditor's Report

PIGTAILS & CREWCUTS FRANCHISE, LLC

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members
Pigtails & Crewcuts Franchise, LLC

Opinion

We have audited the accompanying financial statements of Pigtails & Crewcuts Franchise, LLC ("the Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

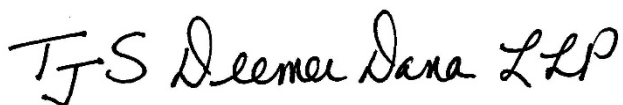
In performing an audit in accordance with GAAS, we:

- 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information that includes the schedules of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Dublin, Georgia
February 28, 2022

PIGTAILS & CREWCUTS FRANCHISE, LLC
BALANCE SHEETS
December 31,

| | 2021 | 2020 |
|---|------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 75,883 | \$ 5,606 |
| Restricted cash | 334,942 | 20,947 |
| Total cash and cash equivalents | 410,825 | 26,553 |
| Franchise fees receivable | - | 15,000 |
| Accounts receivable | 162,487 | 80,164 |
| Grants receivable | 35,000 | - |
| Inventory | 7,464 | 6,653 |
| Prepaid expense | 5,457 | - |
| Total current assets | 621,233 | 128,370 |
| PROPERTY AND EQUIPMENT, NET | 13,583 | 17,359 |
| OTHER ASSETS | | |
| Notes receivable | - | 10,000 |
| Deferred franchise expenses | 130,310 | 57,853 |
| Other assets | 3,919 | 3,919 |
| Intangible assets, net of amortization | 26,889 | 30,555 |
| Total other assets | 161,118 | 102,327 |
| | \$ 795,934 | \$ 248,056 |
| LIABILITIES AND MEMBERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 14,622 | \$ 9,927 |
| Related party notes payable | 65,000 | 71,000 |
| Deferred rent-current portion | 1,489 | 424 |
| Other liabilities | 5,958 | 5,176 |
| Total current liabilities | 87,069 | 86,527 |
| NONCURRENT LIABILITIES | | |
| Deferred franchise fee revenue | 745,094 | 643,029 |
| Deferred rent, less current portion | 30,349 | 30,990 |
| Total noncurrent liabilities | 862,512 | 760,546 |
| MEMBERS' DEFICIT | (66,578) | (512,490) |
| | \$ 795,934 | \$ 248,056 |

The accompanying Notes to Financial Statements
are an integral part of these statements

PIGTAILS & CREWCUTS FRANCHISE, LLC
STATEMENTS OF INCOME AND MEMBERS' DEFICIT
Years Ended December 31,

| | <u>2021</u> | Percentage of Net Revenues | <u>2020</u> | Percentage of Net Revenues |
|-------------------------------------|---------------------|-------------------------------|---------------------|-------------------------------|
| NET REVENUES | <u>\$ 1,317,478</u> | <u>100.0</u> | <u>\$ 1,004,242</u> | <u>100.0</u> |
| OPERATING EXPENSES | | | | |
| General and administrative expenses | 854,322 | 64.7 | 862,199 | 85.8 |
| Advertising fund expense | 261,547 | 19.9 | 214,676 | 21.4 |
| Depreciation and amortization | <u>7,443</u> | <u>0.6</u> | <u>7,933</u> | <u>0.8</u> |
| Total operating expenses | <u>1,123,312</u> | <u>85.2</u> | <u>1,084,808</u> | <u>108.0</u> |
| OTHER INCOME | | | | |
| Grant income from PPP loan | 80,000 | 6.1 | 80,000 | 8.0 |
| Employee retention tax credit | 168,211 | 12.8 | - | - |
| Other | <u>3,535</u> | <u>0.3</u> | <u>7,473</u> | <u>0.7</u> |
| Total other income | <u>251,746</u> | <u>19.2</u> | <u>87,473</u> | <u>8.7</u> |
| NET INCOME | 445,912 | <u>34.0</u> % | 6,907 | <u>0.7</u> % |
| MEMBERS' DEFICIT, BEGINNING | <u>(512,490)</u> | | <u>(519,397)</u> | |
| MEMBERS' DEFICIT, ENDING | <u>\$ (66,578)</u> | | <u>\$ (512,490)</u> | |

The accompanying Notes to Financial Statements
are an integral part of these statements

PIGTAILS & CREWCUTS FRANCHISE, LLC
STATEMENTS OF CASH FLOWS
Years ended December 31,

| | 2021 | 2020 |
|--|------------|-----------|
| OPERATING ACTIVITIES | | |
| Net income | \$ 445,912 | \$ 6,907 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 7,443 | 7,933 |
| Grant income from PPP loan | (80,000) | (80,000) |
| Employee retention tax credit | (168,211) | - |
| Changes in: | | |
| Other receivables | (117,323) | 40,548 |
| Note receivable | 10,000 | (10,000) |
| Initial franchise fee receivable | 15,000 | - |
| Inventories | (811) | - |
| Prepaid expenses | (5,457) | - |
| Deferred franchise expenses | (72,457) | 903 |
| Accounts payable | 4,695 | (19,819) |
| Deferred franchise fee revenue | 102,065 | (222,490) |
| Deferred rent | 424 | 2,282 |
| Other liabilities | 781 | (1,638) |
| Net cash provided by (used in) operating activities | 142,061 | (275,374) |
| FINANCING ACTIVITIES | | |
| Proceeds from PPP loan | 80,000 | 80,000 |
| Employee retention tax credits received | 168,211 | - |
| Proceeds related to related party notes payable | - | 71,000 |
| Payments related to notes payable | (6,000) | - |
| Net cash provided by financing activities | 242,211 | 151,000 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 384,272 | (124,374) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 26,553 | 150,927 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 410,825 | \$ 26,553 |

The accompanying Notes to Financial Statements
are an integral part of these statements

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pigtails & Crewcuts Franchise, LLC (“the Company”) was organized on November 6, 2003 as a Georgia limited liability company through the acquisition of all intellectual properties and trademark rights from Pigtails & Crewcuts, Inc. The Company is in the business of franchising hair care salons and boutiques primarily for children under the name of “Pigtails & Crewcuts”. The Company also sells and distributes proprietary hair care products to franchised salons.

Basis of Accounting

The Company’s financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include checking accounts, a money market account, and restricted cash. Restricted cash represents cash collected for the Advertising Fund and is restricted for use related to advertising activities. The Company places its cash and cash equivalents on deposit with a financial institution in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts in the United States. As of December 31, 2021 and 2020, the Company had deposits of \$212,517 and \$0, respectively, in excess of the insured limits.

Property and Depreciation

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation and amortization is computed on the straight line method for financial reporting purposes. Depreciation expense for the years ended December 31, 2021 and 2020 was \$3,776 and \$4,266, respectively.

Income Taxes

The Company was formed as a limited liability company and is treated as a partnership for federal income tax purposes. The earnings and losses of the Company will be included in the members’ income tax returns. Consequently, the Company’s income or loss is presented without a provision or credit for federal and state income taxes. The Company’s income or loss will be allocated to members in accordance with the organizational agreement.

The Company accounts for uncertainties in income taxes by evaluating its tax positions. Management has concluded that the Company has taken no uncertain tax positions as of December 31, 2021 and 2020 that require adjustment to the financial statements to comply with authoritative guidance. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2018.

Inventories

Inventories consist of hair care products as well as certain equipment and materials which are utilized to outfit the franchised stores and are valued at the lower of cost or net realizable value.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable

The Company operates as a franchise sales company for children’s hair salons. Credit is granted to franchisees for various products and equipment used in the startup of the salons. The Company also records receivables for royalties and other amounts due and unpaid. The receivables are stated at the amount management expects to collect from outstanding balances. Doubtful accounts are eliminated from accounts receivable by the direct write-off methods. Subsequent collections of accounts which have been written off are reported as income in the period collected. The Company uses the direct write-off method due to historically immaterial amounts of bad debt incurred. The direct write-off method is not in accordance with generally accepted accounting principles. Had generally accepted accounts principles been used, the financial statements as a whole would not change materially from the statements presented.

Revenue Recognition

The Company disaggregates revenue by major source as it is believed to best depict how the nature, timing, and uncertainty of revenue and cash flows are affected by economic conditions.

The following table disaggregates the Company’s revenue by source of revenue for the years ended December 31:

| | 2021 | 2020 |
|---|---------------------|---------------------|
| Franchise royalties | \$ 791,892 | \$ 530,044 |
| Franchise fees - initial, renewal, transfer | 93,460 | 191,437 |
| Franchise fees - pre-opening services | 97,100 | 50,150 |
| Advertising fund revenue | 322,303 | 217,474 |
| Sales of product, net | 3,772 | 5,137 |
| Other | 8,951 | 10,000 |
| Total revenue | <u>\$ 1,317,478</u> | <u>\$ 1,004,242</u> |

Franchise royalties include continuing fees received from the franchising of salons. Franchise agreements are executed for each franchise salon which establishes the terms of the arrangement between the Company with the franchisee. These agreements require the franchisee to pay ongoing royalties of 5% of its gross sales. Royalties are billed on a monthly basis and debited from the franchisee’s checking account through an ACH transaction initiated by the Company. As the royalties meet the criteria to be subject to the sales and usage-based royalties’ exception for licenses of intellectual property, the Company recognizes royalty fees at the time of billing and does not consider royalties part of the total “transaction price” under the franchise agreement.

Advertising fund revenue includes contributions to the Advertising Fund by franchisees. Revenue related to these contributions is based on a percentage of sales of the franchises salons and is recognized as earned along with royalties.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Franchise fees are fees from the franchisees including initial fees, upfront fees from area developers, and transfer fees. The Company charges a nonrefundable up-front fee for each new franchise location in return for services the Company agrees to provide to the franchisee. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement for a period of 5 years. Also subject to the Company's approval and payment of a transfer fee, the franchisee may transfer its franchise rights to another franchisee establishing a new franchise period of 10 years. As these franchise fees are considered highly dependent upon and interrelated with the franchise right granted in the franchise agreement, these initial fees, renewal fees and transfer fees are deferred and recognized over the term of the agreement. Upfront fees from area development agreements are deferred and recognized on a pro-rata basis over the term of the individual salon franchise agreement as salons under the development agreement are opened. Breakage occurs when a franchisee does not meet its development schedule set forth in the franchise agreement and/or a store closes before the term of the contract has concluded. The full, unamortized balance is recognized in the year of breakage and/or when the contract is repurchased/transferred to another entity, if applicable.

The Company has identified the following additional performance obligations included in the franchise agreements related to pre-opening services: (1) site selection services, (2) general business training program, and (3) equipment discounts. The Company allocated a transaction price from the initial franchise fee amount to each of the performance obligations using a best estimate of the standalone selling price of each distinct good or service in the contract. The standalone selling price was determined using various approaches: the adjusted market approach, cost plus margin approach, and residual value. The Company recognizes pre-opening service revenue as the service is provided to the franchisee. Pre-opening service revenue of \$97,100 and \$50,150 was recognized for the year ended December 31, 2021 and 2020, respectively, which is reported in net revenues on the income statement.

Sales from products represents income generated from buying and selling equipment to franchisees to outfit franchised stores. Revenue is recognized at the point of sale. The income generated from these sales is shown net of associated costs.

Contract Balances

The following table provides information about receivables and contract liabilities (deferred franchise fees) from contracts with customers:

| | 2021 | 2020 |
|-----------------------------------|---------|-----------|
| Franchise fee receivable | \$ - | \$ 15,000 |
| Royalties receivable | 73,271 | 49,976 |
| Ad fund receivable | 29,309 | 25,580 |
| Deferred revenue - franchise fees | 745,094 | 643,029 |
| Deferred franchise expenses | 130,310 | 57,853 |

Significant changes in deferred franchise fees are as follows:

| | 2021 | 2020 |
|--|-------------------|-------------------|
| Deferred franchise fees at beginning of period | \$ 643,029 | \$ 865,519 |
| Revenue recognized during the period | (190,560) | (241,587) |
| New deferrals due to cash received and other | 292,625 | 19,097 |
| Deferred franchise fees at end of period | <u>\$ 745,094</u> | <u>\$ 643,029</u> |

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Advertising Costs

It is the policy of the Company to expense advertising costs as they are incurred and are included in “general and administrative expenses” and “advertising funds expenses”. The Company had advertising costs of \$49,792 and \$77,452 for the years ended December 31, 2021 and 2020, respectively. The advertising fund incurred \$261,547 and \$214,676 in expenses related to advertising for the years ended December 31, 2021 and 2020, respectively.

Reclassifications

Certain reclassifications have been made to prior periods to conform to current reporting.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02- Leases (Topic 842), which requires lessees to recognize assets and liabilities on the balance sheet for almost every lease and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The effective date of the amendment for the Company is for annual reporting periods beginning after December 15, 2021. The Company estimates its right of use asset and lease liability to be \$163,172 at January 1, 2022.

NOTE 2. ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at December 31:

| | 2021 | 2020 |
|---------------------------|------------|-----------|
| Royalties receivable | \$ 73,271 | \$ 49,976 |
| Ad fund receivables | 29,309 | 25,580 |
| Other receivables | 59,907 | 4,608 |
| Total accounts receivable | \$ 162,487 | \$ 80,164 |

NOTE 3. INTANGIBLE ASSETS

The Company purchased all intellectual properties and trademark rights used or held for use in the franchising of hair care salons and boutiques primarily for children under the name of “Pigtails & Crewcuts” from Pigtails & Crewcuts, Inc. on November 6, 2003 for \$250,000. The Company also agreed to pay the seller 10% of the Company’s net profit per year up to \$150,000. However, the Company satisfied this agreement during the year ended December 31, 2014, through a negotiated lump sum payment of \$55,000 which terminated the original agreement.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3. INTANGIBLE ASSETS, continued

Inasmuch as only intangible assets were acquired, the original amount paid of \$250,000 was allocated to intangibles. The final payment of \$55,000 during the year ended December 31, 2014 was also allocated to intangible assets. The purchased intangibles will be amortized against future periods over their useful life. The following is a summary of intangible assets at December 31:

| | 2021 | 2020 |
|--------------------------------|------------|------------|
| Intangible assets | \$ 305,000 | \$ 305,000 |
| Less: accumulated amortization | 278,111 | 274,445 |
| Intangible assets, net | \$ 26,889 | \$ 30,555 |

Amortization expense was \$3,667 for each of the years ended December 31, 2021 and 2020.

NOTE 4. SALES OF PRODUCT INCOME AND COSTS

The Company buys and sales equipment to franchisees to outfit franchised stores. The income generated from these sales is shown net of associated costs. The following is a summary of sales of product income and costs for the years ended December 31:

| | 2021 | 2020 |
|---------------------------------|------------|-----------|
| Sales of product and other | \$ 127,098 | \$ 71,578 |
| Less: Equipment and other costs | 123,326 | 66,441 |
| Sales of product and other, net | \$ 3,772 | \$ 5,137 |

NOTE 5. DEFERRED COSTS

In accordance with generally accepted accounting principles in the United States, the Company defers certain incremental costs such as broker fees and commissions. Under ASU 2014-09 subtopic Accounting Standards Codification (“ASC”) 340-40, *Other Assets and Deferred Costs: Contracts with Customers*, the Company defers these costs and recognizes them over time as the Company satisfies its performance obligation to the franchisees. Deferred costs at December 31, 2021 and 2020 was \$130,310 and \$57,853, respectively.

NOTE 6. ADVERTISING FUND

The Company maintains an advertising fund established to collect and administer funds contributed for use in advertising and promotional programs for Company-operated and franchised salons. Under the terms of the franchise agreement, all Pigtails & Crewcuts franchisees are required to contribute 2% of monthly gross sales to the advertising fund. The Company does not charge the advertising fund any administrative fees. Under Topic 606, the revenue and expenses of the advertising fund is fully consolidated into the Company’s statements of income and members’ deficit.

NOTE 7. GRANT INCOME

In response to the COVID-19 pandemic, the Paycheck Protection Program (“PPP”) was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and administered by the U.S. Small Business Administration (“SBA”). Companies who met the eligibility requirements set forth by the PPP could qualify for PPP loans provided by local lenders, which supports payroll and other identified eligible expenses (“qualified expenses”). If the loan proceeds are fully utilized to pay qualified expenses over the covered period, as further defined by the PPP, the full principal amount of the PPP loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization during the covered period.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7. GRANT INCOME, continued

In April 2020, the Company received a loan of \$80,000 under the PPP provided by Synovus Bank. The loan included a 24 month term with interest at 1%, and principal and interest payments deferred until either a forgiveness decision is rendered on the loan or for the first ten months of the loan. The Company believed it would qualify to have the loan forgiven under the terms of PPP as it had completed the required activities by utilizing PPP proceeds for payroll and other qualified expenditures, and therefore considered the loan to be substantively a conditional government grant. As such, the Company accounted for the PPP loan as a government grant following the guidance in International Accounting Standards (“IAS”) 20, Accounting for Government Grants and Disclosure of Government Assistance and recognized \$80,000 as part of “Other Income” for the amount of the PPP loan, and no liability for the PPP loan is reflected on the balance sheet at December 31, 2020. The Company applied for and received complete forgiveness of the first round of PPP proceeds of \$80,000 on January 14, 2021.

The Company received loan proceeds in the amount of \$80,000 under the second round of the PPP on February 8, 2021 and received full forgiveness of the loan on August 31, 2021. Accordingly, the Company has recognized \$80,000 as part of “Other Income” for the amount of the second round of the PPP loan under IAS 20 and no liability for the PPP loan is reflected on the balance sheet as of December 31, 2021.

NOTE 8. EMPLOYEE RETENTION CREDIT PROGRAM

The Employee Retention Credit (“ERC”) program was created under the CARES Act in March 2020 (and subsequently modified, expanded and extended by additional legislation), with the goal of encouraging employers to retain and continue paying employees during periods of pandemic-related reductions in business volume. ERCs are similar to the PPP loans as they are another form of government assistance. However, whereas PPP loans provided funds requiring recipients to qualify for forgiveness by incurring qualifying expenditures in subsequent periods, ERCs are an employment tax credit if certain expenses are incurred by eligible employers. For consistency, the Company will apply IAS 20 in accounting for ERC as it previously adopted IAS 20 for reporting similar programs (PPP loans).

During 2021, it was determined that the Company met the appropriate conditions and qualified for the ERC. Under IAS 20, the Company recognized \$168,211 in ERC as part of “Other Income” for the year ended December 31, 2021. Grants receivable for the ERC at December 31, 2021 are \$35,000 which represents refunds due on the 2020 Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarter ended June 30, 2020. The Company anticipates to receive the refund in the next nine to twelve months.

NOTE 9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Company entered into two loans with related parties. The terms and outstanding balances at December 31, are as follows:

| | 2021 | | | 2020 |
|--|-----------|-----------|-----------|-----------|
| | Current | Long-term | Total | Total |
| Related party loan- due on demand, 0% interest | \$ 65,000 | \$ - | \$ 65,000 | \$ 65,000 |
| Related party loan- due on demand, 0% interest | - | - | - | 6,000 |
| | \$ 65,000 | \$ - | \$ 65,000 | \$ 71,000 |

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 10. LEASES

The Company leases its headquarters facility and shared office space in Fulton County, Georgia. On January 1, 2019 the Company began a 65 month lease. The lease will be up for renewal in fiscal year 2024. For the years ended December 31, 2021 and 2020, total rent expense for the leased headquarters facility was \$64,197 for each year. The future minimum lease payments required by this lease are as follows at December 31, 2021:

| Year Ending December 31, | | |
|-----------------------------|-----------|----------------|
| 2022 | \$ | 64,197 |
| 2023 | | 64,197 |
| 2024 | | 42,798 |
| | <u>\$</u> | <u>171,192</u> |

Deferred rent represents the amount of rent expense based upon a straight line method over the period of the lease term in excess of the cash paid for rent based upon the lease agreement. Increases and decreases in deferred minimum rent increase and decrease rent expense. Deferred minimum rent will amortize over the remaining lease term as follows:

| Year Ending December 31, | Deferred Minimum Rent Benefit/Expense |
|-----------------------------|---|
| 2022 | \$ 1,489 |
| 2023 | 3,460 |
| 2024 | 26,888 |
| | <u>\$ 31,837</u> |

NOTE 11. RETIREMENT CONTRIBUTION

A Safe Harbor 401(k) plan was implemented in January of 2018. Employees are eligible to participate in the plan on the first of the month following 1 year of service and have attained age 18 and are expected to work 1000 hours in twelve consecutive months. The Company will make matching contributions in two different ways. The Safe Harbor match is equal to 100% on the first 3% and 50% on the next 2% for a total match of 4%. Employees can opt out of the plan or change their contribution at any time. Employer contributions and expense for the 401(k) plan were \$5,943 and \$12,399 for the year ended December 31, 2021 and 2020, respectively.

NOTE 12. RISKS AND UNCERTAINTIES

In early 2020, COVID-19 surfaced in China, and subsequently spread to other countries, including the United States. In March 2020, the World Health Organization declared COVID-19 a global pandemic and the United States declared a National Public Health Emergency. The COVID-19 pandemic severely impacted global economic conditions, resulting in substantial volatility in the global financial markets, increased unemployment, and operational challenges such as the temporary closures of businesses, sheltering-in-place directives and increased remote work protocols. Governments and central banks around the world reacted to the economic crisis caused by the pandemic by implementing stimulus and liquidity programs and cutting interest rates. In the fourth quarter of 2020, vaccines began to become available in the United States and as more people were vaccinated the spread of COVID-19 slowed. In most of the Company's franchisee locations businesses are back to operating in a more normal capacity. If the vaccine proves to be less effective than anticipated and the COVID-19 virus begins to spread again, the adverse impact on the local and the global economy could worsen, and the financial position and operations of the Company could be adversely affected. The impact of COVID-19 on the Company's financial position and operations of the Company remains dependent on future developments, including the effectiveness of the vaccine and coverage of people receiving the vaccine.

PIGTAILS & CREWCUTS FRANCHISE, LLC
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 13. SUBSEQUENT EVENTS

The Company performed an evaluation of subsequent events through February 28, 2022, the date upon which the Company's financial statements were available for issue. The Company has not evaluated subsequent events after this date.

PIGTAILS & CREWCUTS FRANCHISE, LLC
 SUPPLEMENTARY INFORMATION
 SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
 Years ended December 31,

| | 2021 | | | 2020 | | |
|--------------------------------|------|----------------|---------------|------|----------------|---------------|
| Management salaries and wages | \$ | 454,710 | 34.5 % | \$ | 470,995 | 46.9 % |
| Franchise development expenses | | 120,722 | 9.2 | | 104,540 | 10.4 |
| Travel and entertainment | | 21,660 | 1.6 | | 38,323 | 3.8 |
| Rent | | 67,353 | 5.1 | | 66,461 | 6.6 |
| Payroll taxes | | 39,611 | 3.0 | | 40,556 | 4.0 |
| Employee benefits | | 18,413 | 1.4 | | 26,799 | 2.7 |
| Occupancy expenses | | 12,271 | 0.9 | | 15,919 | 1.6 |
| Legal fees | | 41,895 | 3.2 | | 21,408 | 2.1 |
| Computer expense | | 11,977 | 0.9 | | 10,201 | 1.0 |
| Accounting fees | | 21,790 | 1.7 | | 25,834 | 2.6 |
| Other | | 36,986 | 2.8 | | 30,588 | 3.0 |
| Office supplies | | 2,662 | 0.2 | | 6,950 | 0.7 |
| Liability insurance | | 4,197 | 0.3 | | 1,097 | 0.1 |
| Taxes and licenses | | 75 | - | | 2,528 | 0.3 |
| | \$ | <u>854,322</u> | <u>64.7 %</u> | \$ | <u>862,199</u> | <u>85.8 %</u> |

See Independent Auditor's Report

EXHIBIT E
FRANCHISE AGREEMENT

[SEE ATTACHED]



PIGTAILS & CREWCUTS FRANCHISE, LLC

FRANCHISE AGREEMENT

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Exhibits

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| B | Guaranty of Payment and Performance |
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PIGTAILS & CREWCUTS FRANCHISE AGREEMENT

THIS PIGTAILS & CREWCUTS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into this ____ day of _____, 2____, by and between **Pigtails & Crewcuts Franchise, LLC**, a Georgia limited liability company (the “Company” or “we” or “us” or “our”), with principal offices at 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305, and _____, a _____ (“you” or “your”), whose principal address is _____.

1. PREAMBLES AND GRANT OF FRANCHISE

1.1 Preambles.

(i) We are the creator and owner of the trade secrets, product formulas, concept, style, confidential information, format and operating system (collectively, the “Operating System”), and the logotypes, service marks, and trademarks now or hereafter involved in the operation of *Pigtails & Crewcuts* salons using the style, trademark, service mark, and trade name “PIGTAILS & CREWCUTS” (collectively, the “Marks”), and the goodwill associated therewith, and have the right to grant to others the right and license to operate salons using the Operating System and the Marks, subject to the continuing control by us of the method of operation of salons and the quality of the products and services provided by salons. The operational aspects of the franchise are contained within the Operations Manual (as defined below) loaned to you.

(ii) We grant franchises to other individuals or partnerships or limited liability companies or corporations that meet our qualifications and are willing to undertake the investment and effort to establish, develop and operate a salon. The franchise grants the right and obligation to own and operate a *Pigtails & Crewcuts* salon offering the products and services authorized and approved by us utilizing the Operating System and the Marks for a specified term.

1.2 Grant and Scope of Franchise.

(i) Grant of Franchise. You have applied for a *Pigtails & Crewcuts* franchise to own and operate a *Pigtails & Crewcuts* franchise and such application has been approved by us in reliance upon all of the representations made therein. Subject to the provisions of this Agreement, we hereby grant to you a franchise to develop and operate a *Pigtails & Crewcuts* salon (the “Salon”) at the location (the “Location”) within the geographic area (the “Territory”), each as or to be identified on Exhibit A attached hereto, and to use the Operating System in its operation. Exhibit A shall be completed and executed at such time as the Location is ascertained. The establishment by you of additional salons requires additional franchises from us and the payment to us of additional franchise fees. You shall have the right to use the Marks in the operation of the Salon for the duration of the Term (as defined below) and any renewal hereof. You shall commence operation of your Salon on the date when our authorized representative, in his/her sole judgment, determines by personal observation that you and your Operating Manager (as defined below), if someone other than you, have successfully completed

training and are capable of providing services that meet our standards on a consistent continuing basis and your Salon is fully operational and validly licensed by the appropriate state and/or local regulatory agencies.

(ii) Territory. Provided you comply with your obligations hereunder, we agree, for the Term of this Agreement, that we will not operate, nor will we grant to any other person or entity a license to operate, a *Pigtails & Crewcuts* salon in the Territory. Notwithstanding anything herein to the contrary, if any disagreement arises regarding the area comprising the Territory, then our decision of defining the Territory shall be final and binding.

(iii) Reservation of Rights. Except as specifically provided in this Section 1.2, the use of the Operating System and Marks granted hereunder are nonexclusive, and we retain the right in our sole discretion to:

(a) Establish, and grant to other franchisees or licensees the right to establish, a *Pigtails & Crewcuts* salon or any other business using the Marks, the Operating System or any variation of the Marks and the Operating System, in any location outside the Territory, on any terms and conditions that we deem appropriate;

(b) Develop, use and franchise anywhere (including within the Territory) the rights to any trade names, trademarks, service marks, commercial symbols, emblems, signs, slogans, insignia, patents or copyrights not designated by us as Marks, for use with similar or different franchise systems for the sale of similar or different products or services than those constituting a part of the Operating System without granting you any rights therein;

(c) Ship, sell and provide products identified by the Marks or other trademarks, service marks, commercial symbols or emblems to customers located in the Territory through any distribution channels, including grocery stores, convenience stores, Internet websites, and delivery services irrespective of the proximity to your Salon without compensation to you; provided, however, that any such sales will not be made from a *Pigtails & Crewcuts* salon located in the Territory; and

(d) Take any other action that we are not expressly prohibited from taking under this Agreement.

(iv) Uniformity of Franchises. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, at our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population of trade area, existing business practices or any other condition which we deem to be of importance to the successful operation of such franchisee's business. You shall have no recourse against us on account of any variation from standard specifications and practices granted to any other franchisee, and shall not be entitled to require us to grant to you a like or similar variation.

1.3 Guarantees. All of your partners, shareholders and/or members shall each execute a personal Guaranty of Payment and Performance in the form attached hereto as Exhibit B.

1.4 Agreement by Third Parties. As a condition to our execution of this Agreement, you shall (i) cause each of your partners, shareholders, members, directors and officers, as applicable, and any other interested parties as we may reasonably require, to execute a Non-competition and Nondisclosure Agreement in the form attached hereto as Exhibit C; and (ii) cause each of your management and supervisory employees, other employees to whom disclosures are made pursuant to Section 2.4 or who have received training from us, or those other employees as we may reasonably require, to execute the Noncompetition and Nondisclosure Agreement in the form attached hereto as Exhibit D.

1.5 Term and Renewal. The initial term of the franchise shall commence on the date that this Agreement is executed by all parties and shall expire 10 years thereafter (unless terminated earlier in accordance with this Agreement) (the “Term”), with an option to renew for three additional five year terms thereafter. Unless you properly terminate this Agreement pursuant to Section 14.1 below, you agree to operate your Salon pursuant to this Agreement for the entire Term. The parties shall negotiate in good faith any further extensions, provided you advise us in writing of your intent to extend the Term of the franchise at least one year prior to the expiration of the last option period, although we have no obligation to agree to any further extensions. All renewals shall be in accordance with Section 13 of this Agreement.

1.6 Development Addendum. If you are granted the rights to develop and operate multiple salons, you will be required to execute the Development Addendum attached hereto in Exhibit E.

2. TRAINING AND GUIDANCE

2.1 Training.

(i) We shall provide an initial training program in the operation of the Salon during such period as we designate prior to the commencement of Salon operations. The training program shall be furnished at our facility located in Atlanta, Georgia, or at such other facility as we may designate. The duration of the basic training course shall be not less than three days at a location designated by us and two days on-the-job training at your Salon.

(ii) Prior to the opening of the Salon, you (or, if you are a business entity, all persons having an ownership or voting interest in you of 25% or more) and the Operating Manager (if someone other than you or one of your owners having an ownership or voting interest in you of 25% or more) are required to attend and successfully complete to our satisfaction the initial training course. If any individual that is required to complete the initial training course fails to complete the training course to our satisfaction, then at our option and in our sole discretion, we may terminate this Agreement, and you will not be entitled to a refund of the Franchise Fee (as defined below). Any replacement Operating Manager must have previously successfully completed our initial training course.

(iii) In addition to paying us the Initial Training Fee (as defined in Section 7.2), you shall be responsible for any travel and living expenses that you and your Operating Manager, if applicable, incur in connection with such training and for any salary and other costs paid to or incurred by or on behalf of your Operating Manager in connection with such training.

(iv) We may require that previously trained and experienced Salon owners, Operating Managers and other managers periodically attend refresher and/or advanced training courses or annual conferences at our facility located in Atlanta, Georgia or at another facility designated by our representative or us. We may charge you a reasonable fee to attend these training courses and conferences and you shall be responsible for any travel and living expenses that you, your Operating Manager and other managers, as applicable, incur in connection with such training and conferences.

2.2 Operations Manual.

(i) We will lend to you, for the duration of this Agreement, an Operations Manual in either text and/or electronic form (the "Operations Manual"). You must be able to access the Operations Manual from the Salon during standard business hours. The Operations Manual will contain, among other things, mandatory and suggested operating, accounting and reporting procedures, specifications, standards and methods well as quality standards for services, procedures, and products prescribed from time to time by us for our operations and you agree to comply with the mandatory items. All information in the Operations Manual is confidential and proprietary and constitute our trade secrets. Information contained within the Operations Manual shall not be disclosed to third parties without our prior written approval.

(ii) We have the right to make additions to, deletions from, and modifications to the Operations Manual from time to time in any form or fashion, including, but not limited to, to reflect changes in authorized products and services, standards of products and services, the Computer System (as defined in Section 3.7), and procedures and specifications. These modifications may or may not be a part of the Operations Manual, but in all events shall be communicated to you in writing. Such additions or modifications shall constitute provisions of this Agreement as if fully set forth in this Agreement. You shall keep your copies of the Operations Manual current. In the event of a dispute relative to the contents of the Operations Manual, the master copies maintained by us at our principal office shall be controlling.

2.3 Guidance. We may advise you from time to time of operating deficiencies that may be disclosed by the periodic reports submitted to, or by evaluations made by, us or our representative and may furnish to you guidance in connection with: (i) methods and procedures utilized by us; (ii) all operational aspects of the children's haircut and hair care product sales, and children's party business; (iii) formulating and implementing advertising and promotional programs; and (iv) establishment of administrative, accounting and general operating procedures for the proper operation of the Salon. Such guidance may be furnished in the form of the Operations Manual, bulletins, newsletters, formats and training films, telephonic consultations and/or consultation with our representative or us. Development agents or their employees, or our representatives, making routine evaluations, may also furnish guidance.

2.4 Employees; Nondisclosure Agreements; Operations Manual. You shall hire, train, and supervise competent, courteous employees for the operation of the Salon and shall pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due with respect to the employees. Such employees shall be employees of yours and not of ours. You shall ensure that a sufficient number of trained employees are available to meet the operational standards and requirements of the Salon at all

times during the Term hereof. You shall ensure that all of your managers and employees, as well as your members, partners, shareholders, officers and directors comply with the provisions of, and shall follow the procedures as may be set forth in, the Operations Manual or any informational materials applicable to such managers, employees, members, partners, shareholders, officers and directors as may be published by us, and amended or updated from time to time. Your employees shall be presented with only the minimum amount of such information and material from the Operations Manual as is necessary for them to perform their assigned tasks within the Operating System. You shall collect the Operations Manual and related materials from all employees upon the conclusion of their employment with you. You shall use your best efforts to ensure the compliance of your managers, employees, members, partners, shareholders, officers, and directors, and other interested parties with the applicable Nondisclosure Agreement and with the other requirements described in this Agreement pertaining to confidentiality and the protection of our confidential information. You shall immediately notify us of any breach of such Nondisclosure Agreement or of any other requirement described in this Agreement pertaining to confidentiality by any of your managers, employees, members, partners, shareholders, officers, directors, and other interested parties or by any other person or party of which you are aware. The notice initially may be verbal but shall be promptly followed by a writing specifying all details pertaining to the breach of which you are aware. In the event of any such breach, we shall have sole discretion in deciding what action, if any, should be taken and we shall retain continuing control over such action. If we undertake the enforcement of said Nondisclosure Agreements, you shall cooperate with our prosecution of the enforcement actions or proceedings. Because you have the direct relationship with your managers, employees, members, partners, shareholders, officers, directors and other interested parties in terms of their initial hiring, supervision, daily contact and retention, and similar factors relevant to the confidentiality issues and requirements described in this Section 2, and in consideration of our reliance on you with regard to these matters, you shall pay all of our reasonable expenses incurred in the prosecution of said enforcement actions or proceedings, whether or not suit is filed, including, without limitation, our reasonable attorneys' fees and court costs. For the avoidance of any doubt, the employees at the Salon are your employees and will be under your control in implementing and maintaining the specifications, standards and operating procedures relating to the operation of your Salon. Under no circumstances will we control the forms or terms of employment agreements you use with your employees or otherwise be responsible for your labor relations or employment practices. We and you agree that any materials or guidance that we provide with respect to employment-related policies or procedures, whether in the Operations Manual or otherwise, are solely for your optional use. Any such materials or guidance do not form part of the Operating System. You will determine to what extent, if any, these materials or guidance should apply to your employees and Salon operations. We and you recognize that we neither dictate nor control labor or employment matters for franchisees and their employees and we are not responsible for the safety and security of Salon employees or customers. You are solely responsible for determining the terms and conditions of employment for your employees and for all decisions concerning the hiring, firing and discipline of your employees, and for all other aspects of the Salon's labor relations and employment practices.

2.5 Conferences and Meetings. If established, you will be required to attend periodic conferences and meetings we designate. If you are not actively involved in the operation of the Salon, your Operating Manager must also attend these conferences and meetings.

3. DEVELOPMENT AND COMMENCEMENT OF OPERATIONS

3.1 Development of the Franchise. You agree to do or cause to be done within nine months following execution of this Agreement (unless otherwise agreed to in writing by us) the following:

(i) Locate a suitable site, obtain our approval for such site, and enter into a lease or sublease for the site or purchase the site, all as outlined below;

(ii) Lease or purchase and install any improvements, equipment, signs or other items which we may require to conduct the franchised business and commence the active, full-time operation of the Salon, and purchase product, Salon supplies, office supplies, forms, or other operating items required to conduct the franchised business, all as specified in the Operations Manual;

(iii) Obtain all necessary insurance for your protection and our protection, all as outlined in Section 8.4 of this Agreement;

(iv) Comply with all applicable state, county and local laws and ordinances pertaining to the start-up of the Salon, including, but not limited to, obtaining all required business permits and licenses; and

(v) Open the Salon, as outlined in Section 3.8.

3.2 Acquisition and Approval of a Suitable Location. Within 180 days after we sign this Agreement, you shall present to us suitable information pertaining to the Location for the Salon so that we have the information necessary for us to determine whether the proposed Location meets our site selection criteria. We will not unreasonably withhold our acceptance of a site that meets our criteria for demographic characteristics, character of neighborhood, traffic patterns, parking, competition from other businesses; other commercial characteristics; and the proposed site's size, appearance, and other physical characteristics. In determining whether to accept or reject a proposed site, we also may consider the site's proximity to other existing or potential sites for Pigtails & Crewcuts salons located outside the Territory. Despite any assistance, information or recommendations that we provided or will provide with respect to the site or our acceptance of the site, we have made and will make no representations or warranties of any kind, express or implied, of the suitability of the site for a Pigtails & Crewcuts salon or any other purpose. Our recommendation or acceptance indicates only that we believe that the site meets or has the potential to meet, or that we have waived, the general criteria of site acceptability that we have established as of that time. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after we recommend or accept a site, demographic and/or other factors included in or excluded from our site criteria could change, thereby altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the site fails to meet our or your expectations. Your acceptance of the rights under this Agreement is based on your own independent investigation of, or agreement in the future to investigate, the site's suitability. We will use our reasonable efforts to review and either accept or reject a site you propose within 15 days after receiving the complete site information and other materials we request. If we have not

delivered to you written notice of our acceptance of a proposed site within 15 days after receiving the complete site information, that site will be deemed rejected. If you have not yet located or we have not yet accepted a site within 180 days after we sign this Agreement, or any extensions of the 180 day limit agreed to in writing by us, we may terminate this Agreement by giving you written notice, and you will not be entitled to a refund of your Franchise Fee.

3.3 Approval of Lease and Required Lease Provisions. If you intend to lease the Location for your Salon, you must provide to us, no less than 15 days prior to the execution of the lease, all pertinent details, including proforma copies of the lease, and details relating to square footage, rental per square foot, the term of the lease, and such other terms as we reasonably require. You are required to obtain our written approval before entering into a lease of the franchise premises. Our written approval of your proposed lease does not constitute our guarantee of success of your business at the site you have selected, nor does it constitute a legal review.

You shall ensure that any lease contains the following provisions:

(i) All right, title and interest to the lease may be assigned to us or our nominee, and said assignment shall be granted in writing by the lessor;

(ii) Lessor shall acknowledge our existence and the requirement of our prior written approval of the lease and any subsequent renewals, extensions, modifications and amendments to the lease;

(iii) Lessor shall agree to furnish to us a copy of any default notice served on you and/or lessee simultaneously with the service of the notice to you and/or lessee and, further shall agree to give us the opportunity, but not the obligation, to cure any of your and/or lessee's defaults under the lease within 15 days following the expiration of any cure period provided under the lease assuming your and/or lessee's failure to cure the default;

(iv) Lessor shall agree that, if we exercise our right to cure your and/or lessee's defaults under the lease, then we may, at our option, succeed to your and/or lessee's interests under the lease and shall be recognized by landlord as the lessee or sublessee thereunder for the remaining term of the lease;

(v) Lessor shall agree that an expiration of this Agreement without renewal or a termination of this Agreement prior to expiration, in either case because of (a) your or our election not to renew the franchise, and/or (b) your and/or lessee's uncured or incurable events of default as set forth in Section 14 of this Agreement shall constitute a default under the lease, giving us the right but not the obligation to cure said default under the lease by succeeding to your and/or lessee's interests as the new lessee or sublessee under the lease as aforesaid;

(vi) Lessor shall agree that, if the lease expires without renewal by you and/or lessee, or terminates prior to its expiration for any reason, we shall have the first right of refusal to lease the Location as the new lessee or sublessee; and

(vii) Lessor shall agree that, if we succeed to your and/or lessee's interests under the lease for any reason, we shall have the right to further assign the lease or to sublease the

Location to either an entity owned or controlled by us, or to a franchisee or licensee who meets our requirements to be a franchisee or licensee and lessor's requirements to be a lessee or sublessee.

If we succeed to your interests under the lease as provided above, you irrevocably appoint us, by and through any of our officers as we may select, as your attorney-in-fact to execute such documents and instruments as we deem necessary or appropriate to effectuate the succession of interest, including, without limitation, the assignment of all licenses and permits.

3.4 Salon Improvements/Refurbishing. After you sign the lease, you will construct and equip the Salon in accordance with the specifications contained in the Operations Manual and/or plans and build-out specifications provided by us. You shall maintain at all times, at your expense, the Salon, equipment, leasehold improvements, fixtures, furnishings and furniture and related premises, parking areas, landscape areas and interior and exterior signs in a good, clean, attractive and safe condition in conformity with our Operations Manual and in order to preserve the identity, reputation and goodwill we developed and the value of the franchise. You shall make such repairs and replacements thereto as may be required to keep the Salon in the highest degree of sanitation, repair and condition. However, you shall not undertake any alterations or additions (but may perform maintenance and make repairs) to the buildings, equipment or furnishings without our prior written consent. You agree to refurbish the Salon (in addition to regular maintenance and repair), as we may require to maintain or improve the appearance and efficient operation of the Salon, to help increase its sales potential, to comply with our Operating System, Operations Manual, then-current specifications, standards, formats, image and appearance, or to meet such other requirements as requested by us in our discretion. Refurbishing may include but is not limited to:

- (i) replacement of worn out or obsolete equipment, fixtures, furniture and signs;
- (ii) substitution or addition of new or improved equipment, fixtures, furniture and signs;
- (iii) redecorating and repainting;
- (iv) repair of the interior and exterior of the premises and repair and resurfacing of parking facilities, if applicable;
- (v) structural modifications and remodeling of the premises; and
- (vi) upgrading leasehold improvements.

All such refurbishing shall be at your expense and require our prior written consent in our reasonable discretion, provided that we shall not be required to approve any proposed additions, alterations, modifications, or remodeling if the same would conform to our then-current specifications, standards, format, image or appearance.

3.5 Relocation. You may relocate the Salon only with our prior written approval. If the Salon's lease expires and is not renewed or if the landlord terminates the Salon's lease, you

will have thirty (30) days to relocate the Salon, provided you are not in breach of such lease or otherwise in default with respect to this Agreement. If you relocate the Salon, you will pay all expenses and liabilities to terminate the lease and complete the move. Your failure to relocate the Salon within the specified time period and any approved extensions thereof will be considered a default and subject you to termination pursuant to Section 14.4 of this Agreement.

3.6 Fixtures, Furnishings, Signs, and Other Equipment. You agree to use, in the development and continuing operation of the Salon, such equipment, fixtures, maintenance and repair items, signs, and other equipment and operating supplies that we have approved as meeting our specifications and quality standards for design, appearance, function, performance and serviceability. We will maintain the sole list of designated suppliers, which may include us and/or our affiliates, as modified by us periodically.

3.7 Computer System. You will promptly purchase or lease and/or license (as specified by us) and install at the Salon, at your sole expense, the computerized point-of-sale system, computer systems, software, hardware, telephone lines, network connections, communications equipment, high speed internet access, and other equipment that we require periodically (collectively, "Computer System"). Each component of the Computer System must be approved by us, and you will purchase components of the Computer System only from approved suppliers, which may include us and/or our affiliates. We may require you to purchase or lease any component of the Computer System from a single source, which may include us and/or our affiliates. You must use the Computer System in accordance with our standards. If it becomes advisable at any time, in our sole discretion, for us to change, upgrade, or discontinue use of any component of the Computer System, you will comply with our directions, at your expense, within a reasonable time after notice to you. We will have no liability or obligation whatsoever with respect to our requirement that you modify or discontinue use of any component of the Computer System or any unauthorized modifications to the Computer System that you make. We may require you to enter into agreements with, and pay a reasonable fee to, us, our affiliates, or approved suppliers for required modifications and enhancements to the Computer System or other maintenance and support programs.

3.8 Commencement of Operations. You agree to commence operation of the Salon within 10 days after the determination by our authorized representative that the quality of service required to be offered at a Pigtales & Crewcuts salon can be provided by you on a consistent, uniform basis. The specific opening date shall be mutually agreed upon by you and us, however, in no event will the commencement date be in excess of one year after execution of this Agreement plus any approved extensions.

4. MARKS

4.1 Ownership and Goodwill of Marks. You acknowledge that we or our affiliate(s) are the owner of the Marks, which Marks are licensed to you by this Agreement, and that your right to use these Marks is derived solely from this Agreement, and that your right is limited to a license granted by us to conduct your Salon business pursuant to and in compliance with this Agreement and all applicable standards, specifications and operating procedures prescribed by us from time to time during the Term of the franchise. Any unauthorized use of the Marks by you shall constitute an infringement of our rights in and to the Marks.

4.2 Limitations on Your Use of Marks. You agree to use the Marks as the sole identification of the Salon, provided that you shall identify yourself as the independent owner thereof in the manner prescribed by us. You shall not use any Mark as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you under this Agreement), or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized service or product or in any other manner not expressly authorized in writing by us. You agree to prominently display the Marks on or in connection with products, media advertising, promotional materials, posters and displays, receipts, stationery and forms designated by us, and in the manner prescribed by us, to give such notices of trade and service mark registrations and copyrights as we specify and to obtain such fictitious or assumed name registrations as may be required under applicable law. To the extent you use any Mark in employment-related materials, you must include a clear disclaimer that you (and only you) are the employer of employees at the Salon and that we, as the franchisor of Pigtails & Crewcuts, are not their employer and do not engage in any employer-type activities for which only franchisees are responsible, such as employee selection, promotion, termination, hours worked, rates of pay and other benefits, work assigned, discipline and working conditions.

4.3 Notification of Infringements and Claims. You shall immediately notify us of any apparent infringement of or challenge to your use of any Mark, or claim by any person of any rights in any Mark, and you shall not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We shall have sole discretion to take such action as we deem appropriate and the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark, and you agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain the interests of us and our affiliate(s) in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain the interests of us and our affiliate(s) in the Marks.

4.4 Limited Authorization. We have not authorized or empowered you to use the Marks except as provided by this Agreement and you shall not employ any of the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation, or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

4.5 Discontinuance of Marks. You understand and agree that the limited license to use the Marks granted by this Agreement applies only to such Marks as are designated by us, and which are not subsequently designated by us as being withdrawn from use, together with those which may be designated by us in writing. You expressly understand and agree that you are bound not to represent in any manner that you have acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted under this Agreement, or by virtue of your use of any of the Marks.

If it becomes advisable at any time, in our sole and absolute discretion, to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute Marks, then you shall be obligated to comply with any such instruction by us. Our sole obligation in

such event shall be to reimburse you for your documented expenses of compliance, such as changing signs, stationery, etc. You waive any other claim arising from or relating to any Mark change, addition, modification, substitution or discontinuation. We will not be liable to you for any expenses, losses or damages sustained by you as a result of any Mark addition, modification, substitution or discontinuation except as provided in this Section.

5. TRADE SECRETS

5.1 Definition of Know-how. Along with our affiliate(s), we possess proprietary know-how comprising methods, techniques, drawings, specifications, procedures, information and knowledge of and experience in the design and operation of a *Pigtails & Crewcuts* salon, and the rendering and providing of authorized and approved services and products (the “Know-how”). Know-how also includes product ingredients, information concerning the design, layout and construction of a Salon, marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials, specifications for suppliers, any proprietary computer software which is proprietary to the Operating System, any of our intellectual property and any other information we reasonably designate from time to time as confidential or proprietary. We will disclose the Know-how to you by furnishing to you certain specifications and guidance with relationship to the Salon, the training program, the Operations Manual, and in other guidance furnished to you during the Term of the franchise. You understand and acknowledge that you will not acquire any interest in the Know-how other than the right to utilize it in the development and operation of the Salon during the Term of the franchise and any renewals thereof.

5.2 Your Agreement Regarding Know-how. You acknowledge that the Know-how is confidential and proprietary and, except to the extent that it is or becomes generally known in the relevant industry or trade, the Know-how is confidential information, some of which constitute our trade secrets, and is disclosed to you solely for use by you in the development and operation of the Salon during the Term of the franchise and on the condition that you agree, and you do hereby agree, that you: (i) will not use the Know-how in any other business or capacity; (ii) will maintain the confidentiality of the Know-how during and after the Term; (iii) will not make unauthorized copies of any portion of the Know-how disclosed in written form; and (iv) will adopt and implement all reasonable procedures prescribed from time to time by us to prevent unauthorized use or disclosure of any of the Know-how including, without limitation, restrictions on disclosure thereof to your employees and the use of nondisclosure clauses in the employment agreements with such employees.

5.3 Restriction on Competitive Activities. You acknowledge that it would not be possible for us to protect our trade secrets against unauthorized use or disclosure if you hold an interest in a business similar to the Salon. You therefore agree that you will not, during the Term of the franchise, directly or indirectly, as owner, partner, shareholder, officer, director, employee, agent, representative, lender, broker, consultant, franchisee or in any other capacity whatsoever, be connected in any manner with the ownership, management, operation or control of or conduct of any other business, service, or activity that derives twenty percent (20%) or more of its Gross Sales from the sale of children's hair care products and services including parties held at the Salon (“Competitive Business”). In the event of any discrepancy or inconsistency, the provisions of Section 15.4 of this Agreement shall control.

6. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

6.1 No Fiduciary Relationship. It is understood and agreed by the parties to this Agreement that this Agreement does not create a fiduciary relationship between them, that they shall be independent contractors, and that nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. Nor are we the employer or joint employer of your employees.

6.2 Identification of Franchise Relationship. You shall conspicuously identify yourself at your base of operations, and in all dealings with customers, contractors, suppliers, public officials and others of the public or private sphere, as the owner of a *Pigtails & Crewcuts* salon under a franchise of ours and shall place such other notices of independent ownership on such forms, stationery, advertising and other materials as we may require from time to time.

6.3 No Authority to Bind. Neither we nor you shall make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee, and neither we nor you shall be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized hereunder, nor shall we be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Salon or the business authorized by or conducted pursuant to the franchise, whether caused by your negligence, willful action or failure to act.

6.4 No Company Liability for Your Taxes. We shall have no liability for any sales, use, excise, gross receipts, income, employment, property or other tax, whether levied upon you, your Salon, or your assets, or upon us, in connection with the services performed, products provided or business conducted by you, or other payments by you to us.

6.5 Your Indemnity. You agree to indemnify and hold harmless us and each of our members, managers, officers, directors, shareholders, employees and agents (each, an “Indemnified Party” and collectively, the “Indemnified Parties”), for, from and against any and all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys’ fees, incurred by the Indemnified Parties as a result of (i) any claim by any third party asserted against any of the Indemnified Parties arising from your alleged performance and/or nonperformance of any of your obligations under this Agreement, including but not limited to claims of misrepresentation, improper disclosure, and failure to perform required services, or (ii) any other claim arising from alleged violations of your relationship with and responsibility to us, or (iii) any taxes or penalties assessed by any governmental entity against us as directly related to your failure to pay or perform functions required of you under this Agreement or (iv) your noncompliance with any law, ordinance, rule, or regulation, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; provided, however, that the indemnification contained in this Section 6.5 shall not apply to (a) any claim by any third party that is determined by a final and non-appealable decision of a court of competent jurisdiction to be solely caused by any act or omission of ours, or (b) any claim by any third party asserted against you, any of the Indemnified

Parties and/or any other party arising from the occurrence or nonoccurrence of any event alleged to be proximately caused by the failure of any of our products or services.

The Indemnified Party shall notify you in writing of any such claim as soon as practicable after such Indemnified Party obtains knowledge of the assertion of any such claim. The Indemnified Parties shall have the sole right, in their sole discretion, (i) to retain their own counsel of their own choosing to represent them with respect to any such claim, and (ii) to control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. You may participate, at your own expense, in such defense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including reasonable attorneys' fees, within 30 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

6.6 Survival of Indemnities and Assumptions of Liabilities and Obligations. The indemnities and assumptions of liabilities and obligations herein shall continue in full force and effect subsequent to and notwithstanding the expiration, termination, assignment or transfer of this Agreement.

7. FEES

7.1 Initial Franchise Fee. You agree to pay to us a non-recurring initial franchise fee in the amount of Thirty Thousand Dollars (\$30,000) (the "Franchise Fee") which shall be payable in one lump sum to us upon execution of this Agreement. The Franchise Fee shall be fully earned by us and is non-refundable. You acknowledge that the Franchise Fee is reasonable and acceptable to you. The amount of the Franchise Fee may be subject to modification pursuant to the terms of the Development Addendum.

7.2 Initial Training Fee. In addition to the Franchise Fee, you will pay us a nonrefundable training fee in the amount of One Thousand Two Hundred and Fifty Dollars (\$1,250) (the "Initial Training Fee"). The Initial Training Fee is due prior to the individuals designated in Section 2.1(ii) attending our initial training program.

7.3 Royalty Fee. During the Term of this Agreement and any renewal(s), you shall, in addition to the Franchise Fee paid and in further consideration of the grant of your franchise, pay us a continuing royalty fee (the "Royalty Fee") equal to five percent of the Gross Sales (as defined below) generated from the conduct of your business at the Salon.

7.4 Advertising Fund Fees. During the Term of this Agreement and any renewal(s), you shall contribute to the Advertising Fund described in Section 9 of this Agreement an amount equal to two percent of the Gross Sales generated from the conduct of your business at the Salon (the "Advertising Fund Fee").

7.5 Payment. The monthly remittance for the Royalty Fee and Advertising Fund Fee will be paid on the 10th day of each month and be based upon the Gross Sales reported by you pursuant to Section 10 hereof. You must pay us these monthly fees and other amounts owed to us under this Agreement by the method or methods that we specify from time to time in the

Operations Manual, which may include payment via wire transfer or electronic funds transfer from your bank account. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. As of the date of this Agreement, we require you to make such payments to us by electronic funds transfer from your specified checking or savings account, and, as we require, you must complete and sign our then-current form of authorization agreement for pre-authorized payments. You must maintain sufficient funds in your account to permit us to withdraw the amounts owed to us from time to time. If you fail to provide any such Gross Sales report, in addition to exercising any other rights we have herein, we shall debit your account for the Royalty Fee and the Advertising Fund Fee as provided in this Section 7.5 for such unreported month in an amount equal to the previous highest monthly Royalty Fee and Advertising Fund Fee paid hereunder. Upon your submission of the delinquent Gross Sales report, we shall reconcile the Royalty Fee and Advertising Fund Fee required to be paid for such month with the actual Royalty Fee and Advertising Fund Fee paid. In the event the reconciliation reveals that you underpaid the Royalty Fee and Advertising Fund Fee, we shall debit your account as provided for herein for the amount still owing along with any late charges due hereunder. In the event the reconciliation reveals that you overpaid the Royalty Fee and Advertising Fund Fee, we shall refund you the amount of the overpayment within 15 days after receiving the delinquent Gross Sales report.

7.6 Late Charges.

(i) If any installment of the Royalty Fee, Advertising Fund Fee, or any other sum due under this Agreement has not been received by us when due then, in addition to such sums, you also shall pay a late charge equal to 18% per annum of the past due amount, or the highest amount permitted by your State law, whichever is lower.

(ii) If you fail to submit financial statements, reports, and/or other operating data, information, or supporting records when due, you shall pay us a late fee equal to One Hundred and Fifty Dollars (\$150) for each such report.

(iii) You acknowledge that this Section 7.6 shall not constitute our agreement to accept such late payments after same are due, or a commitment by us to extend credit to or otherwise finance your operation of your Salon. Further, you acknowledge that your failure to pay all amounts or submit all required reports when due shall constitute grounds for termination of this Agreement, as provided in, respectively, Sections 14.3 and 14.4 of this Agreement.

7.7 Transfer and Renewal Fees. A fee equal to five thousand dollars (\$5,000) is payable to us when you Transfer your franchise. A fee equal to Two Thousand Five Hundred Dollars (\$2,500) is payable to us when you renew your franchise.

7.8 Product Surcharge. You shall pay us a reasonable mark-up, surcharge and handling fee on all products and equipment that you purchase from us, including purchases we make for you from a third party supplier, in an amount as we may from time to time prescribe.

7.9 Application of Payments. We shall have sole discretion to apply any payments by you to any past due indebtedness of yours to us.

7.10 Definition of “Gross Sales”. As used herein, the term “Gross Sales” means the aggregate of all moneys and receipts derived from (i) all products prepared and services performed at the Salon; (ii) sales and orders made, solicited or received at the Salon; (iii) all other business whatsoever conducted or transacted at or from the Salon; (iv) all other revenues derived from the exploitation of the Operating System and/or the Marks by you; and (v) insurance proceeds and/or condemnation awards for loss of sales, profits or business, and whether such Gross Sales are evidenced by cash, credit, check, gift certificates, services, property or other means of exchange. However, there shall be excluded from Gross Sales (a) all sales taxes imposed by governmental authorities directly on sales and actually collected from customers, provided such taxes are added to the selling price and are, in fact, paid by you to the appropriate governmental authority; and (b) the amount of discounts to customers in the form of coupon sales up to 5% of Gross Sales, provided the related sales have been included in Gross Sales. Cash refunds and credit given to customers shall be deducted in computing Gross Sales to the extent that such cash and credit represent amounts previously included in Gross Sales and on which a Royalty Fee was previously paid. Gross Sales shall be deemed to be realized by you at the time of the sale or delivery of the products, merchandise or services, irrespective of the time when you actually receive payment therefor. Gross Sales consisting of property or services shall be valued at their fair market value at the time such property or services were received by or for the account of you.

8. CONDUCT OF THE BUSINESS AND OPERATING STANDARDS

8.1 Authorized Services and Products. You agree that you will not, without our prior written approval, offer any services or products that are not authorized by us for *Pigtails & Crewcuts* salons, nor shall the Salon be used for any purpose other than operations in compliance with this Agreement.

(i) Direct Supervision. You acknowledge and agree that a major requirement for the success of the franchised business is the active, continuing, and substantial involvement in and on-premises supervision of the franchised business and presence in the Salon. Accordingly, the Salon must always be under the direct supervision of (i) you or any individual having an ownership or voting interest in you of 25% or more, or (ii) a manager of the Salon, unless we have given our written approval otherwise (in each case, the “Operating Manager”). The Operating Manager shall directly supervise and be responsible for the day-to-day management and proper operation of the Salon in all respects whatsoever, and shall be present at the Salon for significant periods of time, the majority of which hours shall be during the normal operating hours. Either the Operating Manager or a designated manager or assistant manager must be present at the Salon during all operating hours, including pre-opening setup and post-closing shutdown of the Salon. The Operating Manager must successfully complete our initial training program. The Operating Manager shall be responsible for training all other managers and assistant managers by using, among other training, the Operations Manual. The appointment of the Operating Manager or other managers or assistant managers shall not relieve you from your obligations under this Agreement.

(ii) Scope of Business. You acknowledge the importance of our products and product line in the operation of your business and agree that your business shall be confined to the providing and sale of only such products, merchandise, goods, and services at retail and not

at wholesale or for resale or distribution, as are from time to time required or authorized by us and are consistent with other *Pigtails & Crewcuts* salons operated or licensed by us. We may from time to time, without obligation to do so, add or delete items, products, merchandise or services, and you shall do the same upon notice from us unless our prior written consent to the contrary is obtained. The deletion or discontinuance of one or more product or service lines by us shall not constitute a termination of the franchise or this Agreement. You shall adhere to all specifications as may be contained in the Operations Manual or as otherwise may be prescribed by us as to methods, requirements, specifications of products sold and services provided, packaging and similar matters. Unless our prior written consent is obtained, you shall not change the products, merchandise, goods or services offered at the Salon. We may, without obligation to do so, establish, and from time to time amend, a standard product or service format and appearance, and you shall adhere to the revised requirements.

(iii) Product Supplier and Other Suppliers. So that we can control the quality and consistency of products and other items used, sold, displayed or distributed in *Pigtails & Crewcuts* salons and the confidentiality of trade secrets and product formulas, as well as to maximize the availability of discounts for volume purchases, you acknowledge and agree that all product, supplies, equipment, merchandise, employee uniforms, goods, fixtures, inventory, paper products, packaging and other items used, sold, displayed or distributed in the Salon shall be purchased from only those sources designated (if we make a designation therefor) or approved by us. We shall be a supplier of certain products (and we may be the sole supplier) and will receive and process your orders for opening and on-going inventory and supplies. You acknowledge and agree that we may add a reasonable mark-up to the cost of the products we sell to you, such amount to be determined in our sole discretion. Unless our prior written consent is obtained, you shall not change any vendor or supplier of any of the items described above. We will notify you of changes to, or the establishment of, specifications, as well as changes to, or the establishment of, approved or designated suppliers or the revocation of the approval of existing designated or approved suppliers, within 30 days of the change, establishment, revocation and/or approval, which notice may be disseminated to you by various means, including, without limitation, written correspondence, verbal or telephonic notification, amendments or updates to the Operations Manual, bulletins, and similar means of communication.

(iv) Hours of Operation. Unless our prior written consent is obtained, and except for the occurrence of events beyond your control (such as when the Salon is unusable because of fire, utility service failure or other casualty, strikes, riots, war, and Acts of God), the Salon shall be open for business six days per week, and 52 weeks per year during the Term of this Agreement, except on Thanksgiving Day, Christmas Day, and New Year's Day, unless otherwise agreed to in writing by us. The Salon shall be open a minimum of eight hours per day, six days per week, unless otherwise approved in writing by us.

(v) Advertising and Promotions. You acknowledge that obtaining and retaining customers for your Salon will require you (among other things) to make consistent marketing and promotional efforts, and to maintain a high level of customer service and strict adherence to the Operating Systems, and that you are committed to doing so. Accordingly, in addition to your required contribution to the Advertising Fund, you may, at your own cost and expense, and are encouraged to, advertise in the various advertising media to increase business at the Salon provided: (a) a copy of the proposed advertisement or description of the proposed

promotion is furnished to us and our prior written consent thereto is obtained; (b) the advertisement or promotion applies only to your Salon; and (c) the proposed advertisement or promotion is dignified and calculated to uphold the integrity of the Marks. Provided our prior written consent is obtained, you may, and are encouraged to, coordinate or consolidate your advertising or promotional effort with us or with other franchisees. No advertising or promotional materials or items shall be used, sold, distributed, or displayed without our prior written consent. We may, without obligation to do so, elect to furnish advertising or promotional materials or items from time to time. If so furnished by us, you shall promptly commence the use of such advertising or promotional items or materials at the time and in the manner prescribed by us and you agree to participate in all approved promotional and marketing programs, including, without limitation, those sponsored by the Advertising Fund. In addition, upon our request, you shall display in the Salon, in a conspicuous location, point of sale materials provided by us advertising and promoting *Pigtails & Crewcuts* franchises.

(vi) Internet Site Hosting. You may not maintain a World Wide Web site or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the franchised business without our prior written approval, which we may withhold for any reason or no reason and which approval, if given, may be conditioned upon your agreement to comply with, and abide by, one or more preconditions. You also agree to obtain our prior written approval concerning any third-party World Wide Web or other electronic communications site in which the franchised business will be listed and any proposed links between such site and any other site. You understand and agree that our right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with our proprietary Marks. We intend to maintain all domain names relating to our franchise system or that include our Marks. You will be permitted to create your own personal page which will be accessible only through our World Wide Web site. The contents of your personal page is subject to our prior written approval. Your personal page may not contain any electronic links to any World Wide Web sites. The requirement of our prior approval set forth in this Section will apply to all activities on the Internet or other communications network to be conducted by you, except that you may maintain one or more e-mail addresses and may conduct individual e-mail communications without our prior written approval, although your Salon's e-mail address may not contain any of our Marks. You agree to obtain our prior approval as provided above if you propose to send advertising to multiple addressees via e-mail.

(vii) Digital Marketing. We or our affiliates may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "Digital Marketing") that are intended to promote the Marks, your Salon, and the entire network of *Pigtails and Crewcuts* salons. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Salon and *Pigtails and Crewcuts* franchise. Unless we consent otherwise in writing, you may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Salon or your *Pigtails and Crewcuts* franchise.

8.2 Evaluations; Monitoring of Salon.

(i) Evaluations and Analysis. To ensure compliance with this Agreement and the proper operation of your Salon, we or our representatives may have the unrestricted right to enter and evaluate the operation of your business. During the course of such evaluations, we and our representatives will use reasonable efforts to minimize our interference with the operation of the Salon, and you and your employees shall not interfere with our operations analyst or the conduct of the evaluation.

(ii) Monitoring of the Salon. You acknowledge that each and every detail of the operation of your Salon is important to us and other *Pigtails & Crewcuts* salons. We shall endeavor to maintain the high standards of quality and service by all *Pigtails & Crewcuts* salons by making any recommendations as may be deemed by us to be appropriate as a result of our evaluations of all *Pigtails & Crewcuts* salons. To this end, you agree to cooperate with us by maintaining such high standards in the operation of your Salon. You further agree to comply with all mandatory specifications, standards and operating procedures relating to the operation of your Salon including, without limitation, the following:

(a) Performance, quality and other relevant characteristics of services rendered and products sold by your Salon;

(b) The safety, maintenance, cleanliness, function and appearance of the Salon, fixtures, equipment, and signs;

(c) Appearance and training of Salon employees;

(d) Use of Marks and use and protection of trade secrets;

(e) Use and illumination of signs, posters, displays, standard formats and similar items;

(f) Materials, products and supplies used in the operation of the Salon;

(g) Identification of you as the independent owner of the Salon;

(h) Display of advertising and promotional materials for your Salon;

(i) Establishment of daily business hours as specified in this Agreement; and

(j) Use of the Computer System that we require with computer backup to obtain daily sales figures, customer information, and any other capabilities and/or requirements determined from time to time by us and as disclosed in the Operations Manual. You will use the Computer System to, among other things, post all product and service sales, keep inventory control, post sales tax, refunds and credits, and maintain customer information. We will have remote access to the information and data stored in it. If required, this access will allow us to download sales and other information on such basis as we shall from time to time communicate to you. You must maintain the Computer System in good working order at all

times, and upgrade or update the Computer System during the Term of this Agreement and any renewal as we may require from time to time.

(iii) Mandatory specifications, standards and operating procedures prescribed from time to time by us in the Operations Manual, or otherwise communicated to you in writing, shall constitute provisions of this Agreement as if fully set forth in this Agreement. All references in this Agreement to this Agreement shall include all such mandatory specifications, standards, and operating procedures.

8.3 Compliance with Laws and Good Business Practices.

(i) Compliance with Laws and Regulations of Licensing. You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Salon and shall operate the Salon in full compliance with all applicable laws, ordinances and regulations, including, without limitation, all government regulations relating to occupational hazards and health, worker's compensation insurance, unemployment insurance, and withholding and payment of federal and state income taxes, social security taxes and sales taxes.

(ii) Notification of Claim or Action. You shall notify us in writing within two days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of the Salon or the financial condition of you or the Salon.

(iii) Advertising/Promotion Standards. All advertising and promotion by you shall be completely factual and shall conform to the highest standards of ethical advertising. You shall, in all dealings with your customers, suppliers, us and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice that may be injurious to our business and the goodwill associated with the Marks and other *Pigtails & Crewcuts* salons. Such injurious practice includes, but is not limited to, the duplication of copyrighted material, unless such material is for the account of the copyright owner or such duplication is approved by the copyright owner.

(iv) Electronic Payment Requirements. You agree to comply with our standards for processing electronic payments and any costs to do so are at your expense. You agree to abide by: (a) the Payment Card Industry Data Security Standards ("PCIDSS") enacted by the applicable Card Associations (as they may be modified from time to time or as successor standards are adopted); (b) the Fair and Accurate Credit Transactions Act ("FACTA"); and (c) all other standards, laws, rules, regulations or any equivalent thereof applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments ("Electronic Payment Requirements"). If required by us or by one of the credit card companies, you shall provide us with evidence of compliance with PCIDSS, FACTA, or applicable Electronic Payment Requirements and provide, or make available, to us copies of an audit, scanning results or related documentation relating to such compliance. Any costs associated with an audit or to gain compliance with PCIDSS, FACTA or any Electronic Payment Requirements shall be borne by you. If you know or suspect a security breach, you must immediately notify us. You will promptly identify and remediate the source of any compromise

or security breach. You assume all responsibility for providing all notices of breach or compromise and all duties to monitor credit histories and transaction concerning customers of the franchised business.

8.4 Insurance.

(i) Public Liability Insurance; Worker's Compensation; Employment Practices Liability Insurance; and Other Coverage. You shall at all times during the Term of the franchise maintain in force at your sole expense and under policies of insurance issued by carriers approved by us:

(a) Comprehensive public and product liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Salon or otherwise in conjunction with the conduct of the business by you pursuant to the franchise. Such insurance coverage shall be maintained under one or more policies of insurance containing minimum liability protection of Two Million Dollars (\$2,000,000) combined single unit of bodily and personal injury, death and property damage;

(b) All insurance required under the lease for your Salon;

(c) Worker's compensation insurance;

(d) Employment Practices Liability Insurance; and

(e) Business interruption insurance in amounts sufficient to cover loss of income and other expenses for a minimum of six months.

(ii) Waiver of Subrogation; Notification by Carrier. All insurance policies required hereunder shall name us (and our members, officers, directors, and employees) and our affiliate(s) as additional insureds, contain a waiver by the insurance carrier(s) of all subrogation rights against us, and shall provide that we receive 20 days prior written notice of termination, expiration, cancellation or modification of any such policy. Should any of your insurance companies fail to give us notice as required herein, the policy of that company may be disapproved by us. In that event, you will be required to find additional coverage satisfactory to us with an alternative carrier.

(iii) Modification of Coverage by Us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances.

(iv) Certificate of Insurance; Coverage by Us. You shall furnish to us annually a copy of the certificate of insurance or other evidence of the renewal or extension of each such insurance policy. If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies under this Agreement, may, but need not, obtain such insurance

coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to us, on demand, any costs and premiums incurred by us. Your failure to provide insurance coverage as indicated will be considered a default and subject to termination pursuant to Section 14.4 of this Agreement. Your obligation to obtain and maintain the insurance described in this Section shall not be limited in any way by reason of any insurance maintained by us, nor shall your performance of such obligations relieve you of any obligations under Section 6 of this Agreement.

9. ADVERTISING PROMOTION AND SUPPORT

9.1 Grand Opening Marketing Program. You agree, at your expense, to implement a grand opening marketing program for your Salon in accordance with the requirements in the Operations Manual and other Operating System standards. At least 45 days before your Salon's grand opening date, you must prepare and submit to us for our approval a proposed grand opening marketing program reflecting expenditures of at least Three Thousand Dollars (\$3,000) that covers a period before and after such grand opening date that we specify. You must implement the approved grand opening marketing and pay all expenses in accordance with the grand opening marketing program approved by us.

9.2 Advertising Fund. Recognizing the value of uniform advertising and promotion to the goodwill and public image of *Pigtails & Crewcuts* salons, we will establish and maintain an advertising fund (the "Advertising Fund") for marketing, advertising, sales promotion and promotional materials, public and consumer relations, publicity, and such other programs as we may deem necessary or appropriate, in our sole discretion. We shall direct all programs with sole discretion over the creative concepts, materials, endorsements and media used therein, and the placement and allocation thereof.

You agree that all funds contributed to the Advertising Fund may be used to meet any and all costs of maintaining, administering, directing and preparing national, regional or local advertising materials, programs and public relations activities including, without limitation, the costs of preparing and conducting television, radio, magazine, billboard, newspaper, direct response literature, direct mailings, brochures, collateral advertising material, surveys of advertising effectiveness and other media programs and activities, employing advertising agencies to assist therewith and providing promotional brochures, decals and other marketing materials.

The Advertising Fund shall be established as a discreet banking account and revenues received shall be accounted for separately from our other funds and shall not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs and overhead as we may incur in activities reasonably related to the administration or direction of the Advertising Fund and its advertising programs (including, without limitation, conducting market research, preparing advertising and promotional materials, collecting and accounting for contributions to the Advertising Fund, paying for the preparation and distribution of financial statements, legal and accounting fees and expenses, taxes, and other reasonable direct and indirect expenses incurred by us or our authorized representatives in connection with programs funded by the Advertising Fund). A financial statement of the operations of the Advertising Fund shall be prepared annually, and shall be made available to you upon request. We may spend in

any fiscal year more or less than the aggregate contribution of all *Pigtails & Crewcuts* salons to the Advertising Fund in that year, and the Advertising Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are expended. We may cause the Advertising Fund to be incorporated or operated through a separate entity at such time as we may deem appropriate, and such successor entity, if established, will have all rights and duties specified in this Section. We have the right to deposit into the Advertising Fund any advertising, marketing, or similar allowances paid by suppliers who deal with *Pigtails & Crewcuts* salons and with whom we have agreed that we will (or if we otherwise choose to) so deposit these allowances. *Pigtails & Crewcuts* salons owned by us or our affiliate(s) will contribute to the Advertising Fund on the same basis as franchisees. We will not be liable for any act or omission with respect to the Advertising Fund that is consistent with the terms of this Agreement.

You understand and acknowledge that the Advertising Fund is intended to maximize and support general public recognition, brand identity, sales and patronage of *Pigtails & Crewcuts* salons for the benefit of all *Pigtails & Crewcuts* salons and that we undertake no obligation to ensure that the Advertising Fund benefits each Salon in proportion to its respective contributions. We shall have complete control and discretion in relationship to the media placement, creative content and concepts utilized. Further, we shall not be obligated to expend our own funds or resources for any national or regional advertising unless, in our sole discretion, we agree to do so. Except as expressly provided in this Section 9.2, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Advertising Fund.

9.3 Advertising By You. Prior to their use, samples of all local advertising and promotional materials not prepared or previously approved by us shall be submitted to us for approval, which approval shall not be unreasonably withheld. If written disapproval is not received by you within 15 days from the date of receipt by us of such materials, we shall be deemed to have given the required approval.

10. RECORDS AND REPORTS

(i) Required Records and Retention. During the Term of the franchise, you agree, at your expense, to maintain at the Location and preserve for five years from the date of their preparation, or such greater period as may be required by applicable law, full, complete and accurate books, records and accounts prepared pursuant to the double entry method of accounting, utilizing the standard chart of accounts furnished and required by us, including, without limitation, employee records, cash receipts, purchase records, inventory records, general ledgers, itemized bank deposit slips and bank statements, copies of sales tax returns, and copies of such portions of your state and federal income tax returns as reflect the operation of the Salon. You shall furnish us such data, information and supporting records, such as copies of invoices, as we from time to time require within seven days of our request. The records and information of your employees shall not be subject to this Section 10(i) and you shall exclusively control those records as part of your labor relations and employment practices.

(ii) Recordation of Sales and Customer Information. You shall record at the time of each sale, in the presence of the customer, all receipts from sales or other transactions whether cash or credit, and required customer information in a point of sale system, as designated and approved by us. You acknowledge that all customer lists shall be owned by us and that you have no ownership rights to said lists.

(iii) Polling of Sales and Customer Information. To the extent we require your Computer System to be accessible by us via modem or otherwise, we shall have the right at any time to poll your Computer System to retrieve and compile report information concerning your sale transaction activity and customer information. Any polling will be conducted in a non-invasive procedure. We may use data and information derived from polling your Computer System in any manner that we deem appropriate, provided that any information that we include in our Franchise Disclosure Document and promotional materials will not individually identify you or the Salon.

(iv) Sales Reports. By the 10th day of each month, you shall provide us with a report of the prior month's Gross Sales, unaudited monthly balance sheets and income statements, and, at such times as may be specified by us, such other reports, information or material as we may reasonably request or as specified from time to time in the Operations Manual or otherwise in writing. All such statements and reports shall be certified by you as being true and correct.

(v) Records Subject to Inspection; Audit. You shall maintain, readily available for inspection by us, and shall furnish to us upon our request, exact copies of all state sales tax returns and your federal and state income tax returns. In addition, at your expense, you shall furnish to us (and our agents) for inspection or audit, such forms, reports, records, financial statements and other information as we may require, including, without limitation, records regarding software developed and/or modified by you (other than your employee records).

(vi) Annual Financial Statements. You shall prepare and furnish to us, within 60 days after the end of each fiscal year of your Salon, an annual statement of profit and loss and source and application of funds for the Salon and a balance sheet for the Salon as of your fiscal year end. Annual financial statements shall be signed and verified by your chief accounting officer, and if required by us based upon our reasonable belief that the financial statements do not accurately reflect your financial condition, accompanied by a review from a certified public accountant; submitted in a format as may be, without obligation to do so, reasonably prescribed by us from time to time; and prepared in accordance with Generally Accepted Accounting Principles or an Other Comprehensive Bases of Accounting method as these terms are used by the Financial Accounting Standards Board or by the American Institute of Certified Public Accountants, or by their respective committees or by their successors.

(vii) Disclosure of Statements. You hereby authorize us to disclose the financial statements, reports, and operating data to regulatory agencies and others at our discretion.

11. AUDITS

11.1 Generally. We shall have the right at any time during business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, the business records, cash control devices, bookkeeping and accounting records, sales and income tax records and returns, computer records, and other records of the Salon and the books and records of any entity which holds the franchise (but not your employee records, which you exclusively control). You agree that we may access your Computer System for said purposes. You shall fully cooperate with our representatives and independent accountants hired by us to conduct any such inspection or audit.

11.2 Understatement; Costs. In the event any such inspection or audit shall disclose an understatement of the Gross Sales of the Salon, you shall pay to us, immediately after receipt of the inspection or audit report, any Royalty Fee and Advertising Fund Fee due on the amount of such understatement, plus a late charge at the rate and on the terms provided in Section 7.6 above from the date originally due until the date of payment. Further, in the event such inspection or audit is made necessary by your failure to furnish reports, supporting records or other information, as herein required, or to furnish such reports, records or information on a timely basis, or if an understatement of Gross Sales for the period of any audit (which shall not be for less than three months) is determined by any such audit or inspection to be greater than two percent, you shall reimburse us for the cost of such audit or inspection, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of our employees, plus the sum of Two Thousand Five Hundred Dollars (\$2,500) per violation for indirect and overhead expenses incurred by us in connection with such audit. The foregoing remedies shall be in addition to all of our other remedies and rights under this Agreement or under applicable law.

12. ASSIGNMENT/TRANSFER OR OTHER DISPOSITION OF THE BUSINESS

12.1 By the Company. This Agreement and the franchise is fully assignable by us and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment.

You agree and affirm that we may sell our self, our assets, the Marks and/or the Operating System to a third-party; may go public, may engage in private placement of some or all of our 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. You further agree and affirm that we have the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or noncompetitive 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 *Pigtails & Crewcuts* salons operating under the Marks or any other marks following our purchase, merger, acquisition or affiliation, regardless of the location of these facilities, which you acknowledge may be proximate to your Salon. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of our name, Marks (or any variation thereof) and

Operating System and/or the loss of association with or identification of “Pigtails & Crewcuts Franchise, LLC” as us under this Agreement.

If we assign our rights in this Agreement, nothing in this Agreement shall be deemed to require us to remain in the *Pigtails & Crewcuts* business or to offer or sell any products or services to you.

12.2 You May Not Assign Without Approval of the Company. You understand and acknowledge that the rights and duties created by this Agreement are personal to you or franchise owner(s) and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you or franchise owner(s). Therefore, except as hereinafter provided with respect to assignment to a corporation or other legal entity or pursuant to Section 12.5, neither the franchise nor the Salon (or any interest therein) nor any part or all of the ownership of yours may be voluntarily, involuntarily, directly or indirectly assigned, sold, subdivided, subfranchised or otherwise transferred by you or the franchise owner(s) including, without limitation, by merger or consolidation, by issuance of additional securities representing an ownership interest in the franchise, or, in the event of your death or an owner of the franchise, by will, declaration of or transfer in trust or the laws of intestate succession (each, a “Transfer”), without our prior written approval, and any such Transfer without such approval shall constitute a breach of this Agreement and convey no rights to or interests in the franchise or the Salon.

12.3 Assignment to Entity Principally Controlled by You. The franchise and its assets and liabilities may be assigned to a newly-formed corporation or other legal entity that conducts no business other than the operation of the franchise and in which you and any of your principals own and control in the aggregate not less than 67% of the equity and voting power of all outstanding capital stock or ownership interest, provided as follows:

(i) That the proposed transferee complies with the provisions of this Agreement; and

(ii) That you are empowered to act for said corporation or other legal entity; and

(iii) That you shall submit to us documentation that we may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement; and

(iv) That you shall submit to us a true and complete list of the shareholders, members or partners, showing number of shares or interests owned, and a list of the officers and directors if a corporation, or managers if a limited liability company, or partners if a partnership. We shall be promptly notified of any changes in said lists; and

(v) That all certificates of shares or interests issued by transferee at any time shall have endorsed thereon an appropriate legend to conform with state law, referring to this Agreement by date and name of parties hereto, and stating, “Transfer of This Certificate is Limited by the Terms and Conditions of a Franchise Agreement Dated _____;” and

(vi) That a copy of this Agreement shall be given to every shareholder, member or partner; and

(vii) That a copy of the organizational documents and any corporate resolutions, and a Certificate of Good Standing, will be furnished to us at our reasonable request, and prompt notification in writing of any amendments thereto will be provided to us; and

(viii) That the number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to us, which notice will in its terms guarantee compliance with this Agreement. In addition, new shareholders, members or partners must agree to be bound by this entire Agreement and must sign a Guaranty of Payment and Performance in the form attached hereto as Exhibit B. Shareholders, members or partners may make a separate agreement among them providing for purchase by the survivors among them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as franchisees under this Agreement. Shareholders, members or partners must notify us in writing of any such agreement which affects control of the transferee.

12.4 Conditions for Approval of a Transfer. If you and your owner(s) are in full compliance with this Agreement, we shall not unreasonably withhold our approval of a Transfer, provided that the proposed transferee(s) are, in our opinion, individuals of good moral character who have sufficient business experience, aptitude and financial resources to own and operate the Salon and otherwise meet our then applicable standards for franchisees, and further provided that the following conditions are met prior to, or concurrently with, the effective date of the Transfer:

(i) All your obligations incurred in connection with this Agreement have been discharged or assumed by the buyer(s); and

(ii) You shall have paid such Royalty Fees, Advertising Fund Fees, and amounts owed for purchases by you from us and our affiliate(s) which are then due and unpaid; and

(iii) The buyer(s) shall have completed the training program required of new franchisees; and

(iv) The buyer(s) shall have proven to us its or their financial viability to undertake and perform the requirements of this Agreement; and

(v) The lessor shall have consented to your assignment or sublease of the lease to the buyer(s), or the buyer(s) shall have secured substitute premises for the Salon which are approved by us; and

(vi) The buyer(s) and its or their owner shall have executed a new franchise agreement and agreed to be bound by the form of franchise agreement and such ancillary agreements as are then customarily used by us in the grant of franchises for *Pigtails & Crewcuts* salons; and

(vii) You or the buyer(s) shall have paid a training and assignment fee to us in the amount of Five Thousand Dollars (\$5,000) to defray expenses incurred by us in connection with the Transfer, including, without limitation, legal and accounting fees, credit and other investigation charges and evaluation of buyer(s) and the terms of the Transfer; and

(viii) The buyer(s) shall have replaced or refurbished fixtures, signs, equipment, furniture and furnishings, and otherwise modified the Salon's methods and operations in compliance with specifications and standards then applicable to new franchises for *Pigtails & Crewcuts* salons; and

(ix) You and your owner(s) shall have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliate(s), members, managers, officers, directors, employees and agents; and

(x) We shall have approved the material terms and conditions of such Transfer, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the future operations of the Salon by the buyer(s) in compliance with our then standard franchise agreement and ancillary agreements; and

(xi) You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the lease for the site where the Salon is located: and

(xii) You and your owner(s) shall reaffirm a covenant not to compete in favor of us and the buyer(s), all as contained within Section 15.4 of this Agreement; and

(xiii) You and your owner(s) shall have entered into an agreement with us to subordinate the buyer(s)' obligations to you or your owner(s) to those obligations owed to us;

(xiv) We have not exercised our right of first refusal under Section 12.6 of this Agreement; and

(xv) You and the buyer must agree that if the buyer fails to pay any portion of the purchase price to you when due, your rights against the buyer shall be non-recourse as to the Salon and its assets, the franchise rights and/or against any ownership interest in the buyer.

12.5 Your Death or Disability.

(i) Generally. Upon the death or permanent disability of you or a principal owner of franchisee, the executor, administrator, conservator or other personal representative of such franchisee or principal owner shall transfer your or the principal owner's interest in the franchise to a third party approved by us within a reasonable time. Such Transfer (including, without limitation, transfers by bequest or inheritance) shall be subject to the same conditions as any other Transfers hereunder and if the heirs or beneficiaries of any such person are unable to meet the conditions of Section 12.4 above, such personal representative shall have a reasonable time, not to exceed six months, plus extensions agreed to by us in writing which will not be unreasonably withheld, from the date of your or the principal owner's death or permanent disability, to dispose of your or such principal owner's interest, which disposition shall be subject to all the terms and conditions for Transfers as contained in Section 12.4 above and to

our right of first refusal as contained in Section 12.6 below. Failure to so dispose of the interest of you or such principal owner within said period of time shall constitute a breach of this Agreement. Notwithstanding the foregoing, we will permit a Transfer to your spouse or the spouse of a principal owner provided the spouse has had material involvement in the operation of the Salon prior to the death or permanent disability of you or the principal owner.

(ii) Non-Waiver of Claims. Our consent to a Transfer of an interest subject to the restrictions of this Section shall not constitute a waiver of any claims we may have against the assignor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the assignee.

12.6 The Company's Right of First Refusal. You shall give us not less than 30 days prior written notice of any of the following "Transactions"; (i) any intended Transfer of any of your rights and interest under this Agreement, (ii) or the proposed Transfer or new issuance of any membership, partnership or joint venture interest in you, or Transfer or new issuance of any stock in you. Such notice shall set forth the name of the proposed transferee and a detailed statement of all of the terms and conditions of such Transaction, including without limitation, the purchase price, list of assets to be purchased or stock or equity interests to be acquired, depending upon the nature of the transaction, projected date for closing the transaction, the particulars of the payment structure of the purchase price and the representations and warranties offered by the seller. Irrespective of whether the prospective transferee is acceptable to us, as provided in Section 12.4 above, we shall have the first right and option to purchase the interest proposed to be transferred on the same terms as those contained in the notice. If such third party offer includes the purchase of other assets as well as this franchise, the offeror must allocate the purchase price between the franchise and such other assets, and we may exercise our right of first refusal as to the franchise only. If the Transfer in question is an inheritance, the purchase price shall be the fair market value, to be determined by an independent appraiser should we and the heir(s) fail to agree on such value.

If we shall elect to exercise our right of first refusal, we shall notify you in writing within 30 days following its actual receipt of your notice of the proposed Transaction. If we fail to exercise our option, and if the proposed transferee is acceptable to us as provided in Section 12.4 above, your (or the other proposed transferor) may dispose of your or its right and interest on the exact terms and conditions specified in your notice to us within 60 days after approval by us of such proposed Transaction. If such Transaction is not consummated within such 60 day period, there shall be no Transaction without again complying with this Section 12.6.

13. RENEWAL OF FRANCHISE

13.1 Your Right to Renew. Upon expiration of the initial Term of the franchise, you shall have the right to renew the franchise for three additional consecutive five year terms under our then current form of standard franchise agreement provided:

(i) You have substantially complied with all provisions of this Agreement during the Term of this Agreement; and

(ii) You maintain ownership or possessory leasehold rights to the Salon for a term coextensive to the renewal term to be granted by us, or a non-coextensive term that we approve in writing, and agree to replace or refurbish fixtures, signs, equipment, furniture and furnishings, and otherwise modify the Salon's methods and operations in compliance with specifications and standards then applicable to new franchises for *Pigtails & Crewcuts* salons; or you are unable to maintain possession of the Salon, or, in our judgment, the Salon should be relocated, you agree to initiate operations in another area in compliance with specifications and standards then applicable to new franchises for *Pigtails & Crewcuts* salons; and

(iii) You pay us a fee equal to Two Thousand Five Hundred Dollars (\$2,500).

13.2 Notice of Renewal and Non-Renewal. You shall give us written notice of your desire to exercise your option to renew at least 210 days but not more than 365 days prior to the termination of the current franchise Term. We agree to give you written notice of an election not to renew the franchise no less than 150 days prior to the expiration date of this Agreement. A notice of non-renewal by us shall state the reasons for our refusal to renew and the effective date of such non-renewal.

13.3 Renewal Agreements/Releases. With each renewal of the franchise, we, you and your owner(s) shall execute the form of franchise agreement and such ancillary agreements as are then customarily used by us in the grant of franchises for the ownership and operation of *Pigtails & Crewcuts* salons (with appropriate modifications to reflect the fact that the agreement(s) relates to the grant of a renewal franchise) and you and your owner(s) shall execute general releases, in form satisfactory to us, of any and all claims against us and affiliate(s), members, managers, officers, directors, shareholders, employees and agents. Individual states may have laws that supersede those of the State of Georgia governing releases and any such laws are attached as Exhibit E to this Agreement. The renewal agreement may contain terms materially different from those in this Agreement, including, without limitation, terms changing the operational aspects and financial obligations contained in this Agreement, e.g., Royalty Fee, Advertising Fund Fee, and transfer fee. Failure by you and your owner(s) to sign such agreement(s) and releases within 60 days after delivery thereof to you shall be deemed an election by you not to renew the franchise.

14. TERMINATION OF THE FRANCHISE

14.1 By You. You may terminate this Agreement if you are in substantial compliance with this Agreement and we breach this Agreement and fail to cure such material breach within 90 days after written notice thereof is delivered to us. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured with such 90 day period and we have commenced and are continuing to make good faith efforts to cure such breach, we shall be given an additional 60 day period to cure the same, and this Agreement shall not terminate. In the event of termination by you, all post-termination obligations of yours described in Section 15 of this Agreement shall not be waived but shall be strictly adhered to by you.

14.2 Pre-Operational Termination. We may, in our sole discretion, terminate this franchise prior to opening for any of the following:

(i) Your failure to comply with Sections 3.1 and 3.2 hereof; or

(ii) Your failure to commence operating the Salon within one year plus any approved extensions after execution of this Agreement or within 10 days after the mutually agreed upon opening date of the Salon, whichever first occurs, unless circumstances beyond your control necessitate a delay and we have agreed thereto; or

(iii) Your, or your Operating Manager's, inability to satisfactorily complete the training program, or other demonstration that you are unable to adequately manage and operate your Salon.

14.3 Termination By Company Without Cure Period. Further, we shall have the right to terminate this Agreement effective five days after delivery of written notice of termination to you, without any opportunity to cure by you, for the following reasons:

(i) If you become insolvent by reason of your inability to pay your debts as they mature; or

(ii) If you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978); or

(iii) If you abandon, surrender, transfer control of or fail to actively operate the Salon for a period of three consecutive days for whatever reason, unless such failure to operate is due to fire, flood, earthquake or similar causes beyond your control. Your failure to assemble sufficient labor for your Salon shall not be deemed a cause beyond your control; or

(iv) If you fail to pay any Royalty Fees, Advertising Fund Fees or amounts due for products and/or services purchased from us, our affiliate(s) or other approved suppliers or vendors, or underreport same after one written warning; or

(v) If you or any of your owners are convicted of or plead no contest to a felony, a crime involving moral turpitude or any other crime or offense that is likely to adversely affect the reputation of the Operating System and the goodwill associated with the Marks. Or you or any of your owners engages in any dishonest, unethical or illegal conduct which, in our opinion, adversely affects the Salon's reputation, the reputation of other Pigtails & Crewcuts salons or the goodwill associated with the Marks. Nothing contained herein shall limit any other rights pertaining to termination; or

(vi) If you operate the Salon or any phase of your business in a manner that presents a health or safety hazard to your customers, employees or the public; or

(vii) If you have made a material misrepresentation to us before or after being granted the franchise, including without limitation, any material inaccuracy or omission on the franchise application you submitted to us, we discover that you misrepresented your net worth on your franchise application (even if we discover such misrepresentation after you open your Salon), underreports of any Royalty Fees, Advertising Fund Fees or other fees due us; or

(viii) If you and we agree in writing to terminate this Agreement; or

(ix) If you make an unauthorized assignment or Transfer of the franchise or an ownership interest in the franchisee, the franchise or the Salon; or

(x) If you misuse or make an unauthorized use of any Mark or commit any act which can be reasonably expected to materially impair the goodwill associated with any Mark; or

(xi) If you make any unauthorized use or disclosure of any confidential information or trade secret of ours; or

(xii) If you fail to comply with any federal, state or local law or regulation applicable to the operation of the franchise; or

(xiii) The franchised business or the Location is seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against you remains unsatisfied for 30 days (unless a supersedes or other appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement upon any property used in the franchised business, and it is not discharged within five days of such levy; or

(xiv) You fail to comply with any federal, state or local law or regulation applicable to the operation of the franchise (including any failure to comply with the Anti-Terrorism Laws (as defined below) as set forth in Section 18.4 below); or

(xv) You fail to maintain the insurance we require from time to time and/or you fail to provide us with proof of such insurance as this Agreement requires; or

(xvi) You fail to pay when due any federal, state or local income, service, sales or other taxes due on the Salon's operation, or repeatedly fail to make or delay making payments to your suppliers or lenders, unless you are in good faith contesting your liability for these taxes or payments; or

(xvii) You or any of your owners fails on 3 or more separate occasions within any 12-consecutive month period to comply with any one or more obligations under this Agreement, whether or not any of these failures are corrected after we deliver written notice to you and whether these failures involve the same or different obligations under this Agreement.

14.4 Additional Conditions of Termination. Further, we shall have the right to terminate the franchise upon 30 days written notice that any of the following defaults remain uncured. Notwithstanding the foregoing, if the breach is curable but is of a nature which cannot reasonably be cured with such 30 day period and you have commenced and are continuing to make good faith efforts to cure such breach, you shall be given an additional 30 day period to cure the same, and this Agreement shall not terminate.

(i) If you submit to us a financial report or other data, information or supporting records which understate by more than two percent the Royalty Fees and/or

Advertising Fund Fees due for any reporting period and are unable to demonstrate that such understatements resulted from an inadvertent error; or

(ii) If you fail or refuse to submit financial statements, reports or other operating data, information or supporting records when due; or

(iii) If you fail to assign the franchise or an interest in the franchise of a deceased or disabled principal owner thereof; or

(iv) If you fail to comply with any other provision of this Agreement or any mandatory specification, standard or operating procedure prescribed by us; or

(v) If you fail to relocate the Salon as required hereunder or commit a default under the lease, sublease or purchase contract for the Salon and any equipment utilized in the operation thereof.

15. RIGHTS AND OBLIGATIONS OF THE COMPANY AND YOU UPON TERMINATION OR EXPIRATION OF THE FRANCHISE

15.1 Payment of Amounts Owed to the Company. You agree to pay to us within 15 days after the effective date of termination or expiration of the franchise, or such later date that the amounts due to us are determined, such Royalty Fees, Advertising Fund Fees, amounts owed for products and/or services purchased by you from us or our affiliate(s), all liquidated damages under Section 15, interest due us on any of the foregoing and all other amounts owed to us which are then unpaid.

15.2 Additional Obligations Upon Termination or Expiration of the Franchise. You agree that after the termination or expiration of the franchise you will:

(i) Not directly or indirectly at any time or in any manner identify yourself or your business as a current or former *Pigtails & Crewcuts* salon, or as a franchisee, licensee or dealer of or as otherwise associated with us, or use any Mark, any colorable imitation thereof or other insignia of a salon in any manner or for any purpose, or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with us or our affiliate(s);

(ii) Return to us all signs, sign faces, catalogs, copies of customer lists, advertising and promotion materials, forms, and other materials containing a Mark or other identification relating to a *Pigtails & Crewcuts* salon;

(iii) Take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any Mark;

(iv) Notify the telephone company and all listing agencies of the termination or expiration of your right to use the existing Salon telephone number(s) and any regular, classified or other telephone directory listings associated with any related Mark, and to authorize transfer of same to us or at our direction. You acknowledge that as between us and you, we have the sole right to the interest in all telephone numbers and directory listings associated with any Mark and

you authorize us, and hereby appoint us and any officer we designate as your attorney-in-fact, to direct the telephone company and all listing agencies to transfer same to us or at our direction, should you fail or refuse to do so, and the telephone company and all listing agencies may accept such direction or this Agreement as conclusive of our exclusive rights in such telephone numbers and directory listings and our authority to direct their transfer; and

(v) Furnish to us within 30 days after the effective date of termination or expiration evidence satisfactory to us of your compliance with the foregoing obligations.

15.3 Know-how. You agree that upon termination or expiration of the franchise, you will immediately cease to use the Know-how disclosed to you pursuant to this Agreement in any business or otherwise and will return to us all copies of the Operations Manual and Software, if applicable, for *Pigtails & Crewcuts* salons which have been loaned to you by us. You will discontinue any use of our products. You, the principals of the franchise and any manager(s) agree that during the course of this Agreement, or any extension thereof, you and they shall not divulge or otherwise disclose any of the Know-how or other trade secrets owned by us to anyone not associated with the franchise, including family members.

15.4 Covenant Not to Compete.

(i) *Reason for Covenant.* You acknowledge that the Mark(s), the business and reputation associated therewith, the methods and techniques employed by us, the training and assistance provided under this Agreement, and the knowledge of our methods, operations and services, contacts and experience acquired by you are of considerable value and would not be acquired except through implementation of this Agreement. Further, you acknowledge that we have devoted many years and expended many thousands of dollars in the development of the *Pigtails & Crewcuts* salon concept. As a result, both parties agree that we possess a proprietary interest in such Know-how that the parties acknowledge as a trade secret owned by us subject to a license to you for utilization during the Term of this Agreement. Further, you agree that competition by persons or entities associated with you (including family members) and/or with the franchise could seriously jeopardize us and the entire Operating System because you have received an advantage through the knowledge of the day-to-day operations, the Know-how and the trade secrets of the Operating System.

(ii) *Terms of Non-Compete.* In consideration thereof, you, the principals of the franchise and any manager(s) agree that during the course of this Agreement, or any extension thereof, you and they shall not directly or indirectly, as owner, partner, shareholder, officer, director, employee, agent, representative, lender, broker, consultant, franchisee or in any other capacity whatsoever, be connected in any manner with the ownership, management, operation or control of or conduct of any Competitive Business. This restrictive covenant does not preclude any of the aforementioned individuals from owning an interest of five percent or less in a publicly traded company which has securities registered under the Securities Exchange Act of 1934. Upon expiration, termination or non-renewal of this Agreement for any reason, you and the principals of the franchise and any manager(s) shall not directly or indirectly, as owner, partner, shareholder, officer, director, employee, agent, representative, lender, broker, consultant, franchisee or in any other capacity whatsoever, be connected in any manner with the ownership, management, operation or control of or conduct of any Competitive Business for a period of two

years following the occurrence of said event(s), within a ten-mile radius of (a) your Salon and (b) any other *Pigtails & Crewcuts* salon operating in the county in which your Salon is located.

(iii) *Covenant*. You acknowledge and agree that your failure to adhere strictly to the restrictions of this Section will cause substantial and irreparable damage to us for which there is no adequate remedy at law. You also acknowledge and represent that you have sufficient education, knowledge, and training to earn a living outside operating or participating in a Competitive Business. Therefore, you hereby acknowledge that any violation of the terms and conditions of this covenant shall give rise to an entitlement to injunctive relief.

(iv) *Equitable Relief*. The parties shall still have an independent right to apply for equitable relief, including an injunction, regardless of the enforceability of any other section within this Agreement.

(v) *Severability*. Further, the parties agree that each section of this Section 15, including subsections, are severable. In the event that any section or subsection of this Section 15 is unenforceable, it shall not affect the enforceability of any other section or subsection and each party hereto stipulates and agrees that the Court may impose terms that it deems in its discretion shall make the covenant reasonable in terms of its scope, duration and geographical restraint.

15.5 Our Right to Purchase Salon and/or Location of Salon.

(i) *Exercise of Option*. Upon

(a) our termination of this Agreement according to its terms and conditions,

(b) your termination of this Agreement without cause, or

(c) expiration of this Agreement (if we offer, but you elect not to renew, the opportunity to renew the franchise, or if we do not offer you an opportunity to renew the franchise due to your failure to satisfy the conditions for renewal set forth in Section 13.1), we may, by giving you written notice within 30 days after the date of termination or expiration, (1) purchase the Salon's operating assets and supplies and the fee simple interest in the Location of the Salon (if you or one of your affiliates own the Location of the Salon) and/or, (2) if you (or one of you affiliates) do not own the Location of the Salon or we choose not to purchase your (or your affiliate's) fee simple interest in the Location of the Salon, exercise the rights under subparagraph (ii) below. We have the unrestricted right to assign the option under this Section 15.5. We are entitled to all customary warranties and representations in our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

(ii) *Rights to Location of Salon*. If you lease or sublease the Location for the Salon from an unaffiliated lessor, or if we choose not to purchase your (or your affiliate's) fee simple interest in the Location for the Salon, you agree (as applicable) at our election:

(a) to assign you leasehold interest in the Location of the Salon to us;

(b) to enter into a sublease for the remainder of the term of your lease/sublease on the same terms (including renewal options) as your lease/sublease; or

(c) to lease the Location of the Salon to us for an initial 10 year term, with two 5-year renewal terms (at our option), on commercially reasonable terms.

(iii) Purchase Price. The purchase price for the Salon's operating assets and supplies and, if applicable, the fee simple interest in the Location of the Salon will be their fair market value, provided that these items will not include any value for:

- (a) the franchise or any rights granted by this Agreement;
- (b) the Marks;
- (c) participation in the network of *Pigtails & Crewcuts* salons; or
- (d) goodwill attributable to the Operations System.

We may exclude from the assets purchased any operating assets and supplies that are not reasonably necessary (in function or quality) to the Salon's operation or that we have not approved as meeting standards for *Pigtails & Crewcuts* salons, and the purchase price will reflect these exclusions. If we and you cannot agree on fair market value, fair market value will be determined by 3 independent appraisers, each of whom will conduct a separate appraisal and, in doing so, be bound by the criteria specified in this subparagraph (iii). We will appoint one appraiser, you will appoint one appraiser and the two party appointed appraisers will appoint the third appraiser. We and you agree to select our and your respective appraisers within 15 days after we notify you that we wishes to exercise our option to purchase, and the two appraisers so chosen are obligated to appoint the third appraiser within 15 days after the last of the two party appointed appraisers was appointed. We and you will bear the cost of the appraisers that each of us appoints and share equally the fees and expenses of the third appraiser chosen by the two party appointed appraisers. The appraisers are obligated to complete their appraisals within 30 days after the third appraiser's appointment. The purchase price will be the average of the three appraisals.

(iv) Closing. We (or our assignee) will pay the purchase price at the closing, which will take place not later than 60 days after the purchase price is determined. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us. At the closing, you agree to deliver instruments transferring to us (our our assignee):

- (a) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;
- (b) all licenses and permits of the Salon which may be assigned or transferred; and

(c) the fee simple or leasehold interest in the Location of the Salon and improvements.

If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow. You and your owners further agree to execute general releases, in a form satisfactory to us, of any and all claims against us and our shareholders, officers, directors, employees, agents, successors and assigns.

15.6 Continuing Obligations. All of your obligations that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

15.7 Liquidated Damages.

(i) You acknowledge that we will suffer substantial damages as a result of this Agreement's termination before the Term expires. Some of those damages include lost Royalty Fees, lost Advertising Fund contributions, lost market penetration and goodwill, loss of System representation in the Salon's market area, customer confusion, lost opportunity costs, and expenses we will incur in developing or finding another franchisee to develop another Pigtales & Crewcuts Salon in the market area (collectively, "Brand Damages"). We and you acknowledge that Brand Damages are difficult to estimate accurately over a period of years, and proof of Brand Damages would be burdensome and costly, although those damages are real and meaningful to us. Therefore, upon termination of this Agreement for any reason before the Term expires (except for a proper termination by Franchisee under Section 14.1), you agree to pay us, within 15 days after the date of termination, liquidated damages in a lump sum as calculated below.

(ii) If the Salon has operated for at least two years before the effective date of termination, the liquidated damages payable will equal the product of (a) either 36 or the number of months then remaining in the Term as of the effective date of termination (had it not been terminated), whichever is shorter, multiplied by (b) the sum of the average monthly Royalty Fees plus the average monthly Advertising Fund contributions that were due and payable from you to us during the 12 month period before the month of termination.

(iii) If you have not operated the Salon for at least two years as of the effective date of termination, the liquidated damages payable will be the fixed sum of One Hundred Thousand Dollars (\$100,000).

(iv) If this Agreement is terminated by us because you violate the non-competition restrictions in Section 15.4, or if you terminate this Agreement without cause in breach of this Agreement, the liquidated damages payable will equal one hundred fifty percent (150%) of the amount of liquidated damages otherwise payable under Section 15.7 above (depending on the effective date of termination).

(v) Franchisee agrees that liquidated damages calculated under this Section 15.7 represent the best estimate of Franchisor's Brand Damages arising from any termination of this Agreement before the Initial Term expires. Franchisee's payment of

liquidated damages to Franchisor will not be considered a penalty but, rather, a reasonable estimate of fair and just compensation to Franchisor for the Brand Damages Franchisor will incur because this Agreement did not continue for the Initial Term's full length.

You acknowledges that payment of liquidated damages is full compensation to us only for the Brand Damages resulting from early termination of this Agreement and is in addition to, and not in place of, your obligation to pay other amounts due to us under this Agreement as of the date of termination and to comply strictly with its de-identification and other post-termination obligations.

If any valid law or regulation governing this Agreement limits your obligation to pay, and our right to receive, the liquidated damages for which you is obligated under this Section 15.7, you will be liable to us for any and all Brand Damages we incur, now or in the future, as a result of your breach of this Agreement.

16. ENFORCEMENT

16.1 Severability and Substitution of Valid Provisions.

(i) Except as expressly provided to the contrary herein, each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable and if, for any reason, any such portion of this Agreement is held to be invalid, contrary to, or in conflict with any applicable present or future law or regulation in a final, unappeasable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling shall not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt of a notice of non-enforcement thereof from us.

(ii) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, or if under any applicable and binding law or rule of any jurisdiction any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by such law or rule shall be substituted for the comparable provisions of this Agreement, and we shall have the right, in our sole discretion, to modify such invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof, or any specification, standard or operating procedure prescribed by us, any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order. Such modifications to this Agreement shall be

effective only in such jurisdiction, unless we elect to give them greater applicability, and shall be enforced as originally made and entered into in all other jurisdictions.

16.2 Waiver of Obligations.

(i) We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Whenever this Agreement requires our prior approval or consent, you shall make a timely written request therefor, and such approval shall be obtained in writing. If, for any reason or no reason, we deny approval or consent, and you seek legal redress for such denial, the only relief to which you will be entitled is to acquire our approval or consent. You are not entitled to any other relief or damages for our denial of approval or consent for any reason or no reason.

(ii) We make no warranties or guaranties upon which you may rely, and assume no liability or obligation to you, by granting any waiver, approval or consent to you, or by reason of any neglect, delay or denial of any request therefor. Any waiver granted by us shall be without prejudice to any other rights we may have, will be subject to continuing review by us, and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of 10 days prior written notice.

(iii) We and you shall not be deemed to have waived or impaired: any right, power or option reserved by this Agreement (including, without limitation the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise prior to the expiration of its Term) by virtue of any custom or practice of the parties at variance with the terms to this Agreement; any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including, without limitation, any mandatory specification, standard, or operating procedure; and waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, with respect to other *Pigtails & Crewcuts* salons; or the acceptance by us of any payments due from you after breach of this Agreement.

(iv) We shall not be liable for loss or damage or deemed to be in breach of this Agreement if our failure to perform our obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate requests, recommendations or instructions of any federal, state or municipal government or any department or agency thereof; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or omissions of the other party; (3) fires, strikes, embargoes, war, or riot; or (4) any other similar event or cause. Any delay resulting from any of said causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable. You acknowledge that this provision does not apply to you or your obligations hereunder.

16.3 You May Not Withhold Payments. You agree that you will not, on grounds of the alleged non-performance by us of any of our obligations under this Agreement, withhold payment of any Royalty Fees, Advertising Fund Fees, amounts due to us or our affiliate(s) for products and/or services purchased by you or any other amounts due us or our affiliate(s).

16.4 Arbitration. Except for claims arising out of the restrictions on competitive activities and covenants not to compete in this Agreement, the parties to this Agreement agree to submit any claim, controversy, dispute, disagreement, or matter pertaining to (i) this Agreement or any other agreement between the parties or any provision of any such agreements (including this Section 16.4); (ii) our relationship with you; or (iii) the scope and validity of this Agreement or any agreement between the parties or any provision of any such agreements (including the scope and validity of the arbitration obligations under this Section 16.4, which you and we acknowledge is to be determined by an arbitrator and not a court), or any aspect of the Operating System (the "Dispute"), to binding arbitration before the American Arbitration Association ("AAA") in Atlanta, Georgia at a suitable location selected by the arbitrator that is within ten (10) miles of our then current principal business address. The arbitrator shall have no authority to select a different hearing locale. The hearing shall be conducted pursuant to the Commercial Arbitration Rules of the AAA, and under the Expedited Procedures of such rules or under the Optional Rules For Emergency Measures of Protection of the AAA, if they may apply to the Dispute.

Any Dispute and any arbitration will be conducted and resolved on an individual basis only and not a class-wide, multiple plaintiff or similar basis. Only the Company (and/or its affiliates and its and their respective owners, officers, directors, agents and/or employees, as applicable) and you (and/or your guarantors and affiliates and its and their respective owners, officers, directors, agents and/or employees, as applicable) may be parties to any arbitration proceedings described in this Section. Any such arbitration proceeding will not be consolidated with any other arbitration proceeding involving any other person, except for disputes involving affiliates of the parties to such arbitration. Notwithstanding the foregoing or anything to the contrary in this Section 16.4. or any other provision hereof, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a Dispute that otherwise would be subject to arbitration under this Section 16.4, then we and you agree that this arbitration clause shall not apply to that Dispute and that such Dispute will be resolved in a judicial proceeding in accordance with this Section 16 (excluding this Section 16.4).

The parties agree that, in connection with any such arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 15 of the Federal Rules of Civil Procedure) within the same proceeding as the Dispute to which it relates. Any such Dispute which is not submitted or filed in such proceeding will be barred. Any arbitration award will have a binding effect only on the actual Dispute arbitrated, and will not have any collateral effect on any other Dispute whatsoever, whether in litigation, arbitration, mediation, or other dispute resolution proceeding.

The arbitration shall be conducted by a single arbitrator chosen from a list maintained by the AAA. That individual shall be experienced in the operation of franchise systems either as an attorney, accountant or businessperson. The arbitrator shall render a binding and legally enforceable award that may be confirmed by a court of competent jurisdiction upon application

of the prevailing party. The party filing the arbitration shall initially bear the cost of any arbitration fees or costs. However, the arbitrator shall in his or her discretion have the authority to award to the prevailing party all costs of the proceeding, including the arbitrator's costs and out-of-pocket disbursements, but specifically excluding attorneys' fees and expenses. You and we agree that, to the fullest extent permissible by law, the arbitrator will not have the authority to award exemplary or punitive damages. The arbitrators may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with any other provision of this Agreement.

If a court of competent jurisdiction decides the requirement to arbitrate a Dispute is unenforceable because applicable law does not permit the type of claim involved to be resolved by arbitration, or because this Agreement limits a party's rights or remedies in a manner applicable law does not permit, or for any other reasons, then the arbitration clause shall not be void.

Our waiver of any of your defaults will not constitute a waiver of any other default and will not prevent us from requiring you to strictly comply with this Agreement.

16.5 Specific Performance/Injunctive Relief. Nothing herein contained shall bar our right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause us loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, shall be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby).

16.6 Rights of Parties are Cumulative. Your and our rights under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement shall preclude the exercise or enforcement by us or you of any other right or remedy under this Agreement or which we or you are entitled by law to enforce.

16.7 Governing Law/Consent to Jurisdiction.

(i) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051, *et seq.*), the franchising laws of any state that may be applicable and as contained in Exhibit E to this Agreement, or the Federal Arbitration Act (9 U.S.C. Sections 1 *et seq.*), this Agreement and the franchise shall be governed by the laws of the State of Georgia. Notwithstanding the foregoing, in any proceeding relating to our enforcement of your obligations under Sections 5.3 and 15.4, the law of the jurisdiction where your Salon is located shall apply to the construction and enforcement of such Sections.

(ii) Any Dispute subject to resolution in a judicial proceeding shall be instituted in any state or federal court of general jurisdiction in the State of Georgia and you irrevocably submit to the jurisdiction of such court and waive any objection you may have to either the jurisdiction or venue of such court.

16.8 Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest.

16.9 Integration, Nature and Scope, Construction.

(i) THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. The preambles and exhibit(s) are part of this Agreement, which constitute the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement. Any representation(s) not specifically contained in this Agreement made prior to entering into this Agreement do not survive subsequent to the execution of this Agreement. We and you have entered into this Agreement for the sole purpose of authorizing you to use the intellectual property rights licensed by this Agreement in the operation of a single business operation at the designated Location during the Term of this Agreement in which those specific items designated by us for sale in such locations are offered for sale in individual, face-to-face transactions with patrons visiting this fixed Location (and equivalent telephone or mail transactions accepted as a convenience to that customer group). All consideration being furnished by you to us during the course of performance of this Agreement has been determined based on the limited rights and other limitations expressed in this Agreement. No other rights have been bargained for or paid for. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties further acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that we made in our disclosure document (including its exhibits and amendments) that we delivered to you or your representative.

(ii) Notwithstanding the foregoing, you understand and agree that the Operating System must not remain static if it is to meet (without limitation) presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, social trends and other marketplace variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the Operating System, including altering the products, programs, services, methods, standards, forms, policies and procedures of that Operating System; abandoning the Operating System altogether in favor of another system in connection with a merger, acquisition or other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your franchised business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment,

signage, trade dress, décor, color schemes and uniform (if any) specifications and all other unit construction, design, appearance and operation attributes which you are required to observe under this Agreement; and, changing, improving, modifying or substituting the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations. You shall accept, use and effectuate any such changes or modifications to, or substitutions of, the Operating System as if they were part of the Operating System at the time that this Agreement was executed. Except as provided in this Agreement, we shall not be obligated to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated by this Section. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in our, our Operating System's and/or all *Pigtails & Crewcuts* salons' best interests at the time our decision is made, without regard to either whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our financial or other individual interest.

(iii) Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

(iv) The headings of the several sections and subsections of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or subsections.

(v) The term "you" or "your" as used in this Agreement is applicable to one or more persons, a corporation, a limited liability company or a partnership, as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive. If two or more persons are at any time franchisee under this Agreement, their obligations and liabilities to us shall be joint and several. References to "you", "your" and "assignee" which are applicable to an individual or individuals shall mean the principal owner(s) of the equity or operating control of you or the assignee, if you or the assignee is a corporation, limited liability company or partnership.

(vi) This Agreement may be executed in multiple copies, each of which shall be deemed an original.

(vii) Time is of the essence of this Agreement.

16.10 Waiver of Punitive Damages and Jury Trial. EXCEPT FOR YOUR INDEMNIFICATION OBLIGATION UNDER SECTION 6.5, AND EXCEPT FOR PUNITIVE, EXEMPLARY, AND TREBLE AND OTHER FORMS OF MULTIPLE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, COMPANY AND YOU (AND YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, AND TREBLE AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

COMPANY AND YOU (AND YOUR OWNERS) IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER COMPANY OR YOU.

17. NOTICE AND PAYMENT

17.1 Notice. All notices and statements to be given under this Agreement are to be in writing, delivered by hand, telegram or certified or registered mail, to the following addresses (which may be changed by written notice). Notices of changes of addresses must be given at least 10 business days in advance of any notification contemplated under this provision or the prior address on file shall be deemed valid:

| | |
|----------|--|
| YOU: | As set forth at the beginning of this Agreement |
| COMPANY: | Pigtails & Crewcuts Franchise, LLC 3495 Piedmont Road, Suite 402, Building 11 Atlanta, Georgia 30305 Attention: _____ |

Notice by mail shall be considered given at the time delivered by hand, at the time delivered via computer transmission if the sender has confirmation of a successful transmission, one business day after sending by facsimile or telecopy if the sender has confirmation of successful transmission, one business day after being placed in the hands of a commercial courier service for next business day delivery, or three business days after placed in the United States mail by registered or certified mail, return receipt requested, postage prepaid.

17.2 Payment. Except to the extent paid pursuant to by electronic funds transfer as provided in Section 7.5, all payments and reports required by this Agreement shall be directed to us at the address notified to you from time to time, or to such other persons and places as we may direct from time to time. Any required payment or report not actually received by us during regular business hours on or before the date due, or not sent to us on the date due by Express Mail or equivalent, shall be deemed delinquent.

18. MISCELLANEOUS

18.1 Authority to Bind. YOU UNDERSTAND THAT NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE US TO THIS AGREEMENT EXCEPT OUR MANAGING MEMBER OR CHIEF OPERATING OFFICER BY A WRITTEN DOCUMENT.

18.2 Provisions Applicable Only in Certain States. The following provisions apply to all *Pigtails & Crewcuts* franchisees and franchised salons, except those that are subject to the state franchise disclosure laws of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

(i) YOU REPRESENT AND WARRANT THAT NO REPRESENTATIONS, PROMISES, GUARANTIES OR WARRANTIES OF ANY KIND WERE MADE BY US OR

OUR REPRESENTATIVES TO INDUCE THE EXECUTION OF, OR IN CONNECTION WITH, THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT AND YOU HAVE NOT RELIED UPON ANY SUCH REPRESENTATIONS, PROMISES, GUARANTIES OR WARRANTIES.

(ii) YOU UNDERSTAND THAT YOUR SUCCESS WILL BE DEPENDENT UPON YOUR OWN EFFORTS AND JUDGMENTS, AND THE SERVICES OF THOSE YOU EMPLOY.

(iii) You represent and warrant that (a) you have independently investigated this franchise opportunity and recognize that, like any other business, the nature of a Pigtails & Crewcuts business may, and probably will, evolve and change over time, and (b) an investment in a Pigtails & Crewcuts business involves risks and your business abilities and efforts are vital to your success.

(iv) You acknowledge that you have had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement and to review the accompanying franchise offering circular/disclosure statement prior to executing this Agreement. You are entering into this Agreement after having made an independent investigation and an objective assessment of your own business experience and ability, and not based upon any representation by us or any of our representatives. YOU ACKNOWLEDGE THAT NEITHER WE NOR ANY OF OUR REPRESENTATIVES HAVE MADE, AND THAT YOU HAVE NOT RELIED UPON, ANY REPRESENTATION AS TO THE PROFITS OR SALES VOLUME THAT YOU MIGHT BE EXPECTED TO REALIZE. ANY AND ALL REPRESENTATIONS OR PROMISES BY US ARE EXPRESSLY CONTAINED IN THIS AGREEMENT OR OUR OFFERING CIRCULAR.

(v) You acknowledge that any assistance, approval or advice given by us under or in connection with this Agreement shall not constitute a warranty of the financial success of your business. You further acknowledge that we have advised you that prior business management experience is vital for new franchises and prior business ownership experience is highly desirable.

(vi) You acknowledge and agree that the covenants set forth in Section 15.4 are reasonable both in time and in scope of geographic area.

18.3 Our Judgment. We have the right to operate, develop and change the Operating System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in the best interests of us or our affiliates, the network of Salons, or the Operating System at the time our decision is made, without regard to whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our or our affiliates' financial or other individual interest. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you

make or to withhold our approval of any of your proposed, initiated or completed actions that require our approval.

18.4 Anti-Terrorism Laws.

(i) You and your owner(s) agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws. In connection with such compliance, you and your owner(s) certify, represent, and warrant that none of their property or interests is subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your owner(s) are not otherwise in violation of any of the Anti-Terrorism Laws.

(ii) "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States ("Executive Order 13224"), the Terrorism Sanctions Regulation (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances regulations, policies, lists and any other requirements of any governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control, and any other government agency with jurisdiction over the parties to this Agreement and/or their actions) addressing or in any way relating to terrorist acts and/or acts of war.

(iii) You and your owner(s) certify that none of them, their respective employees, agents, bankers, affiliates or anyone associated with them is listed in the Annex to Executive Order 13224. You agree not to hire (or, if already employed, retain the employment of) any individual who is listed in the Annex. (A copy of the Annex can be accessed on the internet at the following address: <http://www.treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html>.)

(iv) You certify that you have no knowledge or information that, if generally known, would result in (a) you, (b) your owner(s) employees, agents, bankers or affiliates or (c) anyone associated with you to be listed in the Annex to Executive Order 13224.

(v) You are solely responsible for ascertaining what actions you must take to comply with the Anti-Terrorism Laws, and you specifically acknowledge and agree that your indemnification responsibilities set forth in Section 6.5 above of this Agreement pertain to your obligations under this Section 18.4.

(vi) Any misrepresentation under this Section or any violation of the Anti-Terrorism Laws by your or your owner(s) agents, bankers, employees and affiliates shall constitute grounds for immediate termination of this Agreement and any other agreement you have entered with us or an affiliate of ours, in accordance with Section 14(xiii) above.

18.5 No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only to franchisees and franchised *Pigtails & Crewcuts* salons that are subject to the state franchise disclosure laws of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Salon.

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

US:

Pigtails & Crewcuts Franchise, LLC, a Georgia limited liability company

By: _____
Name: _____
Its: _____

YOU:

By: _____
Name: _____
Its: _____

Exhibit A

Location and Territory

Location of Salon:

Territory: Three miles around Location specified above.

Miscellaneous Information:

Accepted and agreed to as of
this ___ day of _____, 20___:

Pigtails & Crewcuts Franchise, LLC

By: _____
Name: _____
Its: _____

Accepted and agreed to as of
this ___ day of _____, 20___:

By: _____
Name: _____
Its: _____

Exhibit B

Guaranty of Payment and Performance

(See Attached)

GUARANTY OF
PAYMENT AND PERFORMANCE

In consideration of, and as an inducement to, the execution by PIGTAILS & CREWCUTS FRANCHISE, LLC (“Franchisor”) of that certain Pigtails & Crewcuts Franchise, LLC Franchise Agreement (as the same from time to time may be amended, modified, extended or renewed, the “Franchise Agreement”) dated the ____ day of _____, 20__, between _____ as franchisee (hereafter “Franchisee”) and Franchisor, the undersigned, for the term of the Franchise Agreement and any extension or renewal thereof, and thereafter until all obligations of Franchisee to Franchisor have been satisfied, jointly and severally, do hereby personally, absolutely, and unconditionally guarantee that Franchisee shall punctually pay and perform each and every undertaking, condition, and covenant set forth in the Franchise Agreement.

Each of the undersigned waives (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned’s execution of and performance under this Guaranty, for the express purpose that none of the undersigned shall be deemed a “creditor” of Franchisee under any applicable bankruptcy law with respect to Franchisee’s obligations to Franchisor, (ii) any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement, (b) proceed against or exhaust any security from Franchisee, (c) take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Guaranty, or (d) pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee, (iii) any benefit of, any right to participate in, any security now or hereafter held by Franchisor, (iv) any rights that may be conferred upon the undersigned as a guarantor or surety under the applicable law of any state, and (v) acceptance and notice of acceptance by Franchisor of the undersigned’s undertakings under this Guaranty; all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; protest; notices of dishonor; and notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; and any other notices and legal or equitable defenses to which any of the undersigned may be entitled. Without affecting the obligations of the undersigned under this Guaranty, Franchisor may, without notice to the undersigned, extend, modify, supplement, waive strict compliance with, or release all or any provisions of the Franchise Agreement or any indebtedness or obligation of Franchisee, or settle, adjust, release, or compromise any claims against Franchisee or any guarantor, make advances for the purpose of performing any obligations of Franchisee under the Franchise Agreement, assign the Franchise Agreement or the right to receive any sum payable thereunder, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Franchise Agreement. Franchisor shall have no present or future duty or obligation to the undersigned under this Guaranty, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to Franchisor.

This Guaranty is a guarantee of payment and performance not merely one of collection. Each of the undersigned further consents and agrees that its liability under this Guaranty shall be

direct and immediate and joint and several; that the undersigned shall render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so; that such liability shall not be contingent or conditioned upon the pursuit of any remedies against Franchisee or any other person; and that such liability shall not be diminished, relieved or otherwise affected by the extension of time, credit or any other indulgence which Franchisor, its affiliates, successors or assigns may, from time to time, grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, or the release of any one or more of the undersigned hereunder, or the consent to assignment of the Franchise Agreement or any interest in Franchisee, none of which shall in any way modify or amend this Guaranty, which shall be continuing and irrevocable throughout the term of the Franchise Agreement and any extension or renewal thereof and thereafter until all obligations of Franchisee to Franchisor have been satisfied.

Until all obligations of Franchisee to Franchisor have been satisfied, the obligations of the undersigned under this Guaranty shall remain in full force and effect without regard to, and shall not be released, discharged or in any way modified or affected by, any circumstance or condition (whether or not the undersigned shall have any knowledge or notice thereof), including, without limitation, any bankruptcy, insolvency, reorganization, composition, liquidation or similar proceeding, with respect to Franchisee or its properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Franchise Agreement or by law or in equity.

The undersigned hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder, any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and the Franchisee and the undersigned do guarantee and promise to perform all of the obligations of the Franchisee under the Franchise Agreement as so amended, compromised, released or altered.

Upon notice from Franchisor that Franchisee has failed to pay monies due and owing to Franchisor under the Franchise Agreement, any and each of the undersigned agree to cure the monetary default within five business days from such notice.

Upon the death of an undersigned, the estate of such undersigned shall be bound by this Guaranty but only for defaults and obligations hereunder existing at the time of death. The obligations of the surviving undersigned shall continue in full force and effect.

The undersigned expressly acknowledge that the obligations hereunder survive the termination of the Franchise Agreement.

Franchisor's failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future.

No delay or failure of Franchisor in the exercise of any right, power, or remedy shall operate as a waiver thereof, and no partial exercise by Franchisor shall preclude any further exercise thereof or the exercise of any other right, power or remedy.

This Guaranty shall be governed by and construed in accordance with the internal laws of the State of Georgia without recourse to Georgia (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guaranty would not be enforceable under the laws of Georgia, and if the business franchised under the Franchise Agreement is located outside of Georgia and the provision would be enforceable under the laws of the state in which the franchised business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant”, unfair competition, fiduciary or other doctrine of law of the State of Georgia or any other state, which would not otherwise apply.

Unless specifically stated otherwise, the terms used in this Guaranty shall have the same meaning as in this Agreement, and shall be interpreted and construed in accordance with Section 16 of the Franchise Agreement (except that Franchisor shall have the right to bring any action or proceeding against of the undersigned or any of the undersigned’s property in the courts of any other jurisdiction which Franchisor deems necessary or appropriate in order to realize on any collateral at any time granted by Franchisee or any of the undersigned to Franchisor or to otherwise enforce its rights against any of the undersigned or any of the undersigned’s property). This Guaranty shall be interpreted and construed under the laws of the State of Georgia. In the event of any conflict of law, the laws of Georgia shall prevail, without regard to, and without giving effect to, the application of the State of Georgia conflict of law rules. Nothing in this Guaranty is intended by the parties to subject this Guaranty to any franchise or similar law, rule, or regulation of the State of Georgia or of any other state to which it would not otherwise be subject. Each of the undersigned hereby waives and covenants never to assert any claim that the undersigned is not subject to personal jurisdiction or venue as set forth in Section 16 of the Franchise Agreement or that venue as set forth in Section 16 of the Franchise Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

If Franchisor chooses to proceed against the undersigned under this Guaranty, and Franchisor prevails, the undersigned shall reimburse Franchisor its costs and expenses associated with the proceeding, including its reasonable attorneys’ fees, court costs and expenses.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed its signature this ____ day of _____, 2____.

GUARANTORS:

Agreed:

PIGTAILS & CREWCUTS FRANCHISE, LLC

_____(SEAL)
Signature

By: _____

Address:

Name: _____

Its: _____

Social Security No.: _____

_____(SEAL)
Signature

Address:

Social Security No.: _____

_____(SEAL)
Signature

Address:

Social Security No.: _____

_____(SEAL)
Signature

Address:

Social Security No.: _____

Exhibit C

Noncompetition and Nondisclosure Agreement
for
Interested Parties

(See Attached)

NONCOMPETITION AND NONDISCLOSURE AGREEMENT

THIS AGREEMENT is made as of the ____ day of _____, 20__, among PIGTAILS & CREWCUTS FRANCHISE, LLC, a Georgia limited liability company (“Franchisor”), and _____ [Franchisee], a _____ [type of entity] who desires to be a franchisee of Franchisor (“Franchisee”), and _____ [individual’s name], a resident of _____ [state] (“Interested Party”).

RECITALS:

The Franchisee proposes to execute a Pigtails & Crewcuts Franchise, LLC Franchise Agreement (the “Franchise Agreement”) with Franchisor, and as a condition to such execution, Franchisor requires that the Interested Party execute this Agreement. Interested Party acknowledges that the experience, training and assistance offered by Franchisor under the Franchise Agreement, and Interested Party’s close contact with and knowledge of the Operating System (as defined below) could permit Interested Party to take unfair and undue advantage of Franchisor and its other franchisees by competing with them during or after the discontinuation of his/her relationship with Franchisee and Franchisor. Interested Party also acknowledges that the Operating System as a whole, including, without limitation, the collective experience and expertise of Franchisor’s employees and franchisees constitutes a protectable interest of Franchisor. Franchisor desires to prevent the Interested Party (i) from using to Franchisor’s detriment Trade Secrets and Confidential Information (as defined below) to which he/she has had or will have access as a result of his/her relationship to the Franchisee and Franchisor, and (ii) from unfairly competing with Franchisor or its other franchisees.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, and other valuable consideration, the parties agree as follows:

1.

COVENANT NOT TO COMPETE

1.1 Business. For purposes of this Section 1, Franchisor is engaged in the business of offering and selling franchises for the operation of hair care and cosmetic salons catering to children under the trade name “Pigtails & Crewcuts”. *Pigtails & Crewcuts* salons are identified and distinguished by the high quality, uniqueness, and uniformity of their specialty hair care and cosmetic products and services for children, by uniform standards and procedures of operation, and by the name and trademark “Pigtails & Crewcuts.” (All of the foregoing are hereinafter referred to collectively as the “Operating System.”) Franchisor actively conducts business throughout _____. Franchisee will operate a *Pigtails & Crewcuts* salon in _____ [city – state]. The Interested Party’s present relationship with the Franchisee is as follows: _____

1.2 Transfer of Stock. If the Interested Party is a shareholder, member, or partner of the Franchisee whose stock or partnership or membership interest is to be restricted for transfer purposes as provided in Section 12 of the Franchise Agreement, the Interested Party hereby agrees to be bound by the provisions of said Section 12. In any event, the Interested Party shall give to Franchisor prompt, written notice of any material change in its relationship with the Franchisee.

1.3 Covenant Not To Compete. Notwithstanding any other term or condition herein, Interested Party covenants and agrees that during the continuation of his/her relationship with the Franchisee and for a period of two years from the termination of his/her relationship with the Franchisee, or should the Franchisee's franchise be terminated, for whatever reason, during the Interested Party's relationship with Franchisee, for a period of two years from the termination of the franchise, Interested Party shall not, directly or indirectly, as owner, partner, shareholder, officer, director, employee, agent, representative, lender, broker, consultant, franchisee or in any other capacity whatsoever, be connected in any manner with the ownership, management, operation or control of or conduct of any other business, service, or activity (other than any Salons that are part of our franchise system) that derives twenty percent (20%) or more of its Gross Sales from the sale of children's hair care products and services including parties held at the Salon ("Competitive Business") located within (i) the Territory as defined in the Franchise Agreement; (ii) the area within a 10-mile radius of each of Franchisee's Salons (as defined hereinafter); or (iii) all areas within a 10-mile radius of any other *Pigtails & Crewcuts* salon operating in the county in which your Salons are located. For Indiana residents, the covenant not to compete shall only apply to the geographic area encompassing the Territory. For Georgia residents, the covenant not to compete shall only apply to the geographic area within a 10-mile radius of each of Franchisee's Salons (as defined hereinafter). Interested Party acknowledges and agrees that the foregoing shall apply whether or not Franchisee opens its Salon as contemplated by the Franchise Agreement.

1.4 Definition. Salon means a retail facility providing all the functions undertaken by the Franchisee under the Operating System, including, without limitation, providing hair care and cosmetic products and services for children.

1.5 Exceptions to Non-Competition Covenant. Nothing in this Agreement shall prohibit the Interested Party from owning directly or indirectly not more than five percent of the total voting securities of any publicly-held corporation engaged in the business of operating salons, salons or retail outlets specializing in hair care and cosmetic products and services for children or which substantially duplicates the Operating System.

1.6 Amendment. This Section 1 may be amended in the following manner at any time. Franchisor may at any time send Interested Party notice of a proposed amendment to this Section 1. If Interested Party objects to such proposed amendment, Interested Party shall send Franchisor written notice to that effect within 10 days after receipt of Franchisor's notice. If Interested Party fails to object to such proposed amendment, within 10 days after receipt of Franchisor's notice, Interested Party shall be deemed to have accepted such proposed

amendment, and such amendment shall immediately become effective without the necessity of any further act.

1.7 Severability. The covenants contained in this Section 1 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Interested Party against Franchisor or the Franchisee, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor or the Franchisee of said covenants.

1.8 Injunction. Interested Party recognizes and agrees that the injury Franchisor and the Franchisee will suffer in the event of Interested Party's breach of any covenant or agreement contained in this Section 1 cannot be compensated by monetary damages alone, and Interested Party therefore agrees that in the event of a breach or threatened breach by Interested Party of any of the provisions of this Section 1, Franchisor and the Franchisee, in addition to and not in limitation of, any other rights, remedies, or damages available to Franchisor and the Franchisee at law, in equity, under this Agreement or otherwise, shall be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Interested Party or by Interested Party's partners, agents, representatives, servants, employers, employees, or any and all persons directly or indirectly acting for or with him/her.

1.9 Reasonableness. Interested Party acknowledges and agrees that the covenants in this Section 1 are fair and reasonable and that such limitations and restrictions will not prevent Interested Party from earning a livelihood. If the scope of any limitations and restrictions imposed by the covenants in this Section 1 are too broad to permit enforcement thereof as written, then such limitations or restrictions shall be enforced to the maximum extent permitted by law and Interested Party, Franchisor and Franchisee hereby expressly consent and agree that such scope may be judicially modified accordingly in any proceeding brought to enforce such limitations or restrictions.

2.

NONDISCLOSURE OF INFORMATION

2.1 Business. Interested Party recognizes and acknowledges that Franchisor is engaged in the business of offering and selling franchises for the operation of hair care and cosmetic salons catering to children under the Operating System, that Franchisee will operate such a Salon and that such activities have involved, and continue to involve, the entrustment to certain interested parties of confidential, restricted and proprietary information involving Trade Secrets and Confidential Information (as defined below).

2.2 Definitions. For purposes of this Agreement, the following definitions shall apply:

2.2.1 "Trade Secret" means the whole or any portion or phase of any information, design, process, procedure, formula, or improvement for hair care or cosmetic products or

services developed by or for Franchisor or Franchisee from time to time for sale in the *Pigtails & Crewcuts* salons that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2.2.2 The parties recognize that Franchisor is entitled to protection of a further class of competitively sensitive information, which this Agreement terms “Confidential Information” for purposes of convenience. “Confidential Information” means data and information that is material to Franchisor and the Franchisee (which may not rise to the level of a trade secret under applicable law) which is or has been disclosed to Interested Party or of which Interested Party became aware as a consequence of or through his relationship with Franchisor and the Franchisee and which has value to Franchisor and the Franchisee and is not generally known to their competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by Franchisor or the Franchisee (except where such public disclosure has been made by Interested Party without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means. To the extent consistent with the foregoing definition, Confidential Information includes (without limitation): evaluations of Franchisee’s operations, correspondence between Franchisor and Franchisee or Interested Party, salon sales records, business sales and composition, spending strategy, product concept economics, product costs, new product lines, new store building plans, site selection criteria, media placement, advertising copy and concepts, customer studies, customer lists, identity of various suppliers and creditors, other market research tests and techniques, and computer programs and software provided or developed by or for Franchisor.

2.3 Covenant Not To Disclose Trade Secrets. During the term of his/her relationship with the Franchisee and for so long afterwards as the information or data remain Trade Secrets, Interested Party shall not use, disclose, compromise or communicate all or any part of any Trade Secrets of Franchisor (whether or not the Trade Secrets are in written or tangible form) to any person or entity or permit any unauthorized reproduction of all or any part of any Trade Secret, except as specifically authorized by Franchisor.

2.4 Covenant Not To Disclose Confidential Information. During the term of his/her relationship with the Franchisee and for a two year period following the termination of the Franchise Agreement, Interested Party shall not use, disclose, compromise or communicate all or any part of any Confidential Information of Franchisor or the Franchisee (whether or not the Confidential Information is in written or tangible form) to any person or entity or permit any unauthorized reproduction of all or any part of any Confidential Information, except as specifically authorized by Franchisor.

2.5 Return of Materials. Upon request of Franchisor, and in any event, upon termination of his/her relationship with Franchisor or the Franchisee, Interested Party shall deliver to Franchisor (i) all memoranda, notes, records, drawings, manuals or other documents and all copies thereof pertaining to the business of Franchisor or Interested Party’s specific duties for Franchisor and (ii) all materials involving Confidential Information or Trade Secrets of

Franchisor, specifically but not limited to Franchisor's Operations Manual. This provision is intended to apply to all materials made or compiled by Interested Party, as well as all materials furnished to Interested Party by anyone else in connection with his/her relationship with Franchisor, the Assignor, or Franchisee.

2.6 Value. The Confidential Information and Trade Secrets of Franchisor constitute valuable, special and unique assets of Franchisor and any disclosure contrary to the terms of this Agreement would cause substantial loss of competitive advantage and other serious injury to Franchisor and its franchisees.

2.7 Severability. The covenants contained in this Section 2 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Interested Party against Franchisor or the Franchisee, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor or the Franchisee of said covenants.

2.8 Injunction. Interested Party recognizes and agrees that the injury Franchisor and the Franchisee will suffer in the event of Interested Party's breach of any covenant or agreement contained in this Section 2 cannot be compensated by monetary damages alone, and Interested Party therefore agrees that in the event of a breach or threatened breach by Interested Party of any of the provisions of this Section 2, Franchisor and the Franchisee, in addition to and not in limitation of, any other rights, remedies, or damages available to Franchisor and the Franchisee at law, in equity, under this Agreement or otherwise, shall be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Interested Party or by Interested Party's partners, agents, representatives, servants, employers, employees, or any and all persons directly or indirectly acting for or with him.

2.9 Reasonableness. Interested Party acknowledges and agrees that the covenants in this Section 2 are fair and reasonable and that such limitations and restrictions will not prevent Interested Party from earning a livelihood. If the scope of any limitations and restrictions imposed by the covenants in this Section 2 are too broad to permit enforcement thereof as written, then such limitations or restrictions shall be enforced to the maximum extent permitted by law and Interested Party, Franchisor, and Franchisee hereby expressly consent and agree that such scope may be judicially modified accordingly in any proceeding brought to enforce such limitations or restrictions.

3.

MISCELLANEOUS

3.1 Entire Agreement. This instrument contains the entire agreement of the parties. It may not be changed orally but only by an amendment in writing signed by the party against whom enforcement is sought. The waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any continuing or subsequent breach of that provision or of any other provision of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State where the Interested Party operates.

[SIGNATURES ON FOLLOWING PAGE]

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

“FRANCHISOR”

PIGTAILS & CREWCUTS FRANCHISE,
LLC

By: _____
Name: _____
Its: _____

“INTERESTED PARTY”

Signature: _____

“FRANCHISEE”

If Individuals:

Signature
Name: _____

Signature
Name: _____

Signature
Name: _____

If Corporation, Limited Liability Company
or Partnership

Name of Entity

By: _____
Name: _____
Its: _____

[CORPORATE SEAL]

Exhibit D

Noncompetition and Nondisclosure Agreement
for
Employees

(See Attached)

NONCOMPETITION AND NONDISCLOSURE AGREEMENT

THIS AGREEMENT is made as of the ____ day of _____, 20__, among PIGTAILS & CREWCUTS FRANCHISE, LLC, a Georgia limited liability company (“Franchisor”), and _____ [Franchisee], a _____ [type of entity] (the “Company”), an owner of a *Pigtails & Crewcuts* salon and a franchisee of Franchisor, and _____ [individual’s name], a resident of _____ [state] (“Employee”).

RECITALS

The Company presently employs or is about to employ the Employee on an at will basis. Employee acknowledges that the experience, training and assistance offered by the Company and Franchisor in Employee’s employment and Employee’s close contact with and knowledge of the Operating System (as defined hereunder) could permit Employee to take unfair advantage of the Company, Franchisor and other *Pigtails & Crewcuts* salons by competing with them during or after the term of his/her employment. Employee also acknowledges that the Operating System as a whole, including, without limitation, the collective experience and expertise of the Company’s and Franchisor’s employees constitutes a protectable interest of the Company and Franchisor. Franchisor and the Company desire to prevent the Employee (i) from using to the detriment of Franchisor and the Company Trade Secrets and Confidential Information (as hereinafter defined) to which he/she has had or will have access as a result of his/her employment, and Franchisor, and (ii) from unfairly competing with Franchisor or its franchisees. In consideration of his/her employment, Employee enters into this Noncompetition and Nondisclosure Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, and other valuable consideration, the parties agree as follows:

1.

COVENANT NOT TO COMPETE

1.1 Business. For purposes of this Section 1, Franchisor is engaged in the business of offering and selling franchises for the operation of hair care and cosmetic salons catering to children under the trade name “Pigtails & Crewcuts.” *Pigtails & Crewcuts* salons are identified and distinguished by the high quality, uniqueness, and uniformity of their specialty hair care and cosmetic products and services for children, by uniform standards and procedures of operation, and by the name and trademark “Pigtails & Crewcuts.” (All of the foregoing are hereinafter referred to collectively as the “Operating System.”) Franchisor actively conducts business throughout _____. The Company operates a *Pigtails & Crewcuts* salon where Employee will work located in _____ [city – state]. Employee has been employed or is to be employed by the Company to occupy the position of _____. In such position, Employee will _____

("Employee's Duties").

1.2 Covenant Not to Compete. Notwithstanding any other term or condition herein, Employee covenants and agrees that during his/her employment with the Company and for a period of two years from the termination of his/her employment with the Company, Employee shall not, directly or indirectly, on Employee's own behalf or for others, own or operate any other business, service, or activity (other than any Salons that are part of our franchise system) that derives twenty percent (20%) or more of its gross sales from the sale of children's hair care products and services, including parties held at the Salon ("Competitive Business"), located within a 10-mile radius of the Company's salon where Employee will work. The parties acknowledge and agree that a reasonable service area for a single *Pigtails & Crewcuts* salon is a 10-mile radius, and competition within that area would significantly impair the operations of the Company.

1.3 Exceptions to Non-Competition Covenant. Nothing in this Agreement shall prohibit the Employee from owning directly or indirectly voting securities of any publicly-held corporation whose stock is regularly traded on the New York Stock Exchange, American Stock Exchange, or other national exchanges or actively traded in the over-the-counter market.

1.4 Amendments. This Section 1 may be amended in the following manner at any time. Franchisor or the Company may at any time send Employee notice of a proposed amendment to this Section 1. If Employee objects to such proposed amendment, Employee shall send Franchisor or the Company written notice to that effect within 10 days after receipt of Franchisor's or the Company's notice. If Employee fails to object to such proposed amendment, within 10 days after receipt of Franchisor's or the Company notice, Employee shall be deemed to have accepted such proposed amendment, and such amendment shall immediately become effective without the necessity of any further act.

1.5 Severability. The covenants contained in this Section 1 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Employee against Franchisor or the Company, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor or the Company of said covenants.

1.6 Injunction. Employee recognizes and agrees that the injury Franchisor or the Company will suffer in the event of Employee's breach of any covenant or agreement contained in this Section 1 cannot be compensated by monetary damages alone, and Employee therefore agrees that in the event of a breach or threatened breach by Employee of any of the provisions of this Section 1, Franchisor or the Company, in addition to and not in limitation of, any other rights, remedies, or damages available to Franchisor or the Company at law, in equity, under this Agreement or otherwise, shall be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Employee or by Employee's partners, agents, representatives, servants, employers, employees, or any and all persons directly or indirectly acting for or with him.

1.7 Reasonableness. Employee acknowledges and agrees that the covenants in this Section 1 are fair and reasonable and that such limitations and restrictions will not prevent Employee from earning a livelihood. If the scope of any limitations and restrictions imposed by the covenants in this Section 1 are too broad to permit enforcement thereof as written, then such limitations or restrictions shall be enforced to the maximum extent permitted by law and Employee, Franchisor, and the Company hereby expressly consent and agree that such scope may be judicially modified accordingly in any proceeding brought to enforce such limitations or restrictions.

2.

NONDISCLOSURE OF INFORMATION

2.1 Business. Employee recognizes and acknowledges that Franchisor is engaged in the business of offering and selling franchises for the operation of salons specializing in hair care and cosmetic products and services for children under the Operating System, that the Company operates such a *Pigtails & Crewcuts* salon, and that such activities have involved, and continue to involve, the entrustment to certain employees of confidential, restricted and proprietary information involving Trade Secrets and Confidential Information (as defined below).

2.2 Definitions. For purposes of this Agreement, the following definitions shall apply:

2.2.1 “Trade Secret” means the whole or any portion or phase of any information, design, process, procedure, formula, or improvement for hair care and cosmetic products or services developed by or for Franchisor or the Company from time to time for sale in the *Pigtails & Crewcuts* salons that (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

2.2.2 The parties recognize that Franchisor and the Company are entitled to protection of a further class of competitively sensitive information, which this Agreement terms “Confidential Information” for purposes of convenience. “Confidential Information” means data and information that is material to Franchisor and the Company (which may not rise to the level of a trade secret under applicable law) which is or has been disclosed to Employee or of which Employee became aware as a consequence of or through his relationship with Franchisor and the Company and which has value to Franchisor and the Company and is not generally known to their competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by Franchisor or the Company (except where such public disclosure has been made by Employee without authorization) or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means. To the extent consistent with the foregoing definition, Confidential Information includes (without limitation): evaluations of the Company’s operations, correspondence between Franchisor and the Company, salon sales records, business sales and composition, spending strategy, product concept economics, product costs, new product lines, new store buildings plans, site selection criteria, media placement, advertising copy and concepts, customer studies,

customer lists, identity of various suppliers and creditors, other market research tests and techniques, and computer programs and software provided or developed by or for Franchisor and the Company.

2.3 Covenant not to Disclose Trade Secrets. During the term of his/her employment with the Company and for so long afterwards as the information or data remain Trade Secrets, Employee shall not disclose, compromise or communicate all or any part of any Trade Secrets of Franchisor or the Company (whether or not the Trade Secrets are in written or tangible form) to any person or entity or permit any unauthorized reproduction of all or any part of any Trade Secret, except as necessary to perform Employee's Duties specifically authorized by Franchisor.

2.4 Covenant Not to Disclose Confidential Information. During the term of his/her employment with the Company and for a two year period following the termination of Employee's employment with the Company, Employee shall not use, disclose, compromise or communicate all or any part of any Confidential Information of Franchisor or the Company (whether or not the Confidential Information is in written or tangible form), to any person or entity or permit any unauthorized reproduction of all or any part of any Confidential Information, except as necessary to perform Employee's Duties.

2.5 Return of Materials. Upon request of Franchisor or the Company, and in any event, upon termination of his/her employment with the Company, Employee shall deliver to Franchisor or the Company (i) all memoranda, notes, records, drawings, manuals or other documents and all copies thereof pertaining to the business of Franchisor or the Company or pertaining to Employee's specific duties for the Company and (ii) all materials involving Confidential Information or Trade Secrets of Franchisor and the Company specifically, but not limited to, Franchisor's Operations Manual. This provision is intended to apply to all materials made or compiled by Employee, as well as all materials furnished to Employee by anyone else in connection with his/her employment.

2.6 Value. The Confidential Information and Trade Secrets of Franchisor and the Company constitute valuable, special and unique assets of Franchisor and the Company and any disclosure contrary to the terms of this Agreement would cause substantial loss of competitive advantage and other serious injury to Franchisor and the Company.

2.7 Severability. The covenants contained in this Section 2 shall be construed as agreements severable from and independent of each other and of any other provision of this or any other contract or agreement between the parties hereto. The existence of any claim or cause of action by Employee against Franchisor or the Company, whether predicated upon this or any other contract or agreement, shall not constitute a defense to the enforcement by Franchisor or the Company of said covenants.

2.8 Injunction. Employee recognizes and agrees that the injury Franchisor and the Company will suffer in the event of Employee's breach of any covenant or agreement contained in this Section 2 cannot be compensated by monetary damages alone, and Employee therefore agrees that in the event of a breach or threatened breach by Employee of any of the provisions of this Section 2, Franchisor and the Company, in addition to and not in limitation of, any other

rights, remedies, or damages available to Franchisor and the Company at law, in equity, under this Agreement or otherwise, shall be entitled to seek an injunction from any court of competent jurisdiction in order to prevent or restrain any such breach by Employee or by Employee's partners, agents, representatives, servants, employers, employees, or any and all persons directly or indirectly acting for or with him.

2.9 Reasonableness. Employee acknowledges and agrees that the covenants in this Section 2 are fair and reasonable and that such limitations and restrictions will not prevent Employee from earning a livelihood. If the scope of any limitations and restrictions imposed by the covenants in this Section 2 are too broad to permit enforcement thereof as written, then such limitations or restrictions shall be enforced to the maximum extent permitted by law and Employee, Franchisor and the Company hereby expressly consent and agree that such scope may be judicially modified accordingly in any proceeding brought to enforce such limitations or restrictions.

3.

MISCELLANEOUS

2.1 Entire Agreement. This instrument contains the entire agreement of the parties. It may not be changed orally but only by an amendment in writing signed by the party against whom enforcement is sought. The waiver of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any continuing or subsequent breach of that provision or of any other provision of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State where the Employee works.

[SIGNATURES ON FOLLOWING PAGE]

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

“COMPANY”

By: _____

Name: _____

Its: _____

“FRANCHISOR”

PIGTAILS & CREWCUTS FRANCHISE, LLC

By: _____

Name: _____

Its: _____

“EMPLOYEE”

Signature: _____

Exhibit E

Development Addendum

(See Attached)

DEVELOPMENT ADDENDUM

THIS DEVELOPMENT ADDENDUM (the "Addendum") is made and entered into as of the _____ day of _____, 20____ (the "Effective Date"), by and between PIGTAILS & CREWCUTS FRANCHISE, LLC, a Georgia corporation with its principal office at 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305 (the "Franchisor" or "Pigtails & Crewcuts") and _____ (the "Franchisee"), whose principal address, form of entity, and place of organization are set forth in that certain Franchise Agreement between Franchisor and Franchisee of even date herewith (the "Franchise Agreement").

WITNESSETH:

WHEREAS, Franchisee has purchased a Pigtails & Crewcuts Franchise, LLC franchise contemporaneously herewith for the development and operation of a Pigtails & Crewcuts franchised Salon at an approved location pursuant to and as identified in the Franchise Agreement; and

WHEREAS, Franchisee desires to secure the right to develop and operate additional Pigtails & Crewcuts Franchise, LLC franchised Salons, within a specified period of time, and geographical area set forth in Exhibit A to this Addendum (the "Development Territory") (hereinafter collectively referred to as the "Salons" and singularly as the "Salon"), and for a specified additional franchise fee specified herein; and

WHEREAS, Franchisor desires to grant such an option to Franchisee;

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants set forth herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants set forth therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged by the parties, the parties hereby agree as follows:

1. Grant of Development Rights. Franchisor hereby grants to Franchisee, and Franchisee hereby accepts, an exclusive right to develop and operate additional Salons within the Development Territory, subject to the terms and conditions of this Addendum and the Franchise Agreement.

2. Franchise Fees for the Additional Salons to be Developed. The additional Franchise Fees to be charged and collected by Franchisor in connection with the Salons to be developed by Franchisee (subject to the approval by Franchisor of the location of each such Salon) pursuant to this Addendum shall be _____ (\$_____) Dollars. This amount shall be determined by multiplying the number of Salons to be developed under this Addendum by the Franchise Fee for each Salon and shall be due in full on the execution of this Addendum and shall be deemed fully earned when paid in consideration of Franchisor's granting such development rights. The amount paid under this Section 2 is not refundable in whole or in part.

3. Time Periods. The right to develop and operate additional Salons, to the extent granted hereby, may be exercised by Franchisee only within the following time periods and provided Franchisee opens each additional Salon shown below on or before the applicable Salon Opening Date shown below:

| Additional* Salon No. | Exercise Time Period (On or Before) | Salon Opening Date (On or Before) |
|--------------------------|--|--------------------------------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |

* “Additional Salon No.” means Salons in addition to the Salon contemplated to be developed under the Franchise Agreement.

Nothing contained in this Section 3 shall grant, create, or extend the rights granted to Franchisee in Section 1 hereof. The Salons to be developed under this Addendum shall be located within that certain geographic area set forth, either by map or written description, in Exhibit A to this Addendum.

4. Exercise of Development Rights. Franchisee shall exercise its development rights hereunder in the following manner:

(a) Prior to the expiration of each Exercise Time Period specified in the table set forth in Section 3 of this Addendum, Franchisee shall deliver to Franchisor a written notice exercising the development right related to such Exercise Time Period and designation of a proposed site for approval by Franchisor in accordance with the provisions of this Addendum.

(b) If Franchisee’s exercise of its development right is proper under this Addendum and Franchisor approves the location specified in Franchisee’s written notice, then Franchisor shall deliver to Franchisee an addendum to the Franchise Agreement in the form attached hereto as Exhibit B or in Franchisor’s then current form (the “Addendum”) designating the location as an approved location. Franchisee shall be required to execute the Addendum and return it to Franchisor within ten (10) business days after it receives the Addendum from Franchisor.

(c) As to each approved location, and on execution and delivery of the Addendum related to such approved location, Franchisee shall be bound by all of the terms, conditions, requirements, and duties imposed by the Franchise Agreement, which Franchise Agreement shall govern the parties and preempt this Agreement with reference to such approved location.

(d) The term of the franchise as to each Salon opened under this Addendum shall commence on the opening date of the Salon and shall expire ten (10) years from such date.

5. Conditions Precedent. Franchisee’s right to exercise its right to develop and operate a locations pursuant to this Addendum is conditioned on Franchisee’s fulfillment of each and all of the following conditions precedent:

(a) At the time of Franchisee’s exercise of any such right, Franchisee shall have fully performed and otherwise be in compliance with all of Franchisee’s obligations under the

Franchise Agreement and under all other agreements to which Franchisor or any of its affiliates on the one hand, and Franchisee or any of its affiliates on the other, may be parties.

(b) Franchisee shall not be in default of any provision of any Franchise Agreement, or any amendments thereto or replacement thereof, or any other agreement to which Franchisor or any of its affiliates on the one hand, and Franchisee or any of its affiliates on the other, may be parties, and Franchisee and all of its affiliates shall have substantially complied with all the terms and conditions of such agreements during the terms thereof.

(c) Franchisee shall have submitted to Franchisor a proposed site for such location and shall have obtained the approval of Franchisor to such site, or any alternative site, within sixty (60) days from the date of notice from Franchisee, as provided in Section 5(a). FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR'S ACCEPTANCE OF SUCH SITE DOES NOT CONSTITUTE ANY REPRESENTATION, WARRANTY, OR GUARANTEE BY FRANCHISOR THAT SUCH SITE WILL BE A SUCCESSFUL LOCATION FOR A PIGTAILS & CREWCUTS SALON.

In the event that the Franchise Agreement is terminated or expires, then the rights granted herein shall be null and void at the time of such termination or expiration.

6. Development of the Location. In developing any location approved hereunder, Franchisee shall fully and completely comply with the terms of Section 3 of the Franchise Agreement.

7. No Franchise Conveyed. Franchisee shall not be deemed for any purpose to be a franchisee of Franchisor with respect to any of location developed hereunder except to the extent that the development right herein granted shall have been exercised in the manner provided for herein and a valid addendum to the Franchise Agreement with respect to such location to be developed has been executed by Franchisor and Franchisee.

8. Transfer of Interest. If the Franchise Agreement is validly transferred to a third party pursuant to the Franchise Agreement with the approval of Franchisor, this Addendum shall also be transferred to such transferee.

9. Termination of Addendum and Development Rights. If Franchisee shall fail to perform any of the acts or fail to deliver the notice required pursuant to the provisions of Section 4(a) of this Addendum in a timely fashion, such failure shall be deemed an election by Franchisee that it does not intend to exercise its development rights hereunder and shall constitute a waiver of such development rights and cause all of such development rights of Franchisee as provided in this Addendum to lapse and expire and this Addendum to terminate, in which event Franchisor shall retain all fees paid hereunder as consideration for this Addendum. Additionally, Franchisee acknowledges and agrees that Franchisor is granting Franchisee additional development rights in the Pigtaails & Crewcuts concept based on the understanding that Franchisee will operate each such additional Salon continually for the term of the franchise associated with such Salon. Accordingly, Franchisee agrees that should it cease to operate any such Salon continually for such term, Franchisee shall be deemed to have failed to perform its development obligations hereunder and shall constitute a waiver of such development rights and cause all such development rights of Franchisee as provided in this Addendum to lapse and expire and this Addendum to terminate, in which event

Franchisor shall retain all fees paid hereunder as consideration for this Addendum. Termination of this Addendum shall cause the Development Territory to be null and void.

10. Waiver and Delay. No waiver or delay in enforcement of any breach of any term, covenant, or condition of this Agreement shall be construed as a waiver of any preceding or succeeding breach or delay in enforcement, or any other term, covenants, or conditions of this Addendum; and, without limitation on any of the foregoing, the acceptance of any payment specified to be paid by Franchisee hereunder shall not be, nor be construed to be, a waiver of any breach of any term, covenant, or condition of this Addendum.

11. Integration of Addendum. This Addendum, and all ancillary agreements executed contemporaneously herewith, constitute the entire agreement between the parties with reference to the subject matter hereof and supersede all prior negotiations, understandings, representations, and agreements, if any. Franchisee acknowledges that Franchisee is entering into this Addendum as a result of its own independent investigation of the business and not as a result of any representations about Franchisor by its agents, officers, or employees that are contrary to the terms herein set forth.

This Addendum may not be amended orally, but may be amended only by a written instrument signed by the parties hereto. Franchisee expressly acknowledges that no oral promises or declarations were made to it and that the obligations of Franchisor are confined exclusively to the terms herein. Franchisee understands and assumes the business risks inherent in this enterprise. Notwithstanding the foregoing, nothing in this Addendum shall disclaim or require you to waive reliance on any representation that we made in our most recent disclosure document (including its exhibits and amendments) that we delivered to you or your representative.

12. Applicable Law.

(a) Sections 16.4, 16.5, 16.7 and 16.10 of the Franchise Agreement shall apply to this Addendum as if such provisions were part hereof.

(b) No right or remedy conferred on or reserved to Franchisor or Franchisee by this Addendum is intended to be, nor it shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

13. Notices. Any notice required or permitted to be given hereunder shall be in writing and shall be served on the other party personally, or by certified mail, return receipt requested, postage prepaid. Any notice to Franchisor shall be addressed to Franchisor at:

Notices to Pigtails & Crewcuts:

Pigtails & Crewcuts Franchise, LLC
3495 Piedmont Road, Suite 402, Building 11
Atlanta, Georgia 30305
Attention: _____

Notices to Franchisee:

14. Miscellaneous.

Construction and Interpretation:

(a) All capitalized terms used but not otherwise defined in this Addendum shall have the meanings set forth in the Franchise Agreement.

(b) The titles and subtitles of the various sections of this Addendum are inserted for convenience and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, and conditions of this Addendum.

(c) If any provision of this Addendum is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning that renders it valid.

(d) The words “Franchisor” and “Franchisee” herein may be applicable to one or more parties, the singular shall include the plural, and the masculine shall include the feminine and neuter; and if there shall be more than one (1) party or person referred to as Franchisee hereunder, then their obligations and liabilities hereunder shall be joint and several.

(e) Nothing contained in this Addendum shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Addendum and any present or future statute, law, ordinance, or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provision of this Addendum thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirement of the law. In the event that any part, section, paragraph, sentence, or clause of this Addendum shall be held to be indefinite, invalid, or otherwise unenforceable, the entire Addendum shall not fail on account thereof and the balance of this Addendum shall continue in full force and effect. If any Court of competent jurisdiction deems any provision hereof (other than for the payment of money) unreasonable, such Court may declare a reasonable modification hereof and this Addendum shall be valid and enforceable and the parties hereto agree to be bound by and perform the same as thus modified.

(f) This Addendum may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument.

15. Submission of Addendum. The submission of this Addendum does not constitute an offer and this Addendum shall become effective only on the execution hereof by Franchisor and Franchisee. THIS ADDENDUM SHALL NOT BE BINDING ON FRANCHISOR UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF FRANCHISOR.

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

FRANCHISEE:

Witness

By: _____

Title: _____

FRANCHISOR:

PIGTAILS & CREWCUTS FRANCHISE, LLC

Witness

By: _____

Title: _____

EXHIBIT A

TO THE DEVELOPMENT ADDENDUM

DEVELOPMENT TERRITORY

The Development Territory shall be all that area within _____, as the borders of such Development Territory are configured as of the date of this Addendum.

Franchisor and Franchisee specifically agree that such Development Territory is granted to Franchisee on an exclusive basis so long as Franchisee is not in default under this Addendum and is performing pursuant to the terms of the Franchise Agreement and this Addendum; provided, however, at such time as an additional Salon specified in the table set forth in Section 3 of this Addendum is opened for business, the Franchise Agreement with respect to such Salon, which Franchise Agreement grants Franchisee an exclusive three (3) mile radius around such Salon location, shall control.

EXHIBIT B
TO THE DEVELOPMENT ADDENDUM
APPROVED LOCATION

Address: _____

Date of Approval: _____, 20____

Territory: Three (3) miles around Location specified above.

FRANCHISEE:

Witness By: _____

Title: _____

FRANCHISOR:
PIGTAILS & CREWCUTS FRANCHISE, LLC

Witness By: _____

Title: _____

Exhibit F

State-Specific Addenda

(See Attached)

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(California)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of California pursuant to the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, as follows:

1. Notwithstanding anything contained in the Agreement to the contrary, all initial fees due under the Agreement, including the initial franchise fee described in Section 7.1 of the Agreement, are deferred until your Salon opens for business. Any deferred initial franchise fees are due and payable contemporaneously with the opening of the Salon.

2. If any of the provisions of the Agreement concerning termination and non-renewal of a franchise are inconsistent with either the California Franchise Relations Act or with the federal bankruptcy law (11 U.S.C. §101, et seq.) (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

3. The Agreement requires that it be governed by Georgia law. This requirement may be unenforceable under California law.

4. You must sign a general release if you renew or transfer your franchise. California Corporations 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).

5. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

6. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

7. The Franchise Agreement requires binding arbitration. The arbitration will occur in Atlanta, Georgia, with the party filing the arbitration responsible for any arbitration fees and costs, however, the arbitrators shall in their discretion have the authority to award to the prevailing party all costs of the proceeding, including the arbitrators’ costs and out-of-pocket disbursements but specifically excluding attorneys’ fees and expenses.

You 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.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

9. California Corporations Code, Section 31125 requires us to give you a disclosure document, approved by the Department of Financial Protection and Innovation, prior to solicitation of a proposed material modification of an existing franchise.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

PIGTAILS & CREWCUTS FRANCHISE, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO DEVELOPMENT ADDENDUM
(California)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Development Addendum (the “Development Addendum”) to the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of California or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of California pursuant to the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, as follows:

1. Notwithstanding anything contained in the Development Addendum to the contrary, all initial fees due under the Development Addendum, including the amount described in Section 2 of the Development Addendum, are deferred until your first Salon opens for business under the Agreement. Any deferred initial franchise fees are due and payable contemporaneously with the opening of the first Salon.

2. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

PIGTAILS & CREWCUTS FRANCHISE, LLC

By: _____
Print Name: _____
Title: _____

YOU:

By: _____
Print Name: _____
Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Hawaii)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the "Agreement") with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Hawaii or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Hawaii pursuant to the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E, et seq., as follows:

1. Sections 12.4 and 13.3 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Hawaii Franchise Investment Law.
2. Sections 12, 13 and 14 of the Agreement as they relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.
3. Section 14.3 of the Agreement permits us to terminate the Agreement on the bankruptcy of you. This Section may not be enforceable under federal bankruptcy law (11 U.S.C. §101, et seq.).
4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.
5. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Illinois)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, Ill. Comp. Stat. §§ 705/1 through 705/44, as follows:

1. Payment of the Franchise Fee will be deferred until we have met our initial obligations to you, and your Salon has opened for business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

2. Illinois law prohibits a prospective general release of claims subject to the Illinois Franchise Disclosure Act of 1987.

3. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Agreement.

4. 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 of Illinois.

5. Franchisees’ rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. 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.

7. Nothing in the Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under Illinois law.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO DEVELOPMENT ADDENDUM
(Illinois)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Development Addendum (the “Development Addendum”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, Ill. Comp. Stat. §§ 705/1 through 705/44, as follows:

1. Payment of additional Franchise Fees for additional Salons to be developed under the Development Addendum will be deferred until we have met our initial obligations to you, and you have opened your first Salon for business under the Franchise Agreement. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to our financial condition.

2. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement and the Development Addendum.

3. 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 of Illinois.

4. Franchisees’ rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. 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.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Development Addendum, the Agreement or the exhibits or schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

PIGTAILS & CREWCUTS FRANCHISE, LLC

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Indiana)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Indiana pursuant to the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51, as follows:

1. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.
2. Under Section 6.5 of the Agreement, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures or products which were required by us, if such procedures were utilized by you in the manner required by us.
3. Sections 12.4 and 13.3 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Each provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC § 23-2-2.7-1(5).
4. Section 16.4 of the Agreement is amended to provide that arbitration between you and us will be conducted at a mutually agreed-on location.
5. Section 16.7 of the Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.
6. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.
7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum.
8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Maryland)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, MD. BUS. REG. CODE ANN. §14-201 et. seq. (2010 Repl. Vol. and Supp. 2012), as follows:

1. Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchised Salon under the Development Addendum opens.

2. The general release language required as a condition of renewal, sale and/or assignment or transfer shall apply except for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Franchisee may, subject to any arbitration obligations, bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law to the extent required by the Maryland Franchise Registration and Disclosure Law, unless preempted by the Federal Arbitration Act.

4. Any claims arising under the Maryland Franchisor Registration and Disclosure Law must be brought within three years after the grant of the franchise.

5. No representation or acknowledgment by the you in the Franchise Agreement is intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

7. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO DEVELOPMENT ADDENDUM
(Maryland)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Development Addendum (the “Development Addendum”) to the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. Based upon the franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchised Salon under the Development Addendum opens.

2. To the extent this Addendum is inconsistent with any terms or conditions of the Development Addendum, the Agreement or the exhibits or schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____
Print Name: _____
Title: _____

YOU:

By: _____
Print Name: _____
Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Minnesota)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. All initial fees due under the Agreement, including the initial franchise fee described in Section 7.1 of the Agreement, are deferred until your Salon opens for business.

2. Section 6 of the Agreement, under the heading “Relationship of the Parties/Indemnification”, shall be supplemented by the addition of the following paragraph, which shall be considered an integral part of the Agreement:

6.7 Our Indemnity. We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks in accordance with our instructions.

3. Sections 12.4 and 13.3 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Each release will exclude claims arising under the Minnesota Franchise Law.

4. Sections 13.2, 14.2 , 14.3 and 14.4 of the Agreement are each amended to add the following:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds, 3, 4 and 5, which 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 nonrenewal of the Agreement.

5. Sections 16.4 and 16.7 of the Agreement are each amended to add the following:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside Minnesota. In addition, nothing in the Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

6. Section 16.7 of the Agreement is amended to add the following:

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or

remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO DEVELOPMENT ADDENDUM
(Minnesota)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Development Addendum (the “Development Addendum”) to the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. All initial fees due under the Development Addendum, including the amount described in Section 2 of the Development Addendum, are deferred until your first Salon opens for business under the Agreement.
2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.
3. To the extent this Addendum is inconsistent with any terms or conditions of the Development Addendum, the Agreement or the exhibits or schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____
Print Name: _____
Title: _____

YOU:

By: _____
Print Name: _____
Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(New York)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of New York pursuant to the General Business Law of the State of New York, Article 33, Sections 680 through 695, as follows:

1. Notwithstanding any provision of the Agreement to the contrary, we will not make any assignment of the Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Agreement.

2. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by you 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 will 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.

3. Section 6.5 of the Agreement is amended by adding the following to the end of the last sentence of the first paragraph therein:

or (c) any claim by any third party arising out of a breach of this Agreement by us or any other civil wrong of us.

4. No new or different requirements imposed on you as a result of any changes made by us to our Operations Manual or otherwise shall place an unreasonable economic burden on you.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

Print Name: _____

Title: _____

YOU:

By: _____

Print Name: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(North Dakota)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of North Dakota pursuant to the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, as follows:

1. The Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under North Dakota law.
2. Sections 12.4 and 13.3 of the Agreement each contain a provision requiring a general release as a condition of renewal or transfer of the franchise. Each release is subject to and will exclude claims arising under the North Dakota Franchise Investment Law.
3. Although Section 16.4 of the Agreement provides that the place of arbitration will be in Atlanta, Georgia, we agree that the place of arbitration will be a location that is in close proximity to the site of your business.
4. Section 16.7 of the Agreement requires that you consent to the jurisdiction of a court in Georgia. This provision may not be enforceable under North Dakota law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.
5. Although Section 16.7 of the Agreement provides that the Agreement will be governed by and construed in accordance with the laws of the State of Georgia, we agree that the laws of the State of North Dakota will govern the construction and interpretation of the Agreement.
6. To the extent any provision of the Agreement requires you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and void.
7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.
8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Rhode Island)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Rhode Island pursuant to the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, as follows:

1. Sections 12.4 and 13.3 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by Georgia law. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under § 19-28.1-14.

3. Section 16.7 of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

5. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

FRANCHISOR:

FRANCHISEE:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Virginia)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Virginia or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Virginia pursuant to the Virginia Retail Franchising Act, Va. Code Ann. § 13.1-564, as follows:

1. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee in Section 7.1 of the Agreement and other initial payments owed by you to us until the opening of your Salon. Any deferred initial payments are due and payable contemporaneously with the opening of the Salon.

2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

3. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20_____.

FRANCHISOR:

FRANCHISEE:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO DEVELOPMENT ADDENDUM
(Virginia)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Development Addendum (the “Development Addendum”) to the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Virginia or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Virginia pursuant to the Virginia Retail Franchising Act, Va. Code Ann. § 13.1-564, as follows:

1. The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the amount described in Section 2 of the Development Addendum and other initial payments owed by you to us until your first Salon opens for business under the Agreement. Any deferred initial payments are due and payable contemporaneously with the opening of the first Salon.

2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Virginia Retail Franchising Act are met independently without reference to this Addendum.

3. To the extent this Addendum is inconsistent with any terms or conditions of the Development Addendum, the Agreement or the exhibits or schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____
Print Name: _____
Title: _____

YOU:

By: _____
Print Name: _____
Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO FRANCHISE AGREEMENT
(Washington)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Washington or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Washington pursuant to the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, as follows:

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

2. 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.

3. 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.

4. 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.

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

6. 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.

7. 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.

8. The Washington Department of Financial Institutions Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have completed our pre-opening obligations under this Agreement, and you have opened your Salon for business.

9. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

YOU:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____

By: _____

Print Name: _____

Print Name: _____

Title: _____

Title: _____

PIGTAILS & CREWCUTS FRANCHISING, LLC
ADDENDUM TO DEVELOPMENT ADDENDUM
(Washington)

The following Addendum modifies and supersedes the *Pigtails & Crewcuts* Development Addendum (the “Development Addendum”) to the *Pigtails & Crewcuts* Franchise Agreement (the “Agreement”) with respect to *Pigtails & Crewcuts* franchises offered or sold to either a resident of the State of Washington or a non-resident who will be operating a *Pigtails & Crewcuts* franchise in the State of Washington pursuant to the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, as follows:

1. The Washington Department of Financial Institutions Securities Division requires us to defer payment of the amount described in Section 2 of the Development Addendum and other initial payments owed by you to us until your first Salon opens for business under the Agreement.

2. To the extent this Addendum is inconsistent with any terms or conditions of the Development Addendum, the Agreement or the exhibits or schedules thereto, the terms of this Addendum shall govern.

[Signatures on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

US:

**PIGTAILS & CREWCUTS FRANCHISE,
LLC**

By: _____
Print Name: _____
Title: _____

YOU:

By: _____
Print Name: _____
Title: _____

EXHIBIT F
STATE SPECIFIC ADDENDA

[SEE ATTACHED]

**ADDENDUM REQUIRED BY
THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND,
MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH
DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN**

The following provision applies only to franchisees and franchised Salons that are subject to the state franchise disclosure laws of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Salon.

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

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.

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT WE GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Salon.

Item 3, "Litigation," is supplemented by the addition of the following paragraph:

No person identified in Item 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as the result of a concluded or pending action or proceeding brought by a public agency, or to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling these persons from membership in this association or exchange.

Item 5, "Initial Fees," is amended by the addition of the following paragraph:

You do not have to pay us any initial fees until the opening of your Pigtails & Crewcuts Salon. The Franchise Agreement and Development Addendum each provide for deferral of all initial fees until your first Salon opens for business under the Franchise Agreement and that payment of the deferred initial fees will be due contemporaneously with the opening of your first Salon.

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following paragraphs:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The franchise agreement requires binding arbitration. The arbitration will occur in Atlanta, Georgia, with the party filing the arbitration responsible for any arbitration fees and costs, however, the arbitrators shall in their discretion have the authority to award to the prevailing party all costs of the proceeding, including the arbitrators' costs and out-of-pocket disbursements but specifically excluding attorneys' fees and expenses.

You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (like 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.

The franchise agreement requires application of the laws of Georgia. This provision may not be enforceable under California Law.

Any limitations upon the time period within which claims may be brought may be unenforceable under the California Franchise Investment Law and any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this law or any rule or order thereunder is void.

The franchise agreement contains a provision requiring you to waive your right to punitive or exemplary damages against the franchisor, limiting your recovery to actual damages for any claims related to your franchise. Under California Corporations Code Section 31512, this provision is not enforceable in California for any claims you may have under the California Franchise Investment Law.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Salon.

ADDENDUM REQUIRED BY THE STATE OF HAWAII

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

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

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

The Franchise Agreement contains provisions requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Hawaii Franchise Investment Law.

Sections 12, 13 and 14 of the Franchise Agreement as they relate to non-renewal, termination, and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. §101, et seq.).

Item 20 will be amended by the addition of the following paragraph:

As of the dates listed on the State Effective Dates page, this Disclosure Document is or will be effective in California, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Virginia, and Wisconsin, and exempt from registration in Florida, Kentucky, Nebraska, and Texas. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Items 5 and 7 of this Disclosure Document are amended as follows:

You do not have to pay us any initial fees until the opening of your Pigtails & Crewcuts Salon. The Franchise Agreement and Development Addendum each provide for deferral of all initial fees until your first Salon opens for business under the Franchise Agreement and that payment of the deferred initial fees will be due contemporaneously with the opening of your first Salon. The Illinois Attorney General's Office has imposed this deferral requirement due to our financial condition.

Item 17 of this Disclosure Document is modified to include the following paragraph:

Sec. 705/4 of the Illinois Franchise Disclosure Act of 1987 provides that "any provision in a franchise/license agreement that designates jurisdiction or venue in a forum outside of [Illinois] is void."

For choice of law purposes, Illinois law governs the Franchise Agreement. The provisions of the Franchise Agreement concerning governing law, jurisdiction, and venue shall not constitute a waiver of any right conferred on you by Illinois law.

Although the Franchise Agreement requires litigation to be instituted in a court in Georgia, except as you may be restricted by the arbitration provision of the Franchise Agreement, all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

If Indiana law requires the Franchise Agreement and all related documents to be governed by Indiana law, then nothing in the Franchise Agreement or related documents referring to Georgia law will abrogate or reduce any of your rights as provided for under Indiana law.

Item 8, "Restrictions on Sources of Products and Services," is amended by the addition of the following language:

Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

Although the Franchise Agreement requires arbitration to be held in Atlanta, Georgia, arbitration held pursuant to the Franchise Agreement must take place in Indiana if you so request. If you choose Indiana, we have the right to select the location in Indiana.

Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

Items 5 and 7 of this Disclosure Document are amended as follows:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the Franchise Agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchised Salon under the Development Addendum opens.

Item 17 of this Disclosure Document is amended as follows:

The general release language required as a condition of renewal, sale and/or assignment or transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

No representation or acknowledgment by the you in the Franchise Agreement or the Franchisee Disclosure Questionnaire is intended to nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Franchisee may, subject to any arbitration obligations, bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law to the extent required by the Maryland Franchise Registration and Disclosure Law, unless preempted by the Federal Arbitration Act.

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11. U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of your franchise.

The Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

Items 5 and 7 of this Disclosure Document are amended as follows:

All initial fees are deferred until your Salon opens for business. The Development Addendum provides that all initial fees are deferred until your first Salon opens for business.

We will protect your right to use the Marks and/or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release. Any release you sign as a condition of renewal or transfer will not apply to any claims you may have under the Minnesota Franchise Law.

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subds, 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days notice of termination (with 60 days to cure) and 180 days notice for nonrenewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

Registration of this franchise by the State of New York does not mean that the State of New York recommends it or has verified the information in this Disclosure Document.

All references to “Disclosure Document” will be deemed to include the term “Offering Prospectus” as used under the General Business Law of New York.

The following paragraphs are added at the beginning of Item 3 of the Disclosure Document:

Except as provided below, neither the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under our principal trademark:

A. 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, including 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.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of a 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.

C. 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.

The following paragraph is added at the beginning of Item 4 of the Disclosure Document:

Except as described below, 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 the officer or general partner of the franchisor held this position in the company or partnership.

Under the Franchise Agreement, the Operations Manual we issue may be modified and you are bound by such modifications. However, no such modifications may impose an unreasonable economic burden on you.

The “Summary” sections of Items 17(c) and 17(m) in the Disclosure Document are amended by adding the following:

, provided, however, that to the extent required by Article 33 of the General Business Law of the State of New York, 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 GBL Sections 687.4 and 687.5 be satisfied.

The “Summary” section of Item 17(d) in the Disclosure Document is amended by adding the following:

The franchisee may terminate the agreement on any grounds available by law.

The “Summary” section of Item 17(j) in the Disclosure Document is amended by adding the following:

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.

The “Summary” sections of Items 17(v) and 17(w) in the Disclosure Document are amended by adding the following:

The forgoing 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.

WE MAY NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under North Dakota law.

Although the Franchise Agreement provides that the place of arbitration will be in Atlanta, Georgia, we agree that the place of arbitration will be a location that is in close proximity to the site of your business.

The Franchise Agreement requires that you consent to the jurisdiction of a court in Georgia. This provision may not be enforceable under North Dakota law because North Dakota law precludes you from consenting to jurisdiction of any court outside of North Dakota.

Although the Franchise Agreement provides that the Franchise Agreement will be governed by and construed in accordance with the laws of the State of Georgia, we agree that the laws of the State of North Dakota will govern the construction and interpretation of the Franchise Agreement.

A contractual requirement that you sign a general release may be unenforceable under the laws of North Dakota.

To the extent any provision of the Franchise Agreement requires you to consent to a waiver of exemplary or punitive damages, the provision will be deemed null and void.

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently referenced to this Addendum to the Disclosure Document.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

Even though our Franchise Agreement says the laws of Georgia apply, § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM REQUIRED BY THE STATE OF VIRGINIA

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 opening of your Pigtails & Crewcuts Salon. The Franchise Agreement and Development Addendum each provide for deferral of all initial fees and payments until your first Salon opens for business under the Franchise Agreement and that payment of the deferred initial fees are due contemporaneously with the opening of your first Salon.

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.

Due to our financial condition, the Washington Department of Financial Institutions Securities Division requires us to defer payment of the initial franchise fee and other initial payments owed by you to us until we have fulfilled our initial, pre-opening obligations to you and your Salon is open for business.

EXHIBIT G
FRANCHISEE DISCLOSURE QUESTIONNAIRE

[SEE ATTACHED]

PIGTAILS & CREWCUTS FRANCHISE, LLC
FRANCHISEE DISCLOSURE QUESTIONNAIRE

THIS QUESTIONNAIRE WILL NOT BE COMPLETED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN. IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, MARYLAND, DO NOT SIGN THIS QUESTIONNAIRE.

* * *

As you know PIGTAILS & CREWCUTS FRANCHISE, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Pigtails & Crewcuts franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes__ No__ 1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?
- Yes__ No__ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes__ No__ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes__ No__ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?
- Yes__ No__ 5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor?
- Yes__ No__ 6. Have you discussed the benefits and risks of developing and operating a Pigtails & Crewcuts franchise with an existing Pigtails & Crewcuts franchisee?
- Yes__ No__ 7. Do you understand the risks of developing and operating a Pigtails & Crewcuts franchise?
- Yes__ No__ 8. Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control like

weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?

- Yes__ No__ 9. Do you understand we have only granted you a limited territorial protection against us locating another Pigtails & Crewcuts Salon near your Salon as designated in your Franchise Agreement and that another Pigtails & Crewcuts franchised or company Salon may open anywhere outside your protected territory?
- Yes__ No__ 10. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the production, distribution and sale of hair care products and other products under the Pigtails & Crewcuts name or other mark, at any location, other than a Pigtails & Crewcuts Salon within your protected territory, or by any method of distribution, and these other salons or methods of distribution may compete with your *Pigtails & Crewcuts* Salon and adversely affect its sales?
- Yes__ No__ 11. Do you understand that the only radius restriction concerning where another franchised or company Pigtails & Crewcuts Salon may open is the protected territory specified in your Franchise Agreement?
- Yes__ No__ 12. Do you understand that most disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Georgia, if not resolved informally or by mediation?
- Yes__ No__ 13. Do you understand that you (and your manager if you will employ one full-time) must satisfactorily complete an initial training course, of, at minimum, five (5) days' duration, before we will allow your Pigtails & Crewcuts Salon to open or consent to a transfer?
- Yes__ No__ 14. Has any employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Pigtails & Crewcuts franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes__ No__ 15. Has any employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
- Yes__ No__ 16. Has any employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Pigtails & Crewcuts franchise will

generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes__ No__ 17. Do you understand that the Franchise Agreement contains the entire agreement between us and you concerning the franchise for the Pigtales & Crewcuts Salon, meaning any prior oral or written statements not set out in the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

EXHIBIT H
GENERAL RELEASE

[SEE ATTACHED]

GENERAL RELEASE

This General Release is made effective this ____ day of _____, 20___. In consideration for the grant by Pigtails & Crewcuts Franchise, LLC, a Georgia limited liability company ("Pigtails & Crewcuts"), to the undersigned of certain rights in connection with the operation of a Pigtails & Crewcuts Salon franchise and/or the transfer or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally release, discharge, and acquit Pigtails & Crewcuts, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from any and all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, development agreement, franchise agreement or any other agreement executed by any of the undersigned and Pigtails & Crewcuts (or any subsidiary or affiliate of Pigtails & Crewcuts), any Pigtails & Crewcuts Salon franchise (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and Pigtails & Crewcuts (or any subsidiary or affiliate of Pigtails & Crewcuts), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against Pigtails & Crewcuts (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive. This General Release shall survive the assignment or termination of any of the franchise agreements or other documents entered into by and between Pigtails & Crewcuts and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws nor is it intended to relieve Pigtails & Crewcuts or any other person, directly or indirectly, from liability imposed by the Maryland Franchise Registration and Disclosure Law. This General Release shall be governed by and construed in accordance with the laws of the State of Georgia without regard to its conflicts of law provisions.

WITNESS:

By: _____
Name: _____
Title: _____

_____, Individually

_____, Individually

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
|--------------|-----------------------|
| California | Pending |
| Illinois | Pending |
| Indiana | Pending |
| Maryland | Pending |
| Michigan | April 20, 2023 |
| Minnesota | Pending |
| New York | Pending |
| Virginia | Pending |
| Wisconsin | April 20, 2023 |

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 I

RECEIPTS

[SEE ATTACHED]

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Pigtails & Crewcuts Franchise, LLC (“PCF”) offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement with, or make a payment to, PCF or one of its affiliates in connection with the proposed franchise sale.

New York requires that PCF provide you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, PCF or one of its affiliates in connection with the proposed sale. Iowa and Michigan require that PCF provide you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, PCF or one of its affiliates in connection with the proposed sale.

If PCF does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Exhibit A.

The franchisor is Pigtails & Crewcuts Franchise, LLC located at 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305. Its telephone number is (770) 752-6800. This franchise is being offered by the following sellers at the principal business address and phone number listed below (check all that have been involved in the sales process):

| | | | |
|--|--|--------------------------------|--------------------------------|
| Sellers at 3495 Piedmont Road, Suite 402, Building 11, Atlanta, Georgia 30305, (770) 752-6800: | | | |
| <input type="checkbox"/> Wade Brannon | <input type="checkbox"/> Michelle Holliman | <input type="checkbox"/> _____ | <input type="checkbox"/> _____ |

PCF’s registered agents authorized to receive service of process are set forth on Exhibit A.

Issuance Date: April 20, 2023.

I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an Entity), hereby acknowledge receipt from Pigtails & Crewcuts Franchise, LLC of the Disclosure Document (to which this Receipt is attached) dated April 20, 2023.

This Disclosure Document included the following exhibits A. State Administrators and Agents For Service of Process; B. Table of Contents of Operations Manual; C. Franchisee Information; D. Financial Statements of Pigtails & Crewcuts Franchise LLC; E. Franchise Agreement; F. State-Specific Addenda; G. Franchisee Disclosure Questionnaire; H. General Release; and I. Receipts.

Signature (individually and as an officer)

Date Disclosure Document Received

Print Name

TO BE KEPT FOR YOUR FILES

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

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