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FRANCHISE DISCLOSURE DOCUMENT
COST CUTTERS®
THE BARBERS, HAIRSTYLING
FOR MEN & WOMEN, INC.

3701 Wayzata Boulevard, Suite 500
Minneapolis, MN 55416
(952) 947-7777 www.CostCutters.com
franchiseleads@regiscorp.com

Cost Cutters® Businesses provide value priced hair care services for men, women and children, and sell a complete line of hair care products, merchandise and appliances.

The total investment necessary to begin operation of a new COST CUTTERS is $148,930 to $316,700. This includes $74,915 to $167,157 that must be paid to the franchisor or affiliate (for a new Cost Cutters Business to be developed, not an existing company-owned store to be purchased). If you want to develop more than one Cost Cutters Business, you will sign a development agreement. The development fee depends on the number of stores you want to develop and whether you are a new or existing franchisee.

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 any 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 the Franchise Development Department at 3701 Wayzata Boulevard, Suite 500, Minneapolis, MN 55416, (888) 888-7008.

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 information 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.

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

Issuance date of this Franchise Disclosure Document: October 29, 2020

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits A and B.
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 C 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 Cost Cutters 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 Cost Cutters franchisee?	Item 20 or Exhibits A and B 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 J.

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 and development agreement require you to resolve disputes with the franchisor by arbitration only in Minnesota. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in Minnesota than in your own state.

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.

We use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

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

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

(a) A prohibition on the right of a franchisee to join an association of 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 provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 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, the franchisor shall, at the request of a 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.

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division
Attention: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48909
Telephone: (517) 373-7117

Despite subparagraph (f) above, COST CUTTERS intends to enforce fully the provisions of the arbitration sections contained in its Franchise Agreement and Development Agreement. COST CUTTERS believes that subparagraph (f) is unconstitutional and cannot preclude it from enforcing its arbitration section. You acknowledge that COST CUTTERS will seek to enforce that section as written.

COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT

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1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

This Disclosure Document relates to the sale of Cost Cutters Family Hair Care® franchises ("Cost Cutters Businesses"). Cost Cutters Businesses provide value-priced hair care services for men, women and children, and sell a complete line of hair care products, merchandise and appliances. The Cost Cutters® Business System is designed to meet the demand for providing the general public with high quality, value-priced hair care services and products.

The Barbers, Hairstyling for Men & Women, Inc., the franchisor, is referred to in this Disclosure Document as "COST CUTTERS" and "The Barbers." The person or entity which buys a franchise offered by COST CUTTERS is referred to as "you."

The Barbers is a Minnesota corporation with principal business offices at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. The Barbers was incorporated under the laws of the State of Minnesota in October 1968, and does business under the names "Cost Cutters Family Hair Salon®" and "The Barbers®." The Barbers' agents for service of process are disclosed on Exhibit J attached to this Disclosure Document.

The Barbers established a chain of company-owned, full service hairstyling businesses throughout the United States under the name "The Barbers, Hairstyling for Men & Women®." In 1970, The Barbers began selling franchises for the operation of hairstyling businesses doing business under the names "The Barbers®" and "The Barbers, Hairstyling for Men & Women®." The Barbers began selling franchises for the operation of "City Looks® By The Barbers" hairstyling businesses in 1987. The Barbers changed the name of this franchise to "City Looks® Salon" in 1991 and to "City Looks Salons International®" in 1993. "The Barbers®," and "City Looks® Salons" businesses provide men, women and children with full service hair care including shampooing, conditioning, hairstyling and other hair care services, and do not offer hair care services on an item by item basis. The Barbers intends to continue to sell "City Looks® Salons" franchises in the future.

In 1982, The Barbers developed a second business system for offering hair care services to the general public under the name "Cost Cutters Family Hair Care®" and has sold franchises for hairstyling businesses under the Cost Cutters® name since that date. The Barbers owned and operated hairstyling businesses under the Cost Cutters® name from 1982 through 1999. At that time, Regis Corp. took over ownership of the Cost Cutters® salons operated by The Barbers. In 2016, The Barbers began selling BSO Beauty Supply Outlet franchises in the United States. As of June 30, 2020, The Barbers had 9 franchised BSO Beauty Supply Outlet stores in the United States.

As of June 30, 2020, The Barbers had 537 Cost Cutters® franchised salons (103 of which are located in Wal-Mart stores) and Regis Corp. operated 127 company-owned Cost Cutters® businesses. As of June 30, 2020, The Barbers had 5 City Looks® franchises, and 0 company-owned City Looks® businesses.

On February 10, 2009, Franchisor's affiliate, Regis Corp., acquired substantially all of the Cool Cuts 4 Kids salon business assets from Cool Cuts 4 Kids, Inc., a Delaware corporation, including the trademarks and system and all 67 corporate owned "Cool Cuts 4 Kids" salons. Regis Corp. is a wholly owned subsidiary of Regis Corporation. Regis Corp. has granted The Barbers the right to franchise Cool Cuts 4 Kids businesses. From 1998 until February 10, 2009, Cool Cuts 4 Kids, Inc. developed the Cool Cuts 4 Kids brand and system of operation and established and operated 67 Cool Cuts 4 Kids salons. As of June 30, 2020, Regis Corp. owned and operated 20 Cool Cuts 4 Kids salons, and The Barbers franchised 4 Cool Cuts 4 Kids salons.

In 2016, The Barbers began offering and selling Smartstyle franchises in Wal-Marts in the United States. As of June 30, 2020, there were 1,110 franchised Smartstyle® salons all located in Wal-Mart® stores and 103 franchised Cost Cutters salons located in Wal-Mart stores whose operational characteristics are virtually identical to Smartstyle® salons.

Purchase of Company-Owned COST CUTTERS store or Affiliated Branded Salon for Conversion

Regis Corp. and its affiliates currently are offering for sale existing company-owned COST CUTTERS stores and affiliated branded salons for conversion to COST CUTTERS stores. Depending on your location, you might be interested in buying (and Regis Corp. or one of its affiliates might be interested in selling) one or more existing company-owned COST CUTTERS store(s), or existing affiliated branded salon(s) for conversion to a COST CUTTERS store, rather than developing a brand new COST CUTTERS store location. If so, you will purchase the store's or salon's assets from Regis Corp. or the affiliate, as applicable, at a price that will be negotiated based on the value of the store's or salon's assets and related goodwill. You and Regis Corp., or its affiliate, will sign an Agreement for Purchase and Sale of Assets (sample of which is Exhibit O) (the "Asset Purchase Agreement") to document that asset purchase. You will sign a Franchise Agreement and, if applicable, Development Agreement with The Barbers, and a Sublease with Regis Corp. or its affiliate at the same time and then operate the store(s) or salon(s) going-forward as a COST CUTTERS franchise. If you buy an existing company-owned COST CUTTERS store or an existing affiliated branded salon for conversion to a COST CUTTERS store, you will incur certain costs to upgrade or convert the location to COST CUTTER'S then current standards.

As a condition to your purchase of one or more existing company-owned COST CUTTERS stores or one or more existing affiliated branded salons for conversion to a COST CUTTERS store, you must agree to develop at least one brand new COST CUTTERS store (each a "New Store"). The Barbers' current practice is to require you to agree to develop at least one New Store if you acquire one, two, or three company-owned COST CUTTERS stores and/or affiliated branded salons, plus at least one additional New Store for every three additional stores and/or salons you acquire. For example, if you acquire five or fewer existing company owned COST CUTTERS stores and/or affiliated branded salons, we will require you to develop at least one New Store. However, if you acquire six to eight such stores and/or salons, we will require you to develop at least two New Stores; nine to eleven stores and/or salons requires at least three New Stores; and so on. In addition, as further described in Item 8, your purchase of a company-owned COST CUTTERS store or affiliated branded salon for conversion is conditioned upon your agreeing to purchase exclusively from The Barbers and its affiliates (Regis in particular) all hair care products, supplies, and merchandise that are needed for use and resale at (i) the COST CUTTERS store(s) and affiliated branded salons you acquire, (ii) the New Stores you develop, and (iii) all existing stores of any brand that you and your affiliates franchise from The Barbers and its affiliates, and (iv) any other COST CUTTERS stores that you may franchise in the future. We also are providing you a separate disclosure addressing this purchase obligation for the existing stores and salons you and your affiliates currently franchise from The Barbers and its affiliates.

Franchisor's Affiliates

Regis Corporation ("Regis"): On May 20, 1999, a wholly-owned subsidiary of Regis merged with and into The Barbers. Regis is a Minnesota corporation incorporated in November 1954. Regis' principal business address is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. Regis is a publicly held company on the New York Stock Exchange trading under the symbol "RGS." Regis also owns hairstyling salons that sell products and offer hair care services. Regis currently operates its salons primarily through its wholly owned subsidiary, Regis Corp. under the names Regis, Mastercuts, Cost Cutters, SmartStyle, and HairMasters. Each is discussed below. Regis' indirect subsidiaries and affiliates who actively engage in franchising or in the operation of haircutting or hair care establishments are also described in this Item. Each of Regis' direct or indirect

subsidiaries and affiliates which engage in the operation or franchising of haircutting or hair care establishments may qualify as our affiliates. Various other affiliated entities that are indirect subsidiaries of Regis or its affiliates which do not directly engage in the operation or franchising of such establishments are also disclosed below due to their involvement in Regis' or its affiliates' mergers or acquisitions. Regis or its designated affiliate is (i) the designated supplier from whom franchisees must acquire all hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies to use and sell at their Cost Cutters® Businesses and (2) an approved or designated (depending on whether you build a new store or acquire a company-owned store) supplier of certain Cost Cutters® Business construction management services and Furniture, Fixtures & Equipment ("FF&E") coordination services. As described above and further in Item 8, whether you build a brand new COST CUTTERS store or purchase an existing company-owned COST CUTTERS store or affiliated branded salon for conversion, then you must purchase exclusively from Regis and its affiliates all required inventory of hair care products, supplies, and merchandise for the term of your Franchise Agreement for all such stores. If you acquire a company-owned COST CUTTERS store(s) and/or affiliated branded salon for conversion, then you must purchase all hair care products, supplies, and merchandise for the stores you acquire and the New Store(s) you develop, as well as for the terms of the franchise agreements for all other existing stores you franchise from The Barbers and its affiliates (under any brand). In addition, for any affiliated branded salons you acquire, you must use Regis's construction management services and FF&E coordination services for a fee to convert such affiliated branded salon to the then-current COST CUTTERS store design.

Each of our affiliates are indirectly or directly owned or controlled by Regis or one of Regis' affiliates. Regis and/or its affiliates began operations of Regis® Hairstylists salons (later changed to Regis Salons) in 1963. Regis and/or its subsidiaries began operations of what it now refers to as "Strip Center" salons in 1987 and has franchised them since 1988. Strip Center salons consist primarily of Supercuts® salons, Cost Cutters® salons, and/or Pro-Cuts® salons located in strip malls and offer affordable hair care. As of June 30, 2020, Regis had 2,804 Strip Center salons in the United States, 2,677 of which were Supercuts® salons, 127 were Cost Cutters® salons and 0 were Pro-Cuts® salons. Regis began operations of Smart Style® salons in 1996. As of June 30, 2020, Regis owned approximately 654 Smart Style® salons which operate in Wal-Mart® stores and Wal-Mart® Supercenters and share operational characteristics with Cost Cutters® salons. Smart Style® salons are value priced family-oriented hair care salons. In January 2018, Regis closed approximately 600 of its affiliate-owned Smartstyle salons in the United States.

On January 5, 1999, Regis acquired the common stock of Hair Masters Services, Inc., a Washington corporation, formed on September 15, 1984. Its principal place of business is the same as Regis. Hair Masters began operating Hair Masters® shops January 27, 1984. As of June 30, 2020, Hair Masters had 106 Hair Masters owned locations. On June 21, 2002, Regis acquired the stock of Dorbar, Ltd. which included 328 salons operating under the name BoRic's Hair Care. As of June 30, 2020, there were 21 BoRic's Hair Care Salons in operation.

As of June 30, 2020, Regis operated 162 Regis salons and Mastercuts salons and certain other salons, which are full-service, mall-based salons.

Regis and its subsidiaries and affiliates, own and/or franchise and in some instances, have granted or grant development agreements for numerous hair cutting and retail product salon concepts. These development agreements generally provide that the multi-unit developer may open and operate multiple franchised salons in a defined area. These development agreements are discussed, where applicable, under the paragraphs providing each affiliate's information and as mentioned previously under the Franchisor category.

Roosters MGC International, LLC ("Roosters") On July 1, 2011, The Barbers acquired a controlling interest in Roosters MGC International, LLC, a Michigan limited liability company, which

franchises a business system offering hair care services to the general public under the name "Roosters Mens Grooming Centers®". As of June 30, 2020, there were 85 franchised stores operating under the Roosters name and 3 company-owned Roosters open or operating. Rooster MGC International, LLC. will continue to offer Roosters franchises.

CutCo Acquisition Corp ("CAC"): CAC's principal place of business is the same as Regis'. CAC, a Minnesota corporation, incorporated March 7, 2000, a wholly owned subsidiary of Regis Corporation, controls the franchising of Haircrafters® and Great Expectations® franchises. On March 9, 2000, CAC acquired the assets of CutCo Salons, Inc. The assets of CutCo Salons, Inc. included the franchise rights to the Haircrafters® and Great Expectations® franchise systems. As of June 30, 2020, CAC had 4 Haircrafters® and 1 Great Expectations® franchises in the United States. Haircrafters® salons offer price conscious clientele quality hair care services at value prices. Great Expectations® salons are designed to appeal to a fashion conscious clientele at prices approximately 30% higher than Haircrafters® salons. The predecessor of CAC is CutCo Industries, a division of Yellowave Corporation. Great Expectations® salons were first franchised in 1974. CutCo Industries was engaged in the hair care salon business since 1955. It granted franchises for Haircrafters® salons since 1961 and for Great Expectations salons since 1974.

RPC Acquisition Corp. ("RPC"): On May 12, 2003, RPC Acquisition, Corp., a wholly owned subsidiary of Regis, acquired the assets of Pro-Cuts Franchise Corporation. RPC's principal place of business is the same as Regis. RPC, a Minnesota corporation, was incorporated on April 14, 2003. Pro-Cuts Franchise Corporation was incorporated on August 10, 1999, and until 2000 was known as Hawkins Pro-Cuts, Inc. From May 1982 until September 26, 1983, the founders of Pro-Cuts Franchise Corporation, acting through a Texas general partnership, developed the Pro-Cuts name and service marks, and system of operation and established four Pro-Cuts Stores in Tarrant County, Texas. In 1983 these founders transferred all their interest in the names, marks and system and their four Stores to Hawkins Pro-Cuts, Inc., a Texas corporation, which operated from the 500 Grapevine Highway, Suite 400, Hurst, Texas address until August 17, 1999. The founders also transferred to Hawkins Pro-Cuts, Inc. the existing 4 Stores. RPC does business under the corporate name, RPC Acquisition Corp., and under the service mark "Pro-Cuts" with no company-owned and 46 franchised hair care centers in operation as of June 30, 2020.

On February 26, 2011, RPC opened the first sports-themed Pro-Cuts hair care and product salon (referred to as "Pro-Cuts Sports") which is a different concept from the original Pro-Cuts concept described in the above paragraph ("Pro-Cuts Classic"). The Pro-Cuts Sports salon uses a different stylized Pro-Cuts logo and trade dress and has different product and service offerings from Pro-Cuts Classic salons. As of June 30, 2020, we have no company-owned and 2 franchised Pro-Cuts Sports hair care and product salons. We began offering franchises for Pro-Cuts Sports hair care and product salons in May 2011.

Supercuts, Inc. ("Supercuts"): Supercuts, Inc., is a Delaware corporation established on July 9, 1987, and is a wholly owned subsidiary of Regis with its principal place of business the same as Regis. Supercuts owns, operates and licenses the operation of retail hair care establishments known as "Supercuts" stores. Supercuts has operated one or more Supercuts stores since September 1987 and began offering Supercuts franchises in January 1988. As of June 30, 2020, there were 2,479 franchised Supercuts® salons and 198 Supercuts salons owned and operated by Supercuts.

First Choice Haircutters, Ltd. ("First Choice Canada"): First Choice Canada was formed on July 1, 2001 by the amalgamation under the name "First Choice Haircutters, Ltd.," under the laws of the Yukon Territory of: First Choice Haircutters, Ltd., FCH International Subsidiary Corporation ("FCH International"), and First Choice Haircutters (Canada), Inc. First Choice Canada owns the marks and franchise system used in connection with First Choice Haircutters® shops in Canada. Its principal

business address is 2233 Argentia Road, East Tower, Suite 302, Mississauga, Ontario Canada L5N 2X7. As of June 30, 2020, there were 8 First Choice Canada owned salons in Canada, 4 First Choice corporate salons in the United States and 326 franchised salons in Canada.

Magicuts Ltd.: Magicuts Ltd. is a Nova Scotia limited company, created through the amalgamation of Regis Cuts Acquisition Corporation a Nova Scotia unlimited liability company and Magicuts Zee, Inc. a Yukon company, on July 1, 2009. From 2001 through June 30, 2009, Regis Cuts Acquisition Corporation was the franchisor of Magicuts salons in Canada. On February 2, 2001, the shares of Magicuts Zee Inc. and certain assets (including all franchise agreements and leases) of the Magicuts Franchise System were purchased by Regis through its subsidiary, Regis Cuts. On July 1, 2001, Magicuts Zee Inc. (the shares of which had been transferred by Regis Acquisition to FCH International Acquisition Corporation) and 570508 Ontario Inc., 1207369 Ontario Inc. and Magic Enterprises Inc. were amalgamated pursuant to the laws of the Province of Ontario under the name Magicuts Zee, Inc. Its principal place of business is the same as First Choice Canada's. Magicuts Ltd. owns, operates and franchises Magicuts salons in Canada. As of June 30, 2020, there were 15 corporate owned Magicuts stores and 130 Franchisee owned Magicuts in Canada. In addition, Magicuts has 3 franchised SmartStyle salons operating in Canada.

Regis Holdings (Canada) Ltd.: Regis Holdings (Canada) Ltd. is a Nova Scotia limited company continued into Nova Scotia and renamed from Regis Hairstylists Ltd., a Yukon Company on July 1, 2009. Regis Hairstylists Ltd. was formed on July 1, 2001, when Supercuts Canada Ltd., FCH International Acquisition Corporation and Regis Hairstylists, Ltd. (which had been continued into the Yukon Territory from the Province of Ontario) were amalgamated pursuant to the laws of the Yukon Territory under the name "Regis Hairstylists Ltd." Regis Holdings (Canada) Ltd.'s principal place of business is the same as Regis. Regis Holdings (Canada) Ltd. has a wholly-owned subsidiary, First Choice Haircutters, Ltd., which is engaged in the operation or franchising of haircutting or haircare establishments. Regis Holdings (Canada) Ltd. is the franchisor in Canada for and operates the "Supercuts®" franchise system in Canada, of which there were 19 franchised and 23 company owned salons as of June 30, 2020. Regis Holdings (Canada) Ltd. also owns and operates all salons in Canada operating under the names "Supercuts," "Hair Masters,®" "SmartStyle," "BoRics," and "Beauty Supply Outlet." First Choice Haircutters, Ltd. is the franchisor in Canada for and operates the First Choice® Franchise System in Canada. Magicuts Ltd. owns, operates and franchises salons operating under the "Magicuts" name and trademarks. As of June 30, 2020, there were 64 franchised and 102 company-owned Smartstyle salons in Canada.
On July 10, 2007, Regis Hairstylists, Ltd. acquired the "Beauty Supply Outlet" franchise system in Canada from Tree-O Marketing Inc., an Ontario corporation. The "Beauty Supply Outlet" franchise system has approximately 30 franchises and no company owned stores all located in the province of Ontario.

To the knowledge of The Barbers, we, WCH, Regis, Supercuts, Inc., Regis Holdings (Canada) Ltd., First Choice Haircutters, Ltd., First Choice Haircutters (International) Corp., Magicuts Ltd., CutCo, RPC Acquisition Corp., and each of our or their subsidiaries, affiliates and predecessors have not offered franchises in any other lines of business.

Fremont Software, LLC: Fremont Software, LLC is a Delaware limited liability company formed on January 7, 2019 and is a wholly owned subsidiary of Regis Corporation. Fremont Software, LLC's principal place of business is the same as Regis. Fremont Software, LLC provides the Opensalon Pro computer point of sale cash register and back office hardware and software-as-a-service (SaaS) system to franchisees as well as installation, maintenance, and support services for Opensalon Pro.

The Barbers has no other predecessors or affiliates. The Barbers has not offered and does not intend to offer franchises in any line of business other than providing hair care products and services, though The Barbers or any affiliate may do so in the future.

Franchised Business

A standard Cost Cutters Business generally contains eight or more hairstyling stations and can be located in most market areas, offering value priced hair care products and services to men, women and children, with each hair care service offered at a separate price.

If qualified, you may enter into a Development Agreement, which gives you the non-exclusive options to open multiple Cost Cutters Businesses within a Designated Market Area within a specified period of time. If qualified, franchisees existing prior to September 30, 2011 may enter into a development agreement for the non-exclusive rights to open an agreed number of Cost Cutters Businesses in a designated geographical area called a "Designated Market Area." Under this arrangement, you must develop an agreed number of Cost Cutters Businesses in the Designated Market Area within a mutually agreed upon period of time, depending upon the population of the area and its market potential. COST CUTTERS began offering Development Agreements in December 1984 and offered Multi-Unit Option Agreements from 2011 to 2013.

Competitors and Governmental Regulations

The businesses you will have to compete with include, in general, traditional, independent hair care stores, regional and national chains, regional and national franchises and various other businesses offering the same or similar hair care products and services at a moderate price, including hair care businesses owned, operated, and/or franchised by The Barbers, Regis, or their affiliates. Your Cost Cutters Business will have to comply with various governmental regulations specific to the hair care industry, including regulations relating to the licensing of beauticians and health standards.

Each of COST CUTTERS and you must comply with the USA PATRIOT Act and related U.S. government initiatives designed to combat terrorism. These laws, rules and regulations, among other objectives, restrict every U.S. person and entity from conducting business with terrorists and suspected terrorists and impose additional anti-money laundering obligations. You should contact an attorney or the U.S. Department of the Treasury for further information.

2. BUSINESS EXPERIENCE

Felipe Athayde: President, Chief Executive Officer and Director, Regis Corporation

On October 5, 2020, Mr. Athayde became President and Chief Executive Officer of Regis. From March 2019 to September 2020, Mr. Athayde was President, Americas, Popeyes Louisiana Kitchen in Miami, Florida. From July 2017 to March 2019, Mr. Athayde was President, Latin American & Caribbean, Burger King in Miami, Florida. From December 2015 to July 2017, Mr. Athayde was President, US, Tim Hortons in Oakville, Ontario, Canada. From December 2014 to December 2015, Mr. Athayde was Executive Vice President, US Development, Tim Hortons in Oakville, Ontario, Canada.

Kersten Zupfer: Executive Vice President and Chief Financial Officer, Regis Corporation

Ms. Zupfer became Executive Vice President and Chief Financial Officer of Regis in Minneapolis, MN in November 2019. From December 2017 to November 2019, Ms. Zupfer was Senior Vice President and Chief Accounting Officer of Regis and from December 2014 to December 2017, she was Vice President, Chief Accounting Officer and Corporate Controller of Regis.

Eric A. Bakken: President of Franchise, Executive Vice President and Chief Administrative Officer, Regis Corporation

Mr. Bakken was Vice President, General Counsel and Secretary, Regis from January 1, 2004 to January 2018. Mr. Bakken was Interim Chief Financial Officer, Regis from October 1, 2016 through January 2017. In February 2011, Mr. Bakken became Executive Vice President, General Counsel and Business Development of Regis and also was Interim Chief Operating Officer of Regis from January 2012 to April 2013. In May 2013, Mr. Bakken became Chief Administrative Officer of Regis. In April 2017, Mr. Bakken became President of Franchise, Regis.

Shawn Moren: Senior Vice President, Human Resources and Chief Human Resources Officer, Regis Corporation

Ms. Moren became Senior Vice President, Human Resources and Chief Human Resources Officer, Regis in Minneapolis, MN on August 7, 2017. From July 2013 through July 2017, Ms. Moren was Sr. Vice President, Human Resources, Communications and Facilities of Blue Stem Group, Inc. in Minneapolis, MN. From January 2001 to June 2013, she was Group Vice President, Human Resources of Supervalu Inc. in Minneapolis, MN.

James Townsend: Executive Vice President and Chief Marketing Officer, Regis Corporation

Mr. Townsend became Executive Vice President and Chief Marketing Officer, Regis on April 8, 2019. From November 2011 to April 2019, Mr. Townsend was a Partner and Chief Development Officer of 72andSunny in New York, NY.

Amanda P. Rusin: Senior Vice President, General Counsel, and Secretary, Regis Corporation

Ms. Rusin became Senior Vice President, General Counsel, and Secretary of Regis in January 2018. Ms. Rusin was Assistant General Counsel of Polaris Industries, Inc. from May 2014 to January 2018 in Medina, MN. From June 2008 to May 2014, she was an attorney for Cargill Incorporated in Wayzata, MN.

Senior Vice President, Merchandising & Procurement: Andrew Priadka

Mr. Priadka became Senior Vice President, Merchandising & Procurement for Regis in July 2020. He was the Vice President, Merchandising for Regis from January 2018 to July 2020. From October 2006 to January 2018, he was Vice President, Merchandise Planning & Inventory for Regis.

Kurt Landwehr: Vice President, Franchise Development

Mr. Landwehr became Vice President, Franchise Development for Regis Corporation on July 1, 2011.

Sherry Poss: Associate Vice President, Business Development

Ms. Poss became Associate Vice President Business Development of Regis in July 2018. She was Head of Integration Management Office of Buffalo Wild Wings in Minneapolis, MN from December 2017 to June 2018 and Director of Enterprise Governance of Buffalo Wild Wings from January 2017 to November 2017. From May 2013 to December 2017 Ms. Poss was Director of Internal Audit for Buffalo Wild Wings.

Liska Johnson: Associate Vice President, Franchise Administration

Ms. Johnson became Associate Vice President Franchise Administration of Regis in September 2017. She was Director, Brand & Category Marketing for Target Corporation in Minneapolis, MN from March 2003 to August 2017.

Erik Busch: Vice President, Real Estate

Mr. Busch became Vice President, Real Estate of Regis in Minneapolis, MN in September 2019. From 2007 to September 2019, Mr. Busch was a Real Estate Director for Regis in Minneapolis, MN.

Scott Sullivan: Vice President, Law

Mr. Sullivan became Vice President, Law of Regis in April 2007.

Brian Guyre: Associate Vice President, Franchise Finance

Mr. Guyre became Associate Vice President, Franchise Finance of Regis in Minneapolis, MN in June 2015. From April 2014 to March 2015 Mr. Guyre was Vice President of Finance and Operations for Make Retail in St. Paul, MN. Mr. Guyre was Senior Manager Retail Finance of Best Buy in Minneapolis, MN from September 2009 to April 2014.

Mike Welch: Vice President of Roosters MGC International, LLC

Mr. Welch became Vice President of Roosters MGC International, LLC in April 2019. Mr. Welch joined Regis Corporation in Minneapolis, MN and was Director, Franchise Development from November 2016 to March 2019. From January 2014 to November 2014, Mr. Welch was the founder of TinderBox in Sauk Rapids, MN. From May 2010 through May 2016, he was founder of Top Gun Holdings in Sauk Rapids, MN.

Thomas Ryan: Director, Franchise Development

Mr. Ryan joined Regis Corporation in Minneapolis, MN as Director, Franchise Development in October 2017. From May 2016 to September 2017, Mr. Ryan was Director, Franchise Development for College Nannies, Sitters & Tutors in Minneapolis, MN. From January 2015 to May 2016, he was Director, Franchise Development for Homewatch CareGivers in Greenwood Village, CO and from March 2010 to January 2015 he was a Franchise Development Consultant for Homewatch CareGivers.

Brandon Neilson: Director, Franchise Development

Mr. Neilson joined Regis Corporation in Minneapolis, MN as Director, Franchise Development in November 2018. From January 2014 to October 2018, Mr. Neilson was owner of White Mark Development in Meridian, ID.

3. LITIGATION

Propoint Solutions, LLC v. Regis Corporation, Chad Kapadia, et al. Case No. 3:20-cv-2181-MMC (N.D. Cal. Filed March 31, 2020). The Franchisor's parent, Regis Corporation ("Regis") and Regis's Chief Technology Officer were sued by Regis's point of sale and back office system supplier, ProPoint Solutions, LLC ("ProPoint"), accusing Regis and the other defendants of improperly accessing ProPoint's computer systems by using the credentials of a franchisee of one of Regis's affiliates and misappropriating and improperly using the source code, trade secrets, and copyrighted

content related to ProPoint's SuperSalon point-of-sale software in connection with Regis's development of its Opensalon Pro point of sale system in violation of the federal Defend Trade Secrets Act ("DTSA"), 18 U.S.C. § 1836 *et seq.*, the Minnesota Uniform Trade Secrets Act, Minn. Stat. § 325C.01 *et seq.*, and the federal Computer Fraud and Abuse Act, 18 U.S.C. § 1030. In addition, Propoint accused Regis of intentional interference with contractual relations under Minnesota law by causing the franchisee to provide its credentials to Regis in violation of the franchisee's software agreement with Propoint. Propoint seeks an order prohibiting Regis and the other defendants from accessing Propoint's servers, replicated databases, or copies of Propoint's proprietary information; restraining Regis and the other defendants from deleting, modifying, or accessing any of Propoint's proprietary information, including its schema and source code, on Regis's and the other defendants computers, devices, systems, and storage devices; restraining Regis and the other defendants from using Propoint's proprietary information, including its schema and source code and otherwise using any knowledge derived from Propoint's proprietary and confidential information; and restraining Regis and the other defendants from any further development of Regis's Opensalon Pro platform. Propoint further seeks preliminary and permanent injunctive relief requiring Regis and the other defendants to remove all instances of ProPoint's proprietary information from any and all computer systems in their possession, custody, or control and to permit Propoint to verify such removal; restraining Regis and the other defendants from using any information derived from or developed based on Propoint's proprietary information, including its schema and source code; awarding damages, disgorgement of profits, unjust enrichment damages, and/or a reasonable royalty. Propoint further seeks a finding that Regis's and the other defendants actions have been willful, entitling Propoint to exemplary damages of twice the amount awarded plus attorneys' fees and pre- and post-judgment interest. Regis has vigorously denied all claims and has asserted counterclaims against ProPoint.

David Williams, Shelly Williams, and Look Sharp, LLC v. RPC Acquisition Corp. and Regis Corporation (AAA Case No. 01-15-0004-2079, filed July 10, 2015); *Scott Carlson, Jacquelyn Carlson, and SKC Concepts, Inc. v. RPC Acquisition Corp. and Regis Corporation* (AAA Case No. 01-15-0004-2072, filed July 13, 2015); *Jason Link and Link JAS, Inc. v. RPC Acquisition Corp and Regis Corporation* (AAA Case No. 01-15-0005-2403, filed October 6, 2015); *Chad Schwinghammer, Andrea Woodley Schwinghammer, and Schwings Centennial Lakes, Inc. v. RPC Acquisition Corp., Regis Corporation, and Pro-Cuts Corporate Shops, Inc.* (AAA Case No. 01-15-0006-0307, filed December 18, 2015); *Kevin Waters, Mary Jane Waters, and Salon Waters, Inc. v. RPC Acquisition Corp. and Regis Corporation* (AAA Case No. 01-16-0001-0283, filed March 25, 2016); and *Jason Ansari and JBJL, LLC v. RPC Acquisition Corp. and Regis Corporation* (AAA Case No. 01-16-0001-7616, filed May 13, 2016). Six Pro-Cuts Sports franchisees and their owners filed separate arbitrations with the American Arbitration Association against RPC Acquisition Corp. ("RPC"), the franchisor of their Pro-Cuts Sports franchises and an affiliate of The Barbers, Hairstyling for Men & Women, Inc., each alleging violation of the Minnesota Franchise Act (or Wisconsin Fair Dealership Law), common law fraud, and negligent misrepresentation in RPC's sale to them of their Pro-Cuts Sports franchises, and breach of contract and breach of the implied covenant of good faith and fair dealing in the performance of the Franchise Agreements, and a declaratory judgment as to the invalidity of the appeal provision in the arbitration clause of their Pro-Cuts franchise agreements. Another franchisee also named Pro-Cuts Corporate Shops, Inc., an affiliate of The Barbers, Hairstyling for Men &Women, Inc. alleging it breached the purchase agreement between the parties and breached the implied covenant of good faith and fair dealing for that franchisee's purchase of a company-owned store. The franchisees each claimed that during the franchise sales process RPC made illegal financial performance representations and misrepresented the expected growth of the Pro-Cuts brand in Minnesota and nationally, the marketing and advertising RPC would conduct for the Pro-Cuts brand in Minnesota, and the operational and financial services support RPC would provide to the franchisees. The franchisees each sought rescission of their franchise agreements, unspecified restitution damages for the various alleged violations, attorneys' fees and costs, and other

relief the arbitrator deemed appropriate. Each of the franchisees also named Regis Corporation ("Regis"), the parent company of both RPC and The Barbers, Hairstyling for Men & Women, Inc., in the arbitrations but only in connection with the alleged violation of the Minnesota Franchise Act. While not asserting that Regis was directly involved in any of the matters triggering the lawsuit or otherwise engaged in misconduct, the franchisees allege that Regis nonetheless was statutorily liable as a "control person" of RPC.

All six of the above-described disputes were settled in March 2017 and April 2017. All of the arbitrations were dismissed on April 27, 2017. In return for releases of all claims related to the disputes, franchise agreements, and subleases, Regis and its affiliates paid $300,000 to Chad and Andrea Schwinghammer and Schwings Centennial Lakes, Inc. and assumed their remaining lease liabilities; $300,000 to David and Shelly Williams and Look Sharp, LLC; $215,000 to Scott Carlson, Jacquelyn Carlson and SKC Concepts, Inc.; $175,000 to Jason Link and Link JAS, Inc. and assumed their remaining lease liabilities; $115,000 to Kevin and Mary Jane Waters, and Salon Waters, Inc. and assumed their remaining lease liabilities; and $200,000 to Jason Ansari and JBJL, LLC.

Other than these actions, no litigation is required to be disclosed in this Item.

4. BANKRUPTCY

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

5. INITIAL FEES

Single Cost Cutters Program

The initial franchise fee and/or Development Fee that COST CUTTERS charges you depends on whether you are a new or existing franchisee. The following schedule sets forth the franchise fee structure:

FRANCHISE FEE STRUCTURE

DESCRIPTION	FEE PER STORE
Single franchise fee is:	$39,500
a. If you were a COST CUTTERS franchisee prior to September 30, 2011, the franchise fee is:	$12,500

You will have twelve (12) months from the date of signing your franchise agreement to open your Cost Cutters Business. The Initial Franchise Fee is uniform as to a particular class of franchisees, i.e., new versus existing, is deemed fully earned upon payment, and, is in consideration of administrative and other expenses we incur in granting this franchise and for our lost or deferred opportunity to franchise others, and is nonrefundable.

COST CUTTERS may terminate the Franchise Agreement if you are not approved or accepted by COST CUTTERS, if you provide any financial, personal or other information that is false, misleading, incomplete or inaccurate, or if you or your District Manager are unqualified to open and manage the business because you or your District Manager have not successfully completed COST CUTTERS' training program. Except if you or your District Manager fail to complete COST CUTTERS training

program, COST CUTTERS will refund the Initial Fee after deducting its reasonable administrative and out-of-pocket expenses for employee salaries, training, salespersons' commissions, attorneys' fees, accountants' fees, travel and long distance telephone calls. Otherwise, the Initial Fee is not refundable. If you or your District Manager fail to complete COST CUTTERS' training program, COST CUTTERS may terminate the Franchise Agreement but no refund of the Initial Fee shall be granted.

Fast Start Program

We provide an incentive program by offering a Development Agreement for franchisees willing to commit to open three (3) or six (6) Cost Cutters Businesses within a designated time. These development rights are non-exclusive and apply to a Designated Market Area. If you acquire 3-store or 6-store development rights under the Fast Start Program, you will concurrently sign the Development Agreement and the Franchise Agreement for your first Cost Cutters Business to be developed. You will sign COST CUTTERS' then-current standard Franchise Agreement for each subsequent Cost Cutters Business you open according to the Development Agreement. The Development Fee you must pay for multi-store development under the Fast Start Program currently is:

$69,500 for 3-store development
$99,500 for 6-store development

If you acquire development rights for more than 6 Stores, the Development Fee will be $10,000 for each additional store (i.e. $109,500 for 7-store development, $119,500 for 8-store development, etc.)

In multi-store development, we allocate $39,500 to the first store and the remaining Development Fees as follows: For 3 or more store development, we allocate $20,000 to the second store and $10,000 to each additional store.

The Development Fee is due upon executing the Development Agreement (and Franchise Agreement for the first store to be developed under the Development Agreement). Development Fees are the only initial fees you must pay for the COST CUTTERS development/franchise rights under the Fast Start Program. Upon paying the applicable Development Fee under the Fast Start Program, you will not be required to pay any additional initial franchise fees at the time you execute our then-current Franchise Agreement(s) to operate the Cost Cutters Businesses you contracted to open and operate under terms and conditions of the Development Agreement. You will be given twelve (12) months from the date of signing your first franchise agreement to open your first Cost Cutters Business. Your second and subsequent Cost Cutters Business(es) are required to be open eighteen (18) months from the date the immediately prior Cost Cutters Business is required to be open. If you have not met the terms of this program, you may lose the development rights to any unopened Cost Cutters Business.

The initial franchise fee and/or Development Fee you pay is not refundable under any circumstances. This means that if you decide not to move forward after signing COST CUTTERS' Franchise Agreement and/or Development Agreement, cannot find suitable sites for your store(s), or otherwise fail to meet your store opening requirements, in which case COST CUTTERS terminates the applicable agreement(s), you do not receive back any of your initial franchise fee or Development Fee.

Development Agreement for Cost Cutters Franchisees prior to September 30, 2011

If you were a COST CUTTERS franchisee prior to September 30, 2011, the Development Agreement is non-exclusive and applies to a designated geographic area. If you enter into a Development Agreement with us, you will, upon signing the Development Agreement, pay us a nonrefundable Development Fee in the total amount of $5,000 per store to be developed under the Development Agreement. The $5,000 per store Development Fee will be credited toward your $12,500 initial franchise fee. The remaining $7,500

of the $12,500 initial franchise fee will be due upon entering into the Franchise Agreement for such store. For example, if you enter into a three-store Development Agreement, you will pay a $15,000 Development Fee upon execution of the Development Agreement. Upon entering into each Franchise Agreement, you will pay us an initial franchise fee of $7,500 per store.

Grand Opening-Related Fees

New franchisees opening their first COST CUTTERS Store must pay COST CUTTERS a $2,500 Grand Opening Plan Assistance fee. This fee is a one-time investment to develop the Grand Opening Plan for your first COST CUTTERS Store. You will work with a dedicated Grand Opening Plan Director to customize the plan for your specific location and market. This fee is not collected on any subsequent COST CUTTERS stores you open. This payment is not refundable.

VetFran Program

Regis is a member of the International Franchise Association ("IFA") and participates in IFA's VetFran Program, which provides special financial incentives to qualified veterans. If you are a veteran of the United States armed forces, have been honorably discharged, otherwise meet the requirements of the IFA's VetFran Program, and this is your very first franchise of any Regis-owned brand, then you will receive a $2,500 rebate on your Initial Fee after you open your first store. This rebate opportunity is not available per brand but only to your first Regis brand franchise overall.

Initial Inventory

You must purchase an initial inventory of hair care products, merchandise, and supplies, including retail inventory, backbar, and shop supplies to be used and sold at your Cost Cutters Business. You must purchase all of your hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies from Regis or its affiliate, as described in more detail in Item 8. This includes all initial and ongoing inventory. In addition, if you choose to buy the assets of an existing COST CUTTERS store from Regis Corp. or an existing affiliated branded salon for conversion to a COST CUTTERS store as discussed in Item 1 above and in more detail in Item 8 below, a condition to your purchase of such store and/or salon is that you must purchase exclusively from Regis and its affiliates all hair care products, merchandise, and supplies including all retail inventory, backbar, and shop supplies to be used or sold at (i) such store, (ii) all New Stores that you must develop pursuant to your Development Agreement, and (iii) all other existing stores you franchise from The Barbers or its affiliates (under any brand), for the duration of your other franchise agreements. The ranges of the cost of these required purchases are described in Item 7. These amounts are not refundable.

Store FF&E Coordination Services and Construction Management Services

Regis is an approved supplier of certain FF&E coordination services and store construction management services relating to your Cost Cutters Business' development and build-out, and is the designated and only supplier of such construction management services and FF&E coordination services if you purchase an affiliated branded salon for conversion to a COST CUTTERS store. The FF&E coordination services involve Regis ordering on your behalf furniture, fixtures, and equipment for your store and coordinating delivery, and consulting with you regarding the unloading, initial inspection, and acceptance, of all of the furniture, fixtures, and equipment on the Cost Cutters Business' approved construction documents. These FF&E coordination services are intended to streamline that aspect of the Cost Cutters Business development process. If you want to (or are required to) use Regis's FF&E coordination services, you must sign Regis's Construction Management Services Agreement (Exhibit N). Regis will order the FF&E required for your Cost Cutters Business and coordinate the suppliers' invoices to you for this FF&E. You must pay Regis the amounts the suppliers charge for the FF&E, plus shipping and handling, and Regis

will coordinate payment of the suppliers for that FF&E. The total cost of this FF&E is estimated to range from $25,000 to $50,000 depending on the size of your Cost Cutters Business. This payment is not refundable.

The Cost Cutters Business construction management services include the FF&E coordination services described above plus various consulting services regarding construction estimates; construction-related lease requirements; sign package requirements and the sign review/approval process; general contractor bidding and selection (you select the general contractor); obtaining building permits; site conditions and work progress; FF&E operation, maintenance, and trouble-shooting; producing a punch-list of open issues; construction warranty work; and obtaining occupancy approval. You must pay Regis $5,000 for the Cost Cutters Business construction management services when you sign its Construction Management Services Agreement (Exhibit N). This $5,000 fee is in addition to the amounts described in the previous paragraph that you must pay for FF&E plus shipping and handling. These payments are not refundable. While Regis provides consulting services in these various areas if you sign its Construction Management Services Agreement, you alone are responsible for all fees, costs, and expenses associated with the Cost Cutters Business development and build-out, including plans and specifications, permits, licenses, construction and materials, FF&E, installation, and insurance.

Opensalon Pro Point-of-Sale and Backoffice Computer System

If you choose to use the Opensalon Pro point-of-sale and backoffice computer system ("Opensalon Pro") offered by the Franchisor's affiliate, Fremont Software, LLC ("Fremont"), you must purchase the hardware and the associated software-as-a-service (SaaS) subscription for Opensalon Pro from Fremont. The cost for the hardware is $1,876 for a 15.6-inch POS terminal (ELO), POS terminal stand, cash drawer, and credit card terminal. Fremont offers an optional Epson receipt printer for $242. Fremont currently offers to finance hardware costs under its current financing agreement attached to this disclosure document over 36 months plus a $5 per month finance charge. You may engage Fremont to provide installation services for your Opensalon Pro system for a fee of $799. Fremont offers an optional "hot swap" program for replacement POS terminal hardware for $299.97 one-time charge during the initial term of your agreement. The Opensalon Pro SaaS subscription is $145 per month with the first monthly payment due upon signing. Fremont offers an optional data export feature for an additional $25 per month, and an optional mobile analytics app for an additional $25 per month.

Purchase of Cost Cutters-Owned store or Affiliated Branded Salon for Conversion

If you choose to buy the assets of an existing COST CUTTERS store from The Barbers or its affiliate or an existing affiliated branded salon for conversion to a COST CUTTERS store (in each case to operate the store as a COST CUTTERS franchise going-forward), you will sign the Asset Purchase Agreement with Regis Corp. or its affiliate, as applicable, when you sign the Franchise Agreement and Sublease and Development Agreement, if applicable, with The Barbers. You will pay Regis Corp. or its affiliate the applicable initial franchisee fee and/or Development Fee and purchase price at the same time. Purchase prices for company-owned stores (or, if applicable, affiliated branded salons) will depend on their age, location, condition, profitability, cash flow, strategic considerations, and other relevant market factors. If you are interested in purchasing a particular company-owned store or affiliated branded salon, then Regis Corp. or its affiliate and you will negotiate the appropriate purchase price. The purchase price is not refundable once paid. The amounts that Regis Corp. and its affiliates received during the 2020 fiscal year (ended June 30, 2020) for selling company-owned COST CUTTERS stores to franchisees ranged from $0 to $188,122. The amounts that Regis Corp. and its affiliates received during the 2020 fiscal year (ended June 30, 2020 for selling affiliated branded salons to Cost Cutter's franchisees for conversion to COST CUTTERS stores ranged up to $86,603 per store.

As a condition to your purchase of one or more existing company-owned COST CUTTERS stores or one or more existing affiliated branded salons for conversion to a COST CUTTERS store, you must agree to

develop at least one brand new COST CUTTERS store (each a "New Store"). The Barbers' current practice is to require you to agree to develop at least one New Store if you acquire one, two, or three company-owned COST CUTTERS stores and/or affiliated branded salons, plus at least one additional New Store for every three additional stores and/or salons you acquire. For example, if you acquire five or fewer existing company owned COST CUTTERS stores and/or affiliated branded salons, we will require you to develop at least one New Store. However, if you acquire six to eight such stores and/or salons, we will require you to develop at least two New Stores; nine to eleven Stores and/or salons requires at least three New Stores; and so on.

You will pay the applicable initial franchise fees or Development Fees at the time you sign the Franchise Agreement(s) and, if applicable, Development Agreement for the store(s) and/or salon(s) you acquire and the New Stores you will develop. For example, if you purchase three existing company-owned COST CUTTERS stores and/or affiliated branded salons for conversion and are required to develop one New Store, you will sign three Franchise Agreements and a Development Agreement. You will pay a total of $79,500 in Development Fees.

If you buy an existing company-owned COST CUTTERS store or an existing affiliated branded salon for conversion to a COST CUTTERS store, you will incur certain costs to upgrade or convert the location to COST CUTTER'S then current standards (including the required construction management services and store FF&E coordination services fees and costs described above). You will have 90 days after closing to complete the conversion process. If the location does not meet COST CUTTER'S then current standards, Regis or COST CUTTERS may correct the deficiencies at your expense. You must sign a separate Franchise Agreement for each Cost Cutters Business you open. Certain Development Agreements sold prior to 2004 which involved the opening of ten or more Cost Cutters Businesses may have received a deferment or waiver of all or part of a territory fee.

6. OTHER FEES

(1) Type of Fee[1]	(2) Amount	(3) Date Due	(4) Remarks
Continuing Fees[2]	Weeks 1 through 52: 4% of Gross Revenues[3] Week 53 through end of Franchise Agreement Term: 6% of Gross Revenues or $100 per week, whichever is greater	Wednesday of each week for the preceding week	COST CUTTERS collects a 4% Continuing Fee for the first 52 weeks that you operate your Cost Cutters Business. The Continuing Fee increases to 6% as of the 53rd week of operation. Beginning with the 53rd week of operation, a minimum Continuing Fee of $100 per week is payable. COST CUTTERS requires you to pay these fees by direct bank transfer to COST CUTTERS' bank account. If you purchase an existing company-owned COST CUTTERS store or affiliated branded salon for conversion to a COST CUTTERS store, your royalty fee will be the greater of 6% and one hundred dollars ($100) per week for the entire term of your Franchise Agreement. (i.e., you will pay 6% instead of 4% during the first year of the term and thereafter)

(1) Type of Fee[1]	(2) Amount	(3) Date Due	(4) Remarks
Advertising Fees	4% of Gross Revenues	Wednesday of each week for the preceding week	COST CUTTERS requires you to pay these fees by direct bank transfer to COST CUTTERS' bank account. COST CUTTERS provides you with monthly statements indicating Advertising Fee payments, obligations and credits. An accounting of expenditures made by COST CUTTERS' advertising fund is distributed to franchisees two times per year.
Other Advertising	At least 1% of Gross Revenues	As negotiated with local advertising suppliers	You must provide COST CUTTERS with quarterly reports of your local advertising expenditures. If there are two or more franchisees in your Designated Market Area ("DMA"), COST CUTTERS may require you to become a member of a local advertising group. COST CUTTERS does not have voting control over any local advertising groups. Your payments to a local advertising group will apply toward your 1% local advertising requirement.
Grand Opening Advertising	$8,000	During the first 60 days of operating your Cost Cutters Business	Expenditures apply toward your 1% local advertising requirement. You must spend a minimum of $8,000 for Grand Opening Advertising for your first store; $2,500 for each store thereafter.
Product and Services Purchases	See Item 8	As incurred	You must purchase exclusively from Regis or its designated affiliate all approved hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies to be used and/or sold at your COST CUTTERS Business.
Opensalon Pro point of sale fees	$145 per month SaaS subscription fees	Payable monthly starting when you enter into the SaaS subscription agreement	See Note 9 and Items 5, 10, and 11.

(1) Type of Fee[1]	(2) Amount	(3) Date Due	(4) Remarks
Engineering Drawings Fee	$2,000-$5,000[4]	Within 5 days of receipt of an invoice	This is an optional service Regis will provide to you upon request. If the city, county or state where your Cost Cutters Business is located requires engineering drawings in order to issue a building permit and/or to comply with building codes, Regis will contract consultants necessary to prepare engineering drawings for you.
Relocation Architectural Plans	$0-$5,000	Within 5 days of receipt of an invoice	Basic Floor Plans for new Cost Cutters Businesses are provided to you at no cost. If you relocate your Cost Cutters Business, Regis will contract consultants necessary to prepare new architectural plans upon your request for this fee.
Tax Reimbursement	Reimbursement of COST CUTTER'S tax payments	When billed	You must reimburse COST CUTTERS for taxes it must pay due to your operations (including any sales tax and/or gross receipts tax COST CUTTERS must pay based on Continuing Fees and/or Advertising Fees paid or payable by you but not including income taxes paid by COST CUTTERS on account of your Continuing Fees and Advertising Fees).
Remodel Plan Review Fee	$1,000 - $2,500	Prior to commencement of remodeling or construction	See Note 5
Reimbursement of Audit Costs	Dependent upon the costs incurred by COST CUTTERS in conducting an audit	Within 5 days of receipt of an invoice	Audit costs must be reimbursed if an audit shows that you understated your Gross Revenues by more than 2% or underpaid Continuing Fees by more than $500 in any 12 month period.
Annual Conventions[6]	Currently $375 to $1,500 per person attending	Registration fee is due upon registration to attend convention, and other costs are due as incurred	You must attend an annual system-wide convention. In addition to the registration fee payable to COST CUTTERS, you must pay your travel, lodging and food expenses.

(1) Type of Fee[1]	(2) Amount	(3) Date Due	(4) Remarks
Transfer Fee	$500 to $2,500	Before transfer	If you transfer your Cost Cutters Business, you must pay a Transfer Fee of $2,500 to COST CUTTERS. If you simultaneously transfer more than one Cost Cutters Business, then you must pay to COST CUTTERS a Transfer Fee of: $2,500 for 1st Business $2,000 for 2nd Business $1,500 for 3rd Business $1,000 for 4th Business $500 for 5th Business and each additional Business
Lease Renewal Fee	$1,500	Immediately upon execution of the lease renewal	See Note 7
Interest Charges & Late Fees	18% per annum simple interest or the maximum legal rate allowable in the state in which your Business is located, whichever is less	On demand	Interest applies to past due payments of Continuing Fees, Advertising Fees or other payments due to COST CUTTERS; late fee applies to failure to submit report of gross revenues with weekly Continuing Fees payment.
Electronic Communications Fee [8]	Up to $500 per year	Within 5 days of receipt of an invoice indicating amount owed	If obtained through COST CUTTERS, you will reimburse COST CUTTERS for the affiliated fees.

(1) Each fee is imposed by and payable to COST CUTTERS. All fees are uniformly imposed and are nonrefundable. You will be required to provide COST CUTTERS with up to three (3) years of weekly sales revenues and analysis on a weekly basis.

(2) COST CUTTERS may require you to pay these fees by direct bank transfer to COST CUTTERS' bank account. If you do not submit your weekly report of Gross Revenues with your weekly Continuing Fees payment, COST CUTTERS may charge you a $100 late fee.

(3) "Gross Revenues" is defined in Article 29.5 of the Franchise Agreement.

(4) Certain local or state codes may require an architectural stamp on the construction drawings. Should such a stamp be required, the cost of such stamp is your responsibility.

(5) Prior to commencing any remodeling of your Cost Cutters Business, you must submit to COST CUTTERS your proposed architectural plans and pay COST CUTTERS a fee of: (a) $1,000 if you purchase an existing corporate-owned Cost Cutters store and are required by COST CUTTERS to remodel such store upon such purchase; and (b) $2,500 upon remodeling pursuant to the Franchise Agreement.

(6) COST CUTTERS will require you to pay the registration fee (currently $375) for the annual convention regardless of whether you attend the annual convention.

(7) If you hire Franchisor to negotiate the lease renewal for your Franchised Location, you must pay Franchisor $1,500 upon execution of the lease renewal. This is an optional service offered by Franchisor.

(8) COST CUTTERS may require you to use certain methods of electronic communications (e.g. email, web-based) which you must obtain from an approved vendor (including through COST CUTTERS) at your sole cost (including reimbursing COST CUTTERS).

(9) If you choose to use the Opensalon Pro point-of-sale and backoffice computer system ("Opensalon Pro") offered by the Franchisor's affiliate, Fremont Software, LLC ("Fremont"), you must purchase the hardware and the associated software-as-a-service (SaaS) subscription for Opensalon Pro from Fremont. The cost for the hardware is $1,876 for a 15.6-inch POS terminal (ELO), POS terminal stand, cash drawer, and credit card terminal. Fremont offers an optional Epson receipt printer for $242. Fremont currently offers to finance hardware costs under its current financing agreement attached to this disclosure document over 36 months plus a $5 per month finance charge. You may engage Fremont to provide installation services for your Opensalon Pro system for a fee of $799. Fremont offers an optional "hot swap" program for replacement POS terminal hardware for $299.97 one-time charge during the initial term of your agreement. The Opensalon Pro SaaS subscription is $145 per month with the first monthly payment due upon signing the SaaS and Hardware Purchase Agreement with Fremont. Fremont offers an optional data export feature for an additional $25 per month, and an optional mobile analytics app for an additional $25 per month.

7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

STANDARD				
(1) Type of Expenditure	(2) Amount	(3) Method Of Payment[8]	(4) When Due	(5) To Whom Payment is to be Made
Initial Fee[1]	$12,500 - $39,500	Per Agreement	at signing of Franchise Agreement	COST CUTTERS
Leasehold Improvements[2]	$60,000 - $120,000	As Incurred	Before Start/As Incurred	Landlord, Suppliers & Contractors
Furniture, Equipment and Supplies[3]	$25,000 - $50,000	Lump Sum	Before Start/As Arranged	Suppliers or Regis
Construction Management Services Fee	$0 - $5,000	Lump Sum	Upon Signing Construction Management Services Agreement	Regis (Note 2)
Computer Software (Point of Sale System)[4]	$1,680 - $3,600 ($140 -$300 per month)	Lump Sum or Monthly	Before and After Opening	Supplier or Cost Cutters' affiliate or Leasing Company
Computer Hardware/Installation and Onsite Training[4]	$3,700 - $5,000	Lump Sum, Lease, or Financing is Available	Before Opening	Supplier, Cost Cutters' affiliate or Leasing Company
Opening Inventory[5]	$5,000 - $10,000	Lump Sum	As Arranged	Regis or its affiliate
Travel and Living Expenses during Orientation Training	$2,050 - $4,500	As Incurred	As Incurred	Airlines, Hotels & Restaurants
Rent and Security Deposit[6]	$2,500 - $9,600	Lump Sum	Before Start	Landlord or Regis
Grand Opening Plan Assistance	$2,500	Lump Sum	As incurred	COST CUTTERS (Note 7)

STANDARD				
(1) Type of Expenditure	(2) Amount	(3) Method Of Payment[8]	(4) When Due	(5) To Whom Payment is to be Made
Grand Opening[8] Advertising	$8,000-$15,000	As Incurred	Within 60 days of opening of Cost Cutters Business	Suppliers
Signs	$5,000 - $10,000	Lump Sum	Before Start	Supplier
Professional Fees[9]	$6,000 - $12,000	Lump Sum	Within 5 days of receipt of an invoice	Suppliers
Additional Funds – 3-6 Months[10]	$15,000 - $30,000	As Incurred	As Incurred	Employees, Suppliers, Utilities and COST CUTTERS
TOTAL	$148,930 - $316,700			

The table above assumes that you will develop a new COST CUTTERS Business. However, if you choose to buy the assets of an existing COST CUTTERS Business from Regis Corp. or an existing affiliated branded salon for conversion to a COST CUTTERS Business (in each case to operate the store as a COST CUTTERS Business going-forward), the purchase price will depend on age, location, condition, profitability, cash flow, strategic considerations, and other relevant market factors. If you are interested in purchasing a particular company-owned store or affiliated branded salon, then Regis Corp. (or the applicable affiliate) and you will negotiate the appropriate purchase price. In addition, if you are acquiring an affiliated branded salon for conversion to Cost Cutters, you must make certain upgrades, modifications, and improvements to convert the store to COST CUTTERS' then-current design as a condition of your acquisition and operation of the store as a Cost Cutters Business. These costs will depend on the condition of the premises and business assets but should be materially less than the aggregate numbers presented in the chart above because the store has already been built. Your costs to convert an affiliated branded salon to a Cost Cutters might range from about $40,000 to about $100,000.

If you purchase one or more existing company-owned stores or affiliated branded salons for conversion to COST CUTTERS Business(es), then in addition to the franchise fees for the store(s) and/or salon(s) you acquire, you must develop at least one New Store and pay the applicable development fees/franchise fees for the New Store. You must purchase during the entire franchise term, exclusively from Regis or other affiliates we designate, all hair care products, merchandise, and supplies including all retail inventory, backbar, and shop supplies that you need for use and resale at the store(s) and/or salon(s) you acquire, the New Store(s), and all pre-existing stores that you franchise from The Barbers or its affiliates (under any brand). You must also use Regis's construction management services and FF&E coordination services for a fee to convert all affiliated branded salons you acquire to the then-current design for COST CUTTERS Businesses. During the fiscal year ended June 30, 2020, the highest purchase price paid by a franchisee for an existing company-owned COST CUTTERS store (acquired to be operated as a

franchise) was $188,122, and the highest purchase price paid by a franchisee for an affiliated branded salon for conversion to a COST CUTTERS Business (acquired to be operated as a franchise) was $86,603. Purchase prices might include upgrading or conversion costs.

Notes

(1) The Initial Fee if you sign a Franchise Agreement for a single Cost Cutters Business will be $39,500, unless you are an existing franchisee prior to September 30, 2011, then the initial fee will be $12,500. If you sign a Development Agreement for multi-store development, you will pay the Development Fee described in Item 5 upon signing the Development Agreement. We will require you to sign the Development Agreement and first Franchise Agreement and pay the Development Fee when you sign the Development Agreement. If you became a COST CUTTERS franchisee before September 30, 2011 and you enter into a Development Agreement with us, you will pay a Development Fee of $5,000 per store, and you will pay the initial franchise fee of $7,500 per store upon entering into each Franchise Agreement. You must sign a separate Franchise Agreement for each Cost Cutters Business you open. See Item 5 for additional information regarding your Initial Fee and Development Fee and regarding the refundability of the Initial Fee and Development Fee.

(2) The estimated amounts payable for leasehold improvements are based on COST CUTTERS' experience with its corporate-owned locations and will vary based on the size of your salon, its geographic location, if there are costs assumed by your landlord in the form of either cash or free rent, the cost of construction materials such as steel, drywall, flooring and other construction materials, and other economic factors. You must make certain modifications and leasehold improvements to your store's premises according to COST CUTTERS' Architectural Design Manual. COST CUTTERS must approve all plans and specifications, which must be prepared by a firm COST CUTTERS approves. You must strictly comply with the Architectural Design Manual and approved plans and specifications. COST CUTTERS anticipates that leasehold improvement costs, including architectural fees, will be between $60,000 and $120,000 for a 800 to 1,200 square foot store, depending upon the store's exact size, its geographic location, if your landlord assumes some of the build-out costs in the form of either cash or free rent, the cost of construction materials such as steel, drywall, and flooring, and structural components and overall condition of the premises. If you want Regis to supervise and oversee your store's construction process (or if you are required to do so because you acquired an affiliated branded salon for conversion to a COST CUTTERS Business), you must pay Regis a $5,000 fee when you sign its Construction Management Services Agreement. You also must pay for the store FF&E that Regis arranges for you to purchase, plus shipping and handling (Regis's coordination of your purchase of the store FF&E is included in its full construction management services). You also must pay for the store FF&E that Regis arranges for you to purchase, plus shipping and handling, if you use Regis's FF&E coordination services but not its full construction management services. Due to the Covid-19 pandemic, you will incur additional initial and ongoing costs to purchase supplies for cleaning, sanitation, and safety, including facemasks for employees and guests, hand sanitizer for employees and guests, eye protection for employees, and additional capes for guest services. We estimate these costs will be approximately an additional $500 per month during the Covid-19 pandemic.

(3) Your costs for furniture, fixtures, signs, and equipment will vary depending on the size of your salon, its geographic location, shipping costs, whether you elect to utilize the FF&E coordination services of COST CUTTERS, and other economic factors.

(4) COST CUTTERS requires that you purchase a computerized point of sale cash register and back office system (including credit card processing services) with nonproprietary salon management software for your business. See Items 8 and 10. Your costs for the designated point-of-sale and backoffice computer system depend on which designated system you choose: Supersalon, offered by Propoint Solutions, LLC, or Opensalon Pro, offered by COST CUTTERS' affiliate, Fremont Software,

LLC. If you choose Supersalon, then the costs for the Supersalon computer software range from $1,680 - $3,600 ($140-$300 per month) for the first year and the costs for the Supersalon hardware, installation, and training range from $3,700 - $5,000. Propoint currently offers a hardware lease option for the Supersalon hardware. The total initial investment required for the Supersalon software and hardware in the first year ranges from $5,380-$8,600. If you choose Opensalon Pro, then the costs for the Opensalon Pro software (which is offered solely on a software-as-a-service (SaaS) basis), ranges from $1,740-$2,340 ($145-$195 per month) for the first year and the costs for the Opensalon Pro hardware and installation ranges from $2,675-$3,217. Fremont currently offers a financing option for the hardware. The total initial investment required for the Opensalon Pro hardware and SaaS software service in the first year is $4,415-$5,557. Your costs for the computer hardware and software will vary depending on the specific type of hardware acquired, geographic location, and other economic factors.

(5) You must purchase all of the initial inventory of hair care products, merchandise, and supplies including all retail inventory, backbar, and shop supplies for your salon from Regis or its designated affiliate. Your costs for the initial inventory of hair care products, merchandise, and supplies including all retail inventory, backbar, and shop supplies will vary depending on the size of your salon, its geographic location, shipping costs, and other economic factors.

(6) You will need to lease approximately 800-1,200 square feet for your salon. COST CUTTERS estimates that your monthly rent will range from $2,500 to $9,600, although your actual rent will vary based on the size of your salon, its geographic location, and other economic factors. Before opening your salon, you may need to pay both a security deposit equal to one month's rent plus your first month's rent.

(7) New franchisees opening their first COST CUTTERS Store must pay COST CUTTERS the Grand Opening Plan Assistance fee. This fee is a one-time investment to develop the Grand Opening Plan for your first COST CUTTERS Store. You will work with a dedicated Grand Opening Plan Director to customize the plan for your specific location and market. This fee is not collected on any subsequent COST CUTTERS Stores you open.

(8) You are required to spend a minimum of $8,000 on your grand opening advertising. The $8,000 is only a minimum amount. You may need to spend more than $8,000 to produce an effective grand opening depending on your market conditions.

(9) The estimated amounts here include engineering and/or architectural drawings, site survey fees, permits and other professional services.

(10) Additional Funds include supplies, training fees, security deposit, utility deposits, prepaid insurance, legal and accounting fees, license fees, uniforms, rent, taxes, etc. These amounts are an estimate of the expenditures you will make during the first three to six months of the operation of your Cost Cutters Business for salaries, supplies, inventory, utilities, Continuing Fees, Advertising Fees and other miscellaneous operating costs and expenses. These estimates are based on COST CUTTERS' 30 years of experience in franchising and operating Cost Cutters Businesses, and are derived primarily from information which franchisees provide to COST CUTTERS. These figures are estimates only, and you may have additional or greater expenses during this period. Your costs will vary depending on the size of your Business, economic and market conditions, competition, wage rates, sales levels attained, and other economic factors.

Payments are not refundable unless otherwise noted.

8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase exclusively from Regis or its designated affiliate all hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies to be used and/or sold at your COST CUTTERS Business. If you choose to buy the assets of an existing company-owned COST CUTTERS store from Regis Corp. or an existing affiliated branded salon for conversion to a COST CUTTERS Business, your purchase is subject to the following 2 conditions:

(1) You must agree on your own behalf and on behalf of your current and future parents, subsidiaries, affiliates, joint ventures, and partners (your "Affiliates") to purchase exclusively from Regis or its designated affiliate all hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies (the "Products"), to be used and/or sold at (a) the store you acquire, (b) the New Store(s) you are required to develop, and (c) all existing stores franchised by you and your Affiliates from The Barbers and its affiliates under any brand, including Cost Cutters, Supercuts, Smartstyle, Pro-Cuts, Roosters, Cool Cuts 4 Kids, BSO, City Looks, The Barbers, Great Expectations, Haircrafters, and We Care Hair (the "Existing Stores"), despite anything to the contrary in the franchise agreements for such Existing Stores regarding your right to purchase Products elsewhere, and you and your Affiliates must agree to modify the sourcing provisions in the franchise agreements for all such Existing Stores to require you and your Affiliates to purchase all Products to be used and/or sold at such Existing Stores exclusively from Regis or its designated affiliate (we also are providing you a separate disclosure addressing this purchase obligation for the Existing Stores). This mandatory purchase requirement will continue for the duration of your Franchise Agreements for the stores you acquire and New Stores, and for the duration of the existing franchise agreements for the Existing Stores.

(2) You must use Regis's construction management services and FF&E coordination services for a fee to convert all affiliated branded salons you acquire to the then-current design for COST CUTTERS Businesses. You will have 90 days after closing on the transaction to complete the conversion process to COST CUTTERS current standards.

The 2 conditions above will be reflected in the Agreement for Purchase and Sale of Assets attached to this Disclosure Document as Exhibit O. If you do not agree to these conditions and the New Store development obligations described in Items 1 and 5, then The Barbers, Regis Corp., and their affiliates have no obligation to sell you any company-owned COST CUTTERS store or affiliated branded salon for conversion.

You must carry minimum amounts of hair care products in your Cost Cutters Business at all times. There is no alternative source for purchasing hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies without The Barbers' written approval, which it may withhold. Regis derives revenue from the sale of its hair care products to franchisees by charging prices that exceed its costs of supplying the products. The purchase of hair care products from Regis will be approximately 5% of the total costs required to start your Cost Cutters Business. Due to variations in product selection and sales by different franchisees, COST CUTTERS is not able to estimate the percentage of your ongoing costs that the required hair care products will constitute in operating your Cost Cutters Business. In the fiscal year ended June 30, 2020, The Barbers' total revenue from the sale of national brand products to the Cost Cutters and City Looks franchisees was $6,768,414 or less than 2% of Regis' total revenues of $669,729,000.

You must purchase or lease products, services, certain equipment, supplies, national brand professional hair care products including shampoos, conditioners, and finishing products, furniture and fixtures required to establish your business. Regis is the designated and only supplier of: (1) all hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies your

COST CUTTERS Business will use and sell, and (2) the construction management services and FF&E coordination services if you acquire an affiliated branded salon for conversion to a COST CUTTERS Business. If you choose (or are required) to use its construction management services, you must pay Regis a flat fee for its construction management services, plus the price for your Cost Cutters Business' FF&E and the shipping and handling costs for the FF&E. If you use only Regis' FF&E coordination services, you must pay only the price the suppliers charge you for your Cost Cutters Business' FF&E, plus shipping and handling for the FF&E. You must purchase or lease the computerized point of sale cash register system and franchise back office software (including credit card processing services) that COST CUTTERS designates from a company that COST CUTTERS designates, which may include COST CUTTERS' affiliate. COST CUTTERS, Regis, or their affiliates may derive revenue from your purchase of these items from COST CUTTERS by charging an amount in excess of its cost of supplying the items but such prices will be commercially reasonable and competitive in the market. COST CUTTERS does not negotiate purchase arrangements with suppliers for the benefit of franchisees. The cost of required salon equipment, supplies, furniture and fixtures will be approximately 26.7% of the total purchases required to establish your Cost Cutters Business. Due to variations in the requirements of different franchisees, COST CUTTERS is not able to estimate the percentage of your total costs that these items will constitute in operating your Cost Cutters Business.

A number of our officers disclosed in Item 2 own an interest in Regis Corporation, the publicly-traded parent company of COST CUTTERS. Regis is the designated and only supplier of all hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies that your COST CUTTERS Business will use and sell. Regis is an approved supplier of construction management services and FF&E coordination services for your Cost Cutters Business' development and build-out, and is the designated and only supplier of such construction management services and FF&E coordination services if you acquire an affiliated branded salon for conversion to a COST CUTTERS Business.

In order to ensure uniformity among Cost Cutters Businesses, the products, merchandise, supplies, toiletries, grooming aids and other items that you may use or sell at your Cost Cutters Business must meet COST CUTTERS' quality standards and specifications. Upon request, COST CUTTERS will provide you with a written list containing the names of approved hair care products, merchandise, and supplies, including retail inventory, back bar and shop supplies, and has the sole right to periodically modify this list. COST CUTTERS does not issue specifications and standards to franchisee suppliers. You must purchase all hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies, exclusively from Regis or its designated affiliate. The Barbers need not approve any new or other manufacturer or supplier. COST CUTTERS does not provide material benefits to franchisees for using any particular suppliers of products. COST CUTTERS formulates and modifies product approvals based on the quality requirements for a particular product, product performance, product appearance, product availability and related factors. If Regis cannot, for any reason, supply an approved product to you, then COST CUTTERS will have the right, but not the obligation, to designate or approve a third-party supplier for such product.

If you desire to sell items which COST CUTTERS has not previously approved, then you must submit representative samples, specifications if requested by COST CUTTERS and information regarding the manufacturer to COST CUTTERS. Within 30 days of receiving the necessary samples and information, COST CUTTERS will determine whether the specified products comply with the established uniformity requirements, quality standards and specifications and will advise you as to its determination. COST CUTTERS need not approve any requested product or item. All products must be "professional" products.

While you are required to locate the site and lease the Franchised Location, COST CUTTERS reserves the right to lease directly from the landlord and require you to sublease the Franchised Location from COST CUTTERS or an affiliate. Whether you lease directly from the landlord or COST CUTTERS

requires you to sublease is determined on a case by case basis and may depend on various factors including the location and characteristics of the site, your financial strength, the landlord's requirements and whether or not you are an existing franchisee. If COST CUTTERS requires you to sublease or if you open a Cost Cutters Business at a site that COST CUTTERS or an affiliate leases from a third-party, you must enter into a Sublease with COST CUTTERS or an affiliate for the Franchised Location in the form attached as Exhibit F. If you sublease your Cost Cutters Business from COST CUTTERS or an affiliate, COST CUTTERS, in its sole discretion, will direct you to pay all lease obligations to COST CUTTERS or the landlord for the premises. Lease payments will be based upon the actual cost to COST CUTTERS of leasing the premises; COST CUTTERS makes no profits from subleasing these premises to you. Based upon COST CUTTER'S current experience, it is estimated that the monthly sublease payments will be approximately $1,500 to $4,800 ($18,000 to $57,600 annually). Generally, you must pay before opening the first and last month's rent and a security deposit equal to one month's rent.

If you enter into a Sublease with Regis or an affiliate for a Wal-Mart site, the average monthly lease rate Regis or its affiliate charges you will be $3,250, which includes an additional rent fee of $325 per month more than the base amount Regis or its affiliate pays to the landlord for the site (the "$300 up charge"). This monthly lease rate does not include any annual percentage rent that may be payable to the landlord if your sales hit a break point described in the applicable lease. If you enter into a sublease with COST CUTTERS or an affiliate for any site other than a Wal-Mart site, there will be no $300 up charge. However, if you propose to enter into a lease agreement for a Cost Cutters Business in which the landlord requires a guarantee of the lease and COST CUTTERS agrees to do so (COST CUTTERS is not obligated to do so and has the right to decline). COST CUTTERS or its affiliate will enter into the lease directly with such landlord and will, in turn, enter into a Sublease with you for the site; in such case, there will be no $300 up charge. The $300 up charge payable to Regis or its affiliate by you will be an insignificant amount of the total purchases required to establish your Cost Cutters Business. In the fiscal year ended June 30, 2020, The Barbers' total revenue from the previously designated 10% up charge from Cost Cutters franchisees was $254,365 or less than 1% of The Barbers' total revenue.

You must carry specified minimum insurance coverages including general liability and automobile with minimum limits of $1 million per person and $2 million per occurrence, property insurance with limits equal to at least "replacement" cost and professional liability with coverage limits of a reasonable amount. In addition, you must procure and pay for all other insurance required by state or federal laws, including workers' compensation and employer's liability together with all insurance required by any lese, sublease, mortgage, deed of trust, or other legal contract in connection with the Franchised Location or operation of your Cost Cutters Business. Your insurance policies must name The Barbers, Hairstyling for Men & Women, Inc., its parent, subsidiaries and affiliates as an additional insured. Items 6 and 7 of this Disclosure Document describe the estimated cost of the required insurance coverages. COST CUTTERS does not derive revenue from your purchase of required insurance coverages.

The non-lease purchases and leases described above are close to 100% of your overall purchases and leases to establish and then operate your COST CUTTERS Business. The Barbers makes no revenue from your purchases or leases. Regis receives rebates from FF&E suppliers, ranging from 2% to 10% of all franchisees' FF&E purchases, on account of the FF&E coordination services described earlier in this disclosure document. The Barbers may receive payments from suppliers because of their transactions with franchisees. Except for the point of sale/computer system described in Items 10 and 11, The Barbers does not negotiate any purchase arrangements with suppliers. There are no purchasing or distribution cooperatives. The Barbers does not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

You must honor all terms and conditions of any customer relations, warranty, promotional, loyalty, gift certificate, gift card, complimentary pass of similar programs established by COSTS CUTTERS for the

Cost Cutters franchise system and you are responsible for buying any required equipment, software or materials and paying any fees and costs associated with your participation in such program.

Franchisees may purchase certain optional products and services from The Barbers and its affiliates, including Regis, and other approved suppliers (if any). The Barbers and its affiliates, including Regis, may receive rebates, discounts, benefits, and payments from the suppliers of those optional products and services based on franchisees' purchases of such optional products and services. The Barbers provides no material benefits to franchisees for purchasing such optional products and services.

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.

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section in Agreement**	**Disclosure Document Item**
a. Site selection and acquisition/ lease	Articles 1, p. F-2, 21.1, p. F-36 and 22, p. F-38 of Franchise Agreement; Article 1 of Development Agreement	7 and 11
b. Pre-opening purchases/leases	Articles 7.3, p. F-10 and 7.8, p. F-11 of Franchise Agreement and Construction Management Services Agreement	7, 8 and 10
c. Site development and other pre-opening requirements	Articles 1, p. F-2, 7.3, p. F-10 and 7.5, p. F-11 of Franchise Agreement and Construction Management Services Agreement	6, 7 and 11
d. Initial and ongoing training	Articles 14, p. F-26 and 15.3, p. F-28 of Franchise Agreement	11
e. Opening	Articles 9.1, p. F-17 and 14.1, p. F-26 of Franchise Agreement	11
f. Fees	Articles 4, p. F-5, 5, p. F-6 and 6, p. F-7 of Franchise Agreement and Article 3 and 4 of Development Agreement and 3 and 4 of Construction Management Services Agreement	5, 6 and 10
g. Compliance with standards and policies/Operating Manual	Articles 7, p. F-10 and 8, p. F-16 of Franchise Agreement and Article 5 of Development Agreement	11
h. Trademarks and proprietary information	Articles 3, p. F-4, 7.7, p. F-11 and 8, p. F-16 of Franchise Agreement and Article 5 of Development Agreement	13 and 14

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section in Agreement**	**Disclosure Document Item**
i. Restrictions on products/services offered	Articles 7.8, p. F-11 and 7.11, p. F-12 of Franchise Agreement	16
j. Warranty and customer service requirements	Article 7, p. F-10 of Franchise Agreement	11
k. Territorial development and sales quotas	Articles 1 and 3 of Development Agreement	12
l. Ongoing product/service purchases	Articles 7.8, p. F-11 and 7.11, p. F-12 of Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	Articles 7.5 and 7.6, p. F-11 and 7.12, p. F-13 of Franchise Agreement	11
n. Insurance	Article 17, p. F-29 of Franchise Agreement	6 and 8
o. Advertising	Articles 6, p. F-7, 7.4, p. F-10 and 7.24, p. F-15 of Franchise Agreement	6 and 11
p. Indemnification	Article 18, p. F-31 of Franchise Agreement	6
q. Owner's participation/ management/staffing	Article 7.23, p. F-15 of Franchise Agreement and Article 4 of Development Agreement	11 and 15
r. Records and reports	Article 19, p. F-32 of Franchise Agreement	6
s. Inspections and audits	Articles 7.19, p. F-14 and 19.4, p. F-32 of Franchise Agreement	6 and 11
t. Transfer	Article 20, p. F-33 of Franchise Agreement; Articles 10 and 11 of Development Agreement	17
u. Renewal	Article 2, p. F-3 of Franchise Agreement	17
v. Post-termination obligations	Article 11, p. F-21 of Franchise Agreement; Articles 7 and 8 of Development Agreement	17
w. Noncompetition covenants	Article 12, p. F-23 of Franchise Agreement	17
x. Dispute resolution	Article 23, p. F-41 of Franchise Agreement and Article 12 of Development Agreement	17

10. FINANCING

COST CUTTERS and its agents and affiliates do not offer direct or indirect financing or guarantee your note, lease, or obligation.

Supersalon Point of Sale System Rental Agreement

COST CUTTERS has a written arrangement with ProPoint Solutions, LLC ("ProPoint") by which ProPoint, an unaffiliated company, leases you the Salon's point-of-sale system (hardware and software). You and ProPoint will sign a separate POS System Rental Agreement (the current version of which is Exhibit K-1) (the "Rental Agreement"), which runs for a one year period and automatically renews for additional one-year periods unless terminated on notice prior to expiration. (Section 2 of Rental Agreement) You pay ProPoint a monthly lease for the software and/or hardware by automatic debit or credit card charge. You also pay a monthly software maintenance fee. The total annual costs to rent the software for the currently-designated computerized point of sale system and franchise back-office software for the first year is approximately $1,680-$3,600 ($140-$300 per month). The total initial cost to purchase and install the hardware and for onsite training is $3,700-$5,000. The total cost for software, including software maintenance, hardware, installation, and training in the first year is $5,380-$8,600. For each subsequent year, the monthly fee is similar, whether you purchase or lease the point of sale system. These fees are subject to change. There are no discounts for advance payment, and you must pay a processing fee for late payments. (Section 3 of Rental Agreement) ProPoint retains ownership of the POS system during the lease term, and you must sign any financing-related documents for ProPoint to preserve its ownership rights. However, at the end of the Rental Agreement's term, you may purchase the hardware for a nominal amount if you made all required payments during the lease term. (Section 4 of Rental Agreement)

You must keep the POS system in good working order at your own cost and are responsible for all loss and damage. (Section 12 of Rental Agreement) You may not move the system to a different location without ProPoint's consent. (Section 9 of Rental Agreement) Except for the one-year hardware warranty, ProPoint disclaims all warranties. (Section 8 of Rental Agreement) It also disclaims responsibility for any indirect, special and/or consequential damages. (Section 11 of Rental Agreement) You must insure the hardware for at least its replacement value and must indemnify ProPoint for all liability arising from your use of the system (unless caused by ProPoint's sole negligence or breach of warranty. (Section 10 of Rental Agreement)

Rental Agreement defaults include failure to pay rent when due, or to comply with other contractual obligations, and to cure the default within 30 days, bankruptcy and other financial insolvency conditions, and unauthorized transfer or encumbrance of the system. (Section 6 of Rental Agreement) If you default, ProPoint may terminate the Rental Agreement, sue to require performance, enter your Salon and repossess the system (and then sell it to recoup the amounts owed), and accelerate all amounts due under the Rental Agreement. You are responsible for all attorneys' fees and related enforcement costs and waive any setoff rights or counterclaims against ProPoint. (Section 10 of Rental Agreement) While a default under the Rental Agreement is not a formal default under the Franchise Agreement, you need the POS system to operate your Salon properly; if you do not operate your Salon in compliance with COST CUTTER'S requirements, that would be a separate operational default under the Franchise Agreement for which COST CUTTERS could take action.

ProPoint may assign the Rental Agreement without restriction, in which case your continuing contractual obligations are not subject to any defense, setoff, or counterclaim against ProPoint. You may not assign the Rental Agreement or transfer the system without ProPoint's prior written consent. (Section 14 of Rental Agreement) COST CUTTERS does not sell, assign, or discount to a third party all or part of any financing arrangement. Neither COST CUTTERS nor any of its affiliates receives any consideration from ProPoint due to the arrangement.

Opensalon Pro SaaS and Hardware Purchase Agreement

COST CUTTERS' affiliate, Fremont Software, LLC ("Fremont"), provides the Opensalon Pro point-of-sale and backoffice computer system to you by selling you the required hardware and providing you with

the Opensalon Pro software-as-a-service (SaaS) services for a monthly fee. You and Fremont will sign a separate Opensalon Pro SaaS and Hardware Purchase Agreement (the current version of which is Exhibit K-2) (the "SaaS Agreement"), which runs for a three year period that automatically renews for additional one year periods unless terminated on at least 120 days' prior notice. (Section 13.1 of SaaS Agreement). Fremont may terminate the SaaS Agreement at any time. (Section 13.5 of SaaS Agreement). Fremont currently offers a financing program for you to purchase the hardware over 36 months plus a $5 per month financing charge. If you finance the hardware, you will sign the Hardware Finance Agreement attached to Exhibit K-2. You pay Fremont a monthly fee for the SaaS services. The total annual costs for the SaaS services for the first year is approximately $1,740-$2,340 ($145-$195 per month). The total initial cost to purchase and install the hardware and for onsite training is $2,675-$3,216.97. The total cost for SaaS services, including software maintenance, hardware and installation in the first year is $4,415-$5,556.97. These fees are subject to change. There are no discounts for advance payment, and you must pay a processing fee for late payments. (Section 9 of Hardware Finance Agreement).

You must keep the POS system in good working order at your own cost and are responsible for all loss and damage. (Sections 6 and 11 of the Hardware Finance Agreement). You may not move the system to a different location without Fremont's consent. (Section 6 of the Hardware Finance Agreement). Fremont disclaims all warranties. (Section 8 of SaaS and Hardware Purchase Agreement). Manufacturers' warranties are included. (Addendum C, Schedule 1 of SaaS Agreement). It also disclaims responsibility for any indirect, special and/or consequential damages. (Section 15 of Hardware Finance Agreement; Section 10.1 of SaaS Agreement). You must insure the hardware for at least its replacement value and must indemnify Fremont for all liability arising from your use of the system. (Sections 6 and 7 of Hardware Finance Agreement).

Hardware Finance Agreement defaults include failure to pay rent when due, or to comply with other contractual obligations, bankruptcy and other financial insolvency conditions, and unauthorized transfer or encumbrance of the system. (Section 9 of Hardware Finance Agreement). If you default, Fremont may terminate the Hardware Finance Agreement, sue to require performance, enter your Store and repossess the system (and then sell it to recoup the amounts owed), and accelerate all amounts due under the Hardware Finance Agreement. (Section 9 of Hardware Finance Agreement). You are responsible for all attorneys' fees and related enforcement costs and waive any setoff rights or counterclaims against Fremont. (Section 9 of Hardware Finance Agreement). A default under the SaaS Agreement and/or the Hardware Finance Agreement may be a formal default under the Franchise Agreement, and you need a POS system to operate your Store properly; if you do not operate your Store in compliance with COST CUTTERS' requirements, that could be a separate operational default under the Franchise Agreement for which COST CUTTERS could take action.

Fremont may assign the Hardware Finance Agreement and the SaaS Agreement without restriction. (Section 10 of Hardware Finance Agreement; Section 15 of SaaS Agreement). You may not assign the Hardware Finance Agreement or SaaS Agreement or transfer the system without Fremont's prior written consent. (Section 10 of Hardware Finance Agreement; Section 15 of SaaS Agreement). COST CUTTERS does not sell, assign, or discount to a third party all or part of any financing arrangement. Neither COST CUTTERS nor any of its affiliates receives any consideration from Fremont due to the arrangement.

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

Except as listed below, COST CUTTERS need not provide any assistance to you.

Assistance Before Opening - Before you open your first Business, COST CUTTERS must provide you with: (1) a written schedule for the approved furniture, fixtures, supplies and equipment for use in your

Business (Franchise Agreement Article 15.1, p. F-27); (2) a set of approved standard plans and specifications which you can adapt for the Franchised Location at your expense and with COST CUTTERS' final approval (Franchise Agreement Article 21.2, p. F-35); (3) a list of approved sources of furniture, fixtures, supplies, toiletries, grooming aids, products, printed materials, items, goods, services (Franchise Agreement Article 15.1, p. F-27); (4) training (Franchise Agreement Article 14, p. F-25); and (5) pre-opening assistance (Franchise Agreement Article 14, p. F-25). If you are an existing COST CUTTERS franchisee, pre-opening assistance may not be available to you from COST CUTTERS (Franchise Agreement Article 14, p. F-25). Regis also currently offers Cost Cutters franchisees, under its Construction Management Services Agreement (Exhibit N), the Cost Cutters Business construction management services and FF&E coordination services described in Items 5 and 7, which are required if you purchase an affiliated branded salon for conversion to a COST CUTTERS store.

Site Selection - COST CUTTERS will assist you in your search for a location(s) for your Cost Cutters Business. Our real estate directors will assess the feasibility of the location you select for a Cost Cutters Business, taking into consideration all factors COST CUTTERS deems material such as population density, demographics, traffic patterns, signage, access, visibility, competition in the trade area, co-tenancy, economic conditions of the area and other factors. We may add to this list of factors without notifying you. COST CUTTERS has the right to approve the site you select for your Cost Cutters Business. If you sign your lease directly with the landlord, the lease must meet our requirements and conform to our then current Lease Addendum. Failing to do so may prevent you from opening a salon at that location. If we lease the space, we will sublease the location to you, and we will not sign the lease until you have agreed to the terms and conditions of the lease. (Franchise Agreement Article 21.1).

Initial Training - You (and your District Manager if you have one) are required to and must attend the Franchise Orientation Training Program at COST CUTTERS' offices in Minneapolis, Minnesota (Franchise Agreement Article 14.1, p. F-25) or, if designated by COST CUTTERS, online. The instructors who present the Franchise Orientation Program each have many years of experience in the hair care industry. The instructional materials used in our training programs include the Operations Manual, the Situational Management Manual, videos, handouts and teleconference seminars. The Franchise Orientation Training Program includes classroom instruction for at least four business days on orientation to the Cost Cutters Business System and basic operating skills such as daily operational procedures, inventory control, computerized point of sale system, employee relations, scheduling and other topics selected by COST CUTTERS. You must also attend in-store initial training for up to three days at your Cost Cutters Business. Ordinarily you and your District Manager must complete these training programs 30 days before you open your Cost Cutters Business, and unless training is successfully completed, COST CUTTERS will not authorize you or your District Manager to operate or manage your Cost Cutters Business. You must pay for the salaries, fringe benefits, travel costs and expenses, room and board, workers' compensation, and federal and state unemployment compensation for you and your District Manager while attending the training programs. The following table summarizes the Franchise Orientation Training Program.

TRAINING PROGRAM			
Subject	**Hours Of Classroom Training**	**Hours On The Job Training**	**Location**
Review of Salon Operations Manual	2.5	0	Franchisor's Corporate Office or online
Customer Service System	3	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Financial Business Planning	2	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Point of Sale Systems	4	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Situational Management	3.5	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Exclusive Brand Product Knowledge	1	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Visual Merchandising	1	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Marketing	3.5	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online
Development/Real Estate/Construction	2.5	0	Franchisee's Salon Location or online
Promotional Items	.5	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online

Questions and Answers	.5	0	Franchisor's Corporate Office and/or Franchisee's Salon Location or online

The training staff is large and changes frequently, and includes instructors in operations, marketing, merchandising, education, IT, and talent acquisition with varying years of experience. Training is overseen by Sherry Poss, Associate Vice President of Business Development whose experience is described in Item 2 above. It should be noted that the individuals listed above are department heads and it is likely that other individuals will assist in the training classes.

Time of Opening - Cost Cutters Businesses generally open within 60 to 90 days from the date the Franchise Agreement or the Development Agreement is signed. Factors affecting this length of time include ability to find a suitable location for your business, obtaining financing, local ordinance compliance, completion of remodeling, completion of initial training, delivery and installation of signs and equipment, and delivery of initial inventory.

Pre-Opening and Opening Assistance - After you and/or your District Manager have successfully completed COST CUTTERS' Franchise Orientation Training Program, COST CUTTERS will assist you in scheduling the opening of your Cost Cutters Business. Two days before you open your first Cost Cutters Business, COST CUTTERS will furnish a Franchise Consultant at the Franchised Location (or online at COST CUTTERS' option) for at least two business days. The Consultant will provide pre-opening and opening assistance and will assist in training your staff in daily operational procedures, customer relations, product knowledge and other topics relating to the initial operation of your first Cost Cutters Business (Franchise Agreement Article 14, p. F-25). If you buy an existing Cost Cutters store from us or our affiliates or an affiliated branded salon from us or our affiliates for conversion to a Cost Cutters Business, we will provide a representative on the day you take possession of the acquired store to provide operations training to your salon team on that day. COST CUTTERS will provide the foregoing assistance for your first five brand new Cost Cutters Businesses; this assistance is not available to you after you have five or more salons open and operating. In addition, it does not apply to any existing stores you acquire from us, our affiliates, or third parties, including stores acquired for conversion to Cost Cutters. The instructional materials used in our training programs include the Operations Manual, stylists' brochure, consumers' brochure and videos. In addition, if you are a new Cost Cutters franchisee, approximately one month after you build your first Cost Cutters Business, we will provide a representative at your Franchised Location (or online at COST CUTTERS' option) who will provide 3 days (6 hours per day) of hands-on technical training on days designated by us (currently Monday-Wednesday). This technical training is only provided for the first store you build (and does not apply to any store you acquire from us, our affiliates, or a third party, including any stores acquired for conversion to Cost Cutters). The following table summarizes the pre-opening and opening assistance and training at the Franchised Location.

Subject	Hours Of Training (Pre-Opening)	Hours Of Training (Opening Day)	Location
Managers Training	2	0	Franchisee's Salon Location or online
Stylists Training in Customer Service	2	0	Franchisee's Salon Location or online
Exclusive Brand Product Knowledge	2	0	Franchisee's Salon Location or online
Mock Opening	2	0	Franchisee's Salon Location or online
Assistance on Opening Date	N/A	8	Franchisee's Salon Location or online

Assistance During the Operation of the Business - During the operation of your business, COST CUTTERS may periodically inspect your business and render written reports as it deems appropriate (Franchise Agreement Article 15.1, p. F-27). COST CUTTERS will also provide you with: (1) advisory services pertaining to customer service and operations (Franchise Agreement Article 15.1, p. F-27); (2) the Operations Manual and any supplements and modifications to the Manual (Franchise Agreement Article 15.1, p. F-27); (3) the names and addresses of newly approved vendors and suppliers (Franchise Agreement Articles 7.11, p. F-12 and 15.1, p. F-27); (4) protection of the licensed trademarks for the benefit of all franchisees (Franchise Agreement Article 3, p. F-4); and (5) national meetings (Franchise Agreement Article 15.2, p. F-27).

COST CUTTERS will loan you a copy of the Cost Cutters' Operations Manual or make the Operations Manual available to you by posting it on the internet or other means. The Operations Manual currently consists of four separate books totaling 460 pages which outline the Cost Cutters Business System. The following is a summary of the current Table of Contents of the Operations Manual:

Subject	Summary of Table of Contents	Number of Pages
BOOK ONE – OPENING YOUR SALON		
Introduction	Describes COST CUTTERS' history and gives an overview of the Business System	7
Real Estate	Describes site selection and lease negotiations	9
Salon Pre-Opening	Describes procedures for constructing or renovating the salon, obtaining and installing required equipment, inventory requirements and other information relating to preparing the salon for opening	21
Compliance Program The Promise	Describes standards for salon décor, marketing, cleanliness, professionalism and customer service, and product description	13
Franchise Product Sales	Describes information on purchase and sale of products and rebate programs currently available	11
Marketing	Provides information on strategies and procedures for salon marketing and advertising	31
Public Relations	Provides sample press releases and charitable efforts	11
BOOK TWO – MANAGING YOUR FINANCES		
	Describes required accounting procedures and financial management information along with COST CUTTERS' credit policies, information on employee compensation and benefit programs and sample forms.	66
BOOK THREE – RECRUITING YOUR STAFF		
	Provides information on recruiting, interviewing, and retaining stylists and other employees along with sample forms	124
BOOK FOUR – MANAGING YOUR SALON		
	Provides information on daily management, staff reviews, sanitation and cash handling along with sample forms and daily operations	167

Additional Training - You may also request additional training for your employees from COST CUTTERS at any time during the term of the Franchise Agreement (Franchise Agreement Article 15.3, p. F-27). There may or may not be a charge to you for additional training depending upon the type, location and duration of the training provided. You pay the salaries, fringe benefits, transportation expenses, living expenses, worker's compensation, and federal and state unemployment compensation for

all persons who attend the optional additional training courses offered by COST CUTTERS. The types of optional training currently available from COST CUTTERS are listed in the Services Catalog and include Franchise Orientation, Situational Management Training, Cost Cutters Stylist Training, Customized Workshops and Design Team training programs. These programs generally last from one to three days and are offered either at the Franchised Location or at various regional locations.

District Manager Training - You are responsible for training any new District Manager for your Cost Cutters Business. If you hire a District Manager who has not attended COST CUTTERS' initial training program and COST CUTTERS determines that the new District Manager does not have sufficient knowledge or experience to manage your business, then that person must successfully complete the Franchise Orientation and the Situational Management Training Program before managing or operating your Cost Cutters Business, and you must pay training fees to COST CUTTERS as described above.

Advertising - You will pay COST CUTTERS Advertising Fees in the amounts described in Item 6 of this Disclosure Document. Other Cost Cutters franchisees also pay Advertising Fees in the amounts specified in their Franchise Agreements, which may be different from the amounts described in Item 6 of this Disclosure Document. Company-owned Cost Cutters Businesses also contribute to COST CUTTERS' advertising fund on the same basis as existing franchisees. COST CUTTERS deposits the Advertising Fees collected from franchisees into an advertising fund, which is kept separate from COST CUTTERS' other funds (Franchise Agreement Article 6.1, p. F-7). COST CUTTERS uses a portion of the Advertising Fees for production of advertising materials, utilizing an outside advertising agency for creation of advertising programs, and a portion as reimbursement for the costs of administering and conducting the advertising program. For the calendar year ended December 31, 2019, COST CUTTERS spent 40% of the total advertising fund expenditures for production and creation of advertising, 12% for COST CUTTERS' general and administrative advertising fund expenses including expenses such as franchisee steering committee costs, shipping and courier expenses, creative duplication and printing of advertising materials and 48% for media placement. COST CUTTERS carries over the balance of moneys retained by the advertising fund to pay for advertising programs during COST CUTTERS' next calendar year. Advertising media which COST CUTTERS uses are primarily local and regional in scope, and include television, radio, newspaper, direct mail and billboards. COST CUTTERS' in-house marketing department coordinates production and distribution of advertising materials for use by franchisees.

COST CUTTERS has established an advisory council composed of seven COST CUTTERS franchisees who are elected by all the COST CUTTERS franchisees. COST CUTTERS administers the advertising fund, with advisory input from the advisory council. COST CUTTERS has the right to modify or dissolve the advisory council. An unaudited accounting of expenditures made by the national advertising production fund is available to you for review on request. Advertising fund monies not spent in a given fiscal year are retained in the fund for use during the following fiscal year. COST CUTTERS has no fiduciary duty to you with respect to the collection or expenditure of Advertising Fees, and any advertising fund will not be a trust or escrow account. COST CUTTERS does not use advertising fund monies to solicit franchise sales.

You must spend at least 1% of your Gross Revenues for local advertising and promotion of your Cost Cutters Business. You may use only advertising materials that COST CUTTERS has approved, and you must pay the costs of duplicating, customizing and placing your advertising.

COST CUTTERS has the right to form, change, dissolve or merge local advertising groups. When there are two or more Cost Cutters Businesses in a Designated Market Area ("DMA") as defined in Article 29.2 of the Franchise Agreement, COST CUTTERS may require all Cost Cutters Businesses in the DMA to join a cooperative advertising group to carry out joint advertising in the DMA (Franchise Agreement Article 6.5). The membership of the DMA advertising group will consist of all Cost Cutters franchisees

in the DMA. The members administer the DMA advertising group in accordance with written governing documents. Either the DMA advertising group or COST CUTTERS on its behalf will prepare an annual or more frequent accounting of the group's expenditures. You may examine the DMA advertising group's written governing documents and accountings upon request if a DMA advertising group exists in the DMA in which you will operate your Cost Cutters Business. A majority of the members of the DMA advertising group approve advertising strategies and expenditures. The costs of advertising approved by the DMA advertising group are allocated among and paid by the members of the group either on a pro rata basis or on a percentage of Gross Revenues. A majority of the members of the group selects the method of allocation of the cost of advertising. Your contributions to the DMA advertising group will apply to your 1% local advertising requirement. In addition to amounts you spend for local advertising directly or through a DMA advertising group, COST CUTTERS will spend, on a yearly basis, at least 50% of the Advertising Fees you pay for advertising and promotion in your DMA. These expenditures by COST CUTTERS may take the form of reimbursing you for approved advertising expenditures made by you in your DMA.

Computer Systems – You must use the computerized point of sale cash register system and franchise back office software that COST CUTTERS designates.

The currently designated and approved computerized point of sale cash register system and back office system software must be purchased or leased through COST CUTTERS' designated suppliers, which are currently ProPoint Solutions, LLC or COST CUTTERS' affiliate, Fremont Software, LLC. (Item 10 describes the ProPoint Point of Sale System Rental Agreement and the Fremont Opensalon Pro SaaS and Hardware Purchase Agreement.) You may choose either designated point of sale and back-office system. Your costs for the designated point-of-sale and backoffice computer system depend on which designated system you choose.

The total annual costs for leasing the Supersalon software for the currently designated computerized point of sale system and back office software for the first year is approximately $1,680 - $3,600 ($140-$300 per month). For each subsequent year, the monthly fee is similar, whether you purchase or lease the point of sale system. The total initial cost to purchase and install the hardware and for onsite training is $3,700-$5,000. The total cost for software, including software maintenance, hardware, installation, and training in the first year is $5,380-$8,600. These fees are subject to change. ProPoint Solutions, LLC is located at 314 North First Ave., Minneapolis, MN 55401. The currently designated computerized point of sale cash register system and franchise back office software is used for processing sales, managing inventory, finances and other back office functions, ordering product, staffing, customer relations and other aspects of their businesses, and has the right to require franchisees to upgrade these computer systems in the future. Franchisees must purchase or lease the point of sale and franchise back office hardware and software.

There are optional software support services and optional equipment related to the designated computerized point of sale cash register system which can be purchased or leased from the supplier.

The total annual costs for a subscription to the Opensalon Pro software-as-a-service (SaaS) service for the currently-designated computerized point of sale system and franchise back-office software for the first year is approximately $1,740-$2,340 ($145-$195 per month). The total initial cost to purchase and install the hardware is $2,675-$3,217. Fremont currently offers a financing option for the hardware. The total cost for software, including software maintenance, hardware and installation in the first year is $4,415-$5,557. These fees are subject to change. Fremont Software, LLC is located at 3701 Wayzata Boulevard, Minneapolis, MN 55416. If you choose to use Opensalon Pro, then you must use the credit card processor designated by COST CUTTERS, which is currently First Data Merchant Services LLC and enter into the Payment Solutions Agreement attached in Exhibit I-2.

COST CUTTERS may require you to periodically change, update or upgrade the computerized point of sale cash register system and/or franchise back office hardware and software, due to changes in business and technology, and there is currently no limitation on the frequency or cost of updates or upgrades. The computerized point of sale cash register system and/or franchise back office software tracks employee productivity, records individual performance, customer data, monitors salon profitability factors, facilitates scheduling and payroll records, product sales, monitors inventory, simplifies point of sale and may link COST CUTTERS salons to computer networks, including internet access to Regis systems. All data and information, including without limitation, operational, financial, revenue, expenses, profit, customer, and marketing data and information for your Cost Cutters Business including all such data and information on your point of sale and back office computer system, but excluding employee and employment related information ("Data") are owned exclusively by COST CUTTERS and COST CUTTERS, its parent, and affiliates may access and use such Data at any time, including on a daily and other basis without restriction. You must provide COST CUTTERS with independent and remote access to all Data through computer networking and other methods. There are no contractual limitations on COST CUTTERS' and its parent and affiliates' rights to access and use Data.

COST CUTTERS requires its franchisees to have access to and to use electronic mail, a voice mail system and the internet for the purpose of sending reports and other data and communication to COST CUTTERS.

12. TERRITORY

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

You do not receive an exclusive territory or area when granted a single Cost Cutters franchise. You will operate your Cost Cutters Business at a site that we first accept. You will lease that site unless we require you to sublease it from us or one of our affiliates. You may relocate your Cost Cutters Business if the new location is within two miles of your initial location, and if the new location does not compete with any other Cost Cutters business. You must have the new location open for business within one year of closing the initial location.

COST CUTTERS and its affiliates reserve the right to sell similar hair care products and services under different trademarks from the ones you will be using in your Cost Cutters Business. The Barbers currently operates and grants franchises to operate "Cool Cuts 4 Kids®," "The Barbers®," and "City Looks® Salons," businesses under Cool Cuts 4 Kids®, The Barbers®, and City Looks® Salons trademarks. The Barbers reserves the right to continue to operate and to grant franchises to operate "Cool Cuts 4 Kids", "The Barbers®", or "City Looks®" and other hair salon businesses anywhere it desires, including locations within your Designated Market Area and over the internet. "Cool Cuts 4 Kids," "City Looks® Salons", and "The Barbers" businesses are separate concepts from Cost Cutters businesses. The "Cool Cuts 4 Kids" concept provides value-priced hair care services primarily for children, and the "City Looks® Salons" concept is full-service, high-fashion hair care and personal grooming services. Accordingly, "Cool Cuts 4 Kids®," "The Barbers®" and "City Looks® Salons" businesses are not competitive with Cost Cutters businesses. However, the "We Care Hair" concept (franchised by WCH, Inc., a subsidiary of The Barbers, Hairstyling for Men & Women, Inc.), offers value-priced hair care services priced on an item by item basis that may be competitive with Cost Cutters businesses. You are not authorized to open or operate a "Cool Cuts 4 Kids®," "City Looks® Salons", or "The Barbers®" business under a Cost Cutters Franchise Agreement or Development Agreement.

Regis and its subsidiaries and affiliates (in addition to The Barbers and its subsidiary, WCH) own, operate and franchise numerous hair and retail product salon concepts: primarily Regis, Mastercuts, Supercuts®, SmartStyle, Pro-Cuts, Roosters, HairMasters, Haircrafters® and Great Expectations®. All of these

concepts share the same principal business address as COST CUTTERS. On March 9, 2000, a wholly owned subsidiary of Regis acquired the assets of Cutco Salons, Inc., including the rights to the Haircrafters® and Great Expectations® franchise system. On May 12, 2003, Regis acquired the assets of Pro-Cuts Franchise Corporation, including the rights to the Pro-Cuts Hair Care and Product Center franchise system. On February 10, 2009, Franchisor's affiliate, Regis Corp., acquired substantially all of the Cool Cuts 4 Kids salon business assets from Cool Cuts 4 Kids, Inc. Regis and its subsidiaries and affiliates reserve the right to own or franchise hair and retail product salons under the above concepts as well as under any other trade name or trademark, anywhere they desire, including in other locations within your Designated Market Area, locations adjacent to or nearby the location of your Cost Cutters Business, or over the internet. Regis and its subsidiaries need not compensate you for engaging in any of these activities. You are not, and will not be, authorized under a Cost Cutters Franchise Agreement or Development Agreement, to open or operate a business under any of the concepts, trade names or trademarks of Regis or its subsidiaries or affiliates other than a Cost Cutters Business. Regis and its affiliates intend to continue their expansion plans by acquiring, operating and/or franchising independent, as well as regionally and nationally branded, hair care and beauty product and service businesses. COST CUTTERS does not maintain physically separate offices or training facilities for these businesses. Regis and its subsidiaries and affiliates intend to resolve any conflicts among the brands and franchisees of the brands in the manner they deem best.

There may be new franchise programs by The Barbers and its affiliates in the future. You will compete with the stores and salons operated by The Barbers and its affiliates and their franchisees that are located near your store. There is no formal mechanism in place for resolving any conflict that may arise between your store and the stores/salons of The Barbers and its affiliated franchise systems in terms of area of operation, customers, and franchisor support. Continuation of your franchise rights, and continuation of any protected area granted for a specific period of time, do not depend on your achieving a certain sales volume, market penetration, or other contingency.

Development Agreement

If you enter into a Cost Cutters Development Agreement, you will receive non-exclusive rights in a site selection area (a "Designated Market Area") to establish and operate the number of Salons set forth in the Development Agreement at specific locations that will be designated in separate Cost Cutters franchise agreements and opened according to the timetable set forth in the Development Agreement. The Designated Market Area is typically characterized by county lines, but excludes any mass merchandiser locations (which are defined as locations owned or controlled by a national or regional mass merchandiser such as Wal-Mart, Target, Venture or Costco) within the geographic area encompassing the Designated Market Area. Before signing your Cost Cutters Development Agreement, the Designated Market Area will be defined and described in the Development Agreement, and a map of the Designated Market Area may be attached to the Development Agreement. The Designated Market Area may not be altered except by a written agreement signed by you and COST CUTTERS. No exclusive or protected territory or rights are granted under the Development Agreement, and we may develop, open, operate, or franchise Cost Cutters salons in your territory. If you purchase an existing company-owned COST CUTTERS store or affiliated branded salon for conversion to a COST CUTTERS store and are required to develop New Stores as part of that transaction, then the DMA for New Store development will be the DMA where the acquired stores are located.

Affiliated Hair Care Chains

Regis and its subsidiaries and affiliates including The Barbers reserve the right to own or franchise hair and retail product salons under any concepts as well as under any trade name or trademark, including COST CUTTERS®, anywhere they desire, including in mass merchandiser locations and other locations within your Designated Market Area, locations adjacent to or nearby the location of your Cost Cutters

Business, or over the internet. You are not, and will not be, authorized under a Cost Cutters Franchise Agreement or Development Agreement, to open or operate a business under any of the concepts, trade names or trademarks of Regis or its subsidiaries or affiliates other than a Cost Cutters Business. Regis and its affiliates, including The Barbers, intend to continue their expansion plans by acquiring, operating and/or franchising independent, as well as regionally and nationally branded, hair care and beauty product and service businesses.

Except for the expansion plans of Regis and its subsidiaries and affiliates as disclosed above and although COST CUTTERS or any affiliate may do so, neither COST CUTTERS nor any affiliate has established or has any present plans to establish other franchises or company-owned businesses or another channel of distribution selling or leasing similar products or services under a different trade name or trademark, except as described above.

13. TRADEMARKS

COST CUTTERS licenses you to operate your business under the name "Cost Cutters®." COST CUTTERS also authorizes you to use the logo which appears on the cover page of this Disclosure Document. You may only use COST CUTTERS' trademarks and service marks in the manner authorized in writing by COST CUTTERS. You may not use the words "Cost Cutters®" or any similar combination of these words in your corporate, partnership or sole proprietorship name.

The following is a list of COST CUTTERS' trademarks and service marks registered on the Principal Register of the United States Patent and Trademark Office:

Registration No.	Date	Description
3,230,993	April 17, 2007	CC & Design Service Mark
3,280,550	August 14, 2007	COST CUTTERS (stylized) Service Mark
1,724,880	October 20, 1992	COST CUTTERS - Trademark and Service Mark

COST CUTTERS has filed all required affidavits of use and renewal applications for the above trademarks and service marks.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceedings, and no pending material litigation involving COST CUTTERS' principal trademarks which have limited or restricted the use of COST CUTTERS' trademarks, trade names, service marks or commercial symbols in any state. There are no agreements currently in effect which significantly limit the rights of COST CUTTERS to use or license the use of its trademarks in any manner material to you.

To the knowledge of COST CUTTERS, there are no infringing uses which could materially affect your use of the licensed trademarks or other related rights in any state. COST CUTTERS will protect your rights to use its trademarks and protect you against claims of infringement and unfair competition relating to the trademarks. You must notify COST CUTTERS immediately of any infringement or unauthorized use of the trademarks or service marks that you become aware of and cooperate with any action COST CUTTERS undertakes. COST CUTTERS will control and conduct all litigation involving the trademarks and service marks. If anyone establishes to COST CUTTERS' satisfaction that its rights are, for any legal reason, superior to any of COST CUTTERS' trademarks, trade names or service marks, then you must

use the variances or other service marks, trademarks or trade names as may be required by COST CUTTERS to avoid conflict with the superior rights.

14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

COST CUTTERS does not own any patents or have any pending patent applications.

COST CUTTERS has copyrighted advertising copy and design, training films, workbooks, the Operations Manual, and items relating to the operation of the franchised business. COST CUTTERS has not applied to the United States Copyright Office to register the copyrights. The Operations Manual and other information relating to the operation of a Cost Cutters Business is proprietary to COST CUTTERS and must be kept confidential by you and your employees. You may not copy or alter any copyrighted or proprietary materials without COST CUTTERS' written consent, and may not use these materials except in operating your Cost Cutters Business.

There are no infringing uses actually known to COST CUTTERS that could materially affect your use of any copyrighted material supplied by COST CUTTERS. There are no presently effective determinations of the Copyright Office or any court, no pending interference, opposition or cancellation proceedings, nor any pending material litigation involving COST CUTTERS' copyrighted or proprietary materials which are relevant to their use in any state. There are no agreements currently in effect which significantly limit COST CUTTERS' right to use or license the use of the copyrighted or proprietary materials in any manner material to the franchise.

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

You are not required to participate "on premises" in the operation of the franchised business, but COST CUTTERS strongly recommends that you actively participate in the day-to-day operation of the franchised business. You (and your District Manager if you have one) must attend and successfully complete COST CUTTERS' initial training program before managing or operating your Cost Cutters Business. COST CUTTERS encourages you to employ a District Manager for each six Cost Cutters Businesses you own. Other than successful completion of the initial training program, COST CUTTERS does not impose restrictions on whom you may hire as a District Manager, and the District Manager need not have an ownership interest in a corporate or partnership franchisee. Your District Manager and other employees must sign a copy of the Confidentiality Agreement (Exhibit A to the Franchise Agreement), agreeing to maintain the confidentiality of COST CUTTERS' confidential and proprietary information.

16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell the products and services required by COST CUTTERS. COST CUTTERS has the right to change the required products and services during the term of the Franchise Agreement. There are no limits on COST CUTTERS' right to make changes to the required products and services franchisees sell. You may not offer or sell products or services that are not authorized by COST CUTTERS, and you may not use the Franchised Location for any purposes other than operating a Cost Cutters Business. You are not limited in the customers to whom you may sell your products and services. You may not sell any hair care product other than directly to end user customer from the Franchised Location. You may not sell any hair care products through any other distribution channels (including the Internet) or to any reseller. We reserve the right to the extent permitted by applicable law to regulate and control the minimum, maximum, and other resale prices for products and services offered by you in connection with your Cost Cutters Business.

17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Article 2.1, p. F-3	15 Years from the date your salon opens
b. Renewal or extension of the term	Article 2.2, p. F-3	Under terms offered to other franchisees at the time of reacquiring the franchise You may be asked to sign a current franchise agreement with materially different terms and conditions than your original agreement and the Continuing Fees on renewal will not be greater than the Continuing Fees that we then impose on similarly-situated renewing franchisees.
c. Requirements for you to renew or extend	Article 2.3, p. F-3	Give 180 days notice; satisfy all material requirements of your current Franchise Agreement; pay all amounts due to COST CUTTERS; modernize your Franchised Location; be in a position to occupy the Franchised Location for at least 3 years; and sign a new Franchise Agreement
d. Termination by you	Article 10, p. F-19	COST CUTTERS violates any material term of the Franchise Agreement; COST CUTTERS fails to pay any amount due to you; or COST CUTTERS assigns its assets to creditors
e. Termination by COST CUTTERS without cause	Not Applicable	The Franchise Agreement does not include this provision.
f. Termination by COST CUTTERS with cause	Article 9.1, p. F-17	You are in breach of the Franchise Agreement
g. "Cause" defined – curable defaults	Article 9.1, p. F-17	You will have 30 days to cure if you: fail to open your Cost Cutters Business within 180 days of the date of your Franchise Agreement or if COST CUTTERS or one of its affiliates is lessee for Franchised Location then the commencement date of lease; violate any material provision; fail to conform to the Business System; fail to pay any uncontested fee to anyone; you are determined to be insolvent; make an assignment for the benefit of creditors; issue any check which is dishonored; fail to pay for items required to start your Cost Cutters Business; have lease for your Franchise Location terminated; are convicted of any law relating to your Cost Cutters Business or a felony; or abandon your Cost Cutters Business

Provision	Section in Franchise Agreement	Summary
h. "Cause" defined – non-curable defaults	Article 9.5, p. F-19	You are convicted of any law relating to your Cost Cutters Business or a felony; you abandon your Cost Cutters Business; your conduct materially impairs COST CUTTERS' marks or Business System and you fail to correct such conduct within 24 hours of written notice; or you fail to comply with COST CUTTERS' request for an audit
i. Your obligations on termination/ nonrenewal	Article 11, p. F-21	You must cease using COST CUTTERS' marks; alter your Franchised Location to distinguish it from Cost Cutters Businesses; pay what you owe COST CUTTERS pursuant to the Franchise Agreement; return all printed materials COST CUTTERS provided you; and transfer your telephone directory listings to COST CUTTERS
j. Assignment of the contract by COST CUTTERS	Article 20.1, p. F-33	No restriction on COST CUTTERS' right to assign
k. "Transfer" by you – defined	Articles 20.2, p. F-34 and 20.3, p. F-34	Assignment of rights under the Franchise Agreement
l. COST CUTTERS' approval of transfer by you	Article 20.4, p. F-34	COST CUTTERS has the right to approve any transfer made by you but will not unreasonably withhold its consent
m. Conditions for COST CUTTERS' approval of transfer	Articles 20.4, p. F-34, 20.6 and 20.7, p. F-35	You pay all money owed to COST CUTTERS; comply with COST CUTTERS' right of first refusal; complete a written agreement satisfactory to COST CUTTERS; transferee's shareholders agree to be personally bound to the Franchise Agreement; if required by COST CUTTERS transferee franchisee meets COST CUTTERS' then-current standards and specifications and agrees to modernize the Franchised Location within 6 months of the transfer date if the store is more than 7 years old and has not been remodeled within the past 5 years; transferee acquires the Franchised Location; transferee signs a current Franchise Agreement; transferee pays deposit for and completes training program; you pay the transfer fee; and COST CUTTERS may require you to remain liable for obligations of the transferee franchisee if the transferee franchisee does not meet COST CUTTERS' net worth requirements
n. COST CUTTERS' right of first refusal to acquire your business	Article 13, p. F-24	You must first make a written offer to transfer your Cost Cutters Business to COST CUTTERS
o. COST CUTTERS' option to purchase your business	Not Applicable	The Franchise Agreement does not include this provision.

Provision	Section in Franchise Agreement	Summary
p. Your death or disability	Article 20.3, p. F-34	You may transfer your Franchise Agreement without first offering it to COST CUTTERS
q. Noncompetition covenants during the term of the franchise	Article 12.2, p. F-22	You may not participate in any business that competes with Cost Cutters Businesses
r. Noncompetition covenants after the franchise is terminated or expires	Article 12.3, p. F-22	You may not participate in any business that competes with (including over the Internet) or that is within six miles of any Cost Cutters Business for two years after the termination of your Franchise Agreement
s. Modification of the agreement	Article 24.11, p. F-46	Any modification must be in writing and signed by both you and COST CUTTERS
t. Integration/ merger clauses	Article 24.9, p. F-45	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable 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	Article 23, p. F-41	Except for certain claims, disputes must be arbitrated in Minneapolis, Minnesota. Any arbitration, or any claim in arbitration (including any defense and any claim of setoff or recoupment), must be brought or asserted before the expiration of the earlier of (1) the time period for bringing an action under any applicable state or federal statute of limitation; (2) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) two years after the first act or omission giving rise to an alleged claim. Claims of the franchisor attributable to the underreporting of sales and claims of the parties for indemnification shall be subject only to the applicable state or federal statute of limitation. (Subject to State Law)
v. Choice of forum	Article 24.6, p. F-45	Arbitration and litigation must be in Hennepin County, Minnesota (Subject to State Law)
w. Choice of law	Article 28.1, p. F-49	Governing law will be the law of the state where your Cost Cutters Business is located (Subject to State Law)

This table lists certain important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this disclosure document.

Provision	Section in Development Agreement	Summary
a. Length of the	Article 2.1	To be determined by you and COST

Provision	Section in Development Agreement	Summary
development term.		CUTTERS
b. Renewal or extension of the term	Article 2.2	You do not have a right to extend the term of the Development Agreement, but you do have a right of first refusal to acquire development rights to the Designated Market Area under terms then-proposed by COST CUTTERS if COST CUTTERS determines that the Designated Market Area may be further developed and if you meet COST CUTTERS' then-current requirements for an area developer.
c. Requirements for you to renew or extend	Article 2.2	Accept COST CUTTERS' written proposal to develop the Designated Market Area within 30 days.
d. Termination by you	Not Applicable	The Development Agreement does not contain this provision.
e. Termination by us without cause	Not Applicable	The Development Agreement does not contain this provision.
f. Termination by us with cause	Article 6	We may terminate the Development Agreement with cause if you are in breach of the Development Agreement.
g. "Cause" defined – curable defaults	Article 6.1	You will have 30 days to cure if you: violate any material provision; fail to conform to the Business System; fail to pay any uncontested fee to anyone; are determined to be insolvent; make an assignment for the benefit of creditors; issue any check which is dishonored; have a Franchise Agreement terminated by COST CUTTERS or wrongfully terminated by you; are convicted of any law relating to your Cost Cutters Business or a felony; or abandon the Designated Market Area.
h. "Cause" defined – non-curable defaults	6.5	You are convicted of any law relating to any of your Cost Cutters Businesses or a felony; you abandon the Designated Market Area; or your conduct materially impairs COST CUTTERS' marks or Business System and you fail to correct such conduct within 24 hours of written notice.
i. Your obligations on termination/nonrenewal	Article 7	You are still obligated to perform any and all of your obligations under the franchise agreements for those Cost Cutters Businesses you have already entered into an agreement to open and operate. Your rights pursuant to the Development Agreement revert back to COST CUTTERS.
j. Assignment of contract by us	Article 10	There are no limits on our right to assign any part of our interest in the Development

Provision	Section in Development Agreement	Summary
		Agreement
k. "Transfer" by you – definition	Article 10.2 and 10.3	You may not sell, transfer, convey, barter or assign your rights under the Development Agreement.
l. Our approval of transfer by you	Article 10.4	You must obtain our prior written approval of any proposed transfer.
m. Conditions for our approval of transfer	Article 10.4	You pay all money owed to COST CUTTERS; complete a written agreement satisfactory to COST CUTTERS; transferee's shareholders agree to be personally bound to the Development Agreement; transferee meets COST CUTTERS' standards; you pay the transfer fee; and you may be required to remain liable for obligations of the transferee franchisee if the transferee franchisee does not meet COST CUTTERS' net worth requirements.
n. Our right of first refusal to acquire your business	Article 11.1	You must first make a written offer to transfer your Development Agreement to COST CUTTERS
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Article 10.3	You may transfer your Development Agreement without first offering it to COST CUTTERS.
q. Non-competition covenants during the term of the franchise	Article 8.2	You may not participate in any business that competes with Cost Cutters Businesses.
r. Non-competition covenants after the franchise is terminated or expires	Article 8.3	You may not participate in any business that competes with (including over the Internet) or that is within six miles of any Cost Cutters Business for two years after the termination of your Development Agreement.
s. Modification of the agreement	Article 13.2	Any modification must be in writing and signed by both you and COST CUTTERS.
t. Integration/merger clause	Article 13.9	Only the terms of the Development Agreement, individual franchise agreements we have previously entered into, and the representations in this disclosure document are binding. Any other representations or promises may not be enforceable. Nothing in this Section, or any related agreement, is intended to disclaim the representations we made in this disclosure document (subject to state law).
u. Dispute resolution by arbitration or mediation	Articles 12 and 13	Except for certain claims, disputes must be arbitrated in Minneapolis, Minnesota (Subject to State Law)

Provision	Section in Development Agreement	Summary
v. Choice of forum	Article 13.6	Arbitration and litigation must be in Hennepin County, Minnesota (Subject to State Law)
w. Choice of law	Article 17.1	Governing law will be the laws of the state where the Designated Market Area is located (Subject to State Law)

18. PUBLIC FIGURES

COST CUTTERS does not use any public figure to promote its franchise.

19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

This Item 19 discloses the following financial performance information for franchised and/or company-owned Cost Cutters Businesses:

1. Average and Median Store Gross Sales Information for Fiscal-Year Period from July 1, 2019, through February 29, 2020 (for franchised and company-owned Cost Cutters Businesses);

2. Average and Median Store Gross Sales Information for July and August 2020 (for franchised and company-owned Cost Cutters Businesses); and

3. Average and Median Store Gross Sales Information for Fiscal-Year Period from July 1, 2018, through June 30, 2019 (for franchised and company-owned Cost Cutters Businesses).

I. Average and Median Store Gross Sales Information for Fiscal-Year Period from July 1, 2019, through February 29, 2020 and for July and August 2020

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic and associated government orders forced substantially all franchised and company-owned Cost Cutters Businesses to close temporarily or to operate on a significantly-limited basis from March 1, 2020, through June 30, 2020, which is the end of our fiscal year. Therefore, this Item 19 does not include the financial performance of any franchised or company-owned Cost Cutters Businesses during the period from March 1, 2020, through June 30, 2020.

The financial performance representations in this Section I disclose actual historical average and median store gross sales of franchised and company-owned Cost Cutters Businesses during the following specific time periods:

(1) the 8-month period from July 1, 2019 (the beginning of our last fiscal year), through February 29, 2020, the month ending before the declaration of the COVID-19 pandemic (the "Covered Period"); and

(2) July 2020 and August 2020 (the "July/August Period"), which reflects the impact of COVID-19 on the financial performance of franchised and company-owned Cost Cutters Businesses.

A. The Covered Period

This subsection discloses historical average and median store gross sales during the Covered Period, for 351 franchised Cost Cutters Businesses operating throughout the United States. (Historical financial performance information for Cost Cutters Businesses owned and operated by Regis Corp., Franchisor's affiliate, follows afterward.) The franchised Cost Cutters Businesses whose gross sales were included in order to calculate the average and median numbers were open as of July 1, 2019, the beginning of the period for which the numbers were calculated (meaning that these franchised Cost Cutters Businesses were open for at least 8 months as of February 29, 2020, the end of the Covered Period). As of July 1, 2019, there were an additional 19 franchised Cost Cutters Businesses operating throughout the United States. However, these franchised Cost Cutters Businesses' gross sales were not included in this calculation because prior to February 29, 2020, they closed and therefore, in each case, were not open as franchised Cost Cutters Businesses for the full Covered Period. One of these franchised stores were closed after not being open for twelve months.

[As of February 29, 2020, there were an additional 186 franchised Cost Cutters Businesses operating throughout the United States. However, those Cost Cutters Business's gross sales are not included in the calculation with the other 351 franchised Cost Cutters Businesses because (1) as of July 1, 2019, 6 of those 186 Businesses were not open at all (meaning they were not open during the entire Covered Period); and (ii) the remaining 180 Businesses were company-owned stores as of July 1, 2019 that were then sold to franchisees at some point after July 1, 2019 (referred to in this Item 19 as "Transferred Stores") and therefore were not franchised Cost Cutters Businesses for the entire Covered Period. The average and median total gross sales during the Covered Period for these 180 Transferred Stores are presented separately below.]

The following information has been compiled from the figures reported on sales and royalty statements submitted by the franchisees of these 351 franchised Cost Cutters Businesses described above. While we believe this information to be accurate and complete, we have not independently audited this information or otherwise verified its accuracy. The numbers reported for these franchised Cost Cutters Businesses do not include the operating results of any of the 139 company-owned Cost Cutters Businesses as of February 29, 2020.

The 351 franchised Cost Cutters Businesses included in this financial performance representation are located in the following states:

1. Alabama (11)
2. Arizona (2)
3. California (7)
4. Connecticut (13)
5. Florida (1)
6. Iowa (42)
7. Idaho (7)
8. Illinois (17)
9. Indiana (5)
10. Kentucky (18)
11. Massachusetts (16)
15. Nebraska (23)
16. North Carolina (3)
17. North Dakota (5)
18. Ohio (9)
19. Oregon (1)
20. South Carolina (9)
21. South Dakota (7)
22. Tennessee (13)
23. Texas (18)
24. Virginia (8)
25. Washington (1)

12. Michigan (10)
13. Minnesota (25)
14. Missouri (6)
26. West Virginia (3)
27. Wisconsin (71)

The average total gross sales for this group of 351 franchised Cost Cutters Businesses during the Covered Period were $175,555. A total of 162 franchised Cost Cutters Businesses, or 46.15%, exceeded this average. The median total gross sales for this group of 351 franchised Cost Cutters Businesses during the Covered Period were $164,488. The highest and lowest gross sales in the average and median calculations were $744,763 and $25,357 respectively. For purposes of this financial performance representation, "gross sales" is defined as total gross revenue (net of customer discounts) derived from operating a Cost Cutters Business (including merchandise and services sales), whether from cash or credit sales, and without regard to the payment source or collection costs, but excluding taxes added to the sales price and collected from customers and less bona fide refunds.

The average total gross sales during the Covered Period for 139 company-owned Cost Cutters Businesses that were open as of July 1, 2019, the beginning of the Covered Period (meaning that these Businesses were open for at least 8 months as of February 29, 2020), were $158,426. A total of 59 Cost Cutters owned Businesses, or 42.45%, exceeded this average. The median gross sales during the Covered Period were $149,291. The highest and lowest gross sales in the average and median calculations were $447,853 and $45,738 respectively. (All "company-owned" Businesses described in this Item 19 are owned and operated by our affiliate, Regis Corp., a wholly-owned subsidiary of Regis Corporation.) As of February 29, 2020, there were 2 additional company-owned Cost Cutters Business owned and operated by Regis Corp. operating in the United States. However, those Businesses' gross sales were not included in this calculation because they were not open at all as of July 1, 2019, the beginning of the Covered Period. As of July 1, 2019, there were an additional 16 company-owned stores operating throughout the United States. However, these stores' gross sales were not included in this calculation because they closed prior to February 29, 2020 and therefore were not open for the full Covered Period. In addition, the 180 Transferred Stores (defined above) were not included in this calculation because they were all sold to franchisees after July 1, 2019 and therefore were not company-owned stores for the entire Covered Period. The average and median total gross sales during the Covered Period for those 180 Transferred Stores are presented below.

The average total gross sales during the Covered Period for both the 351 franchised Cost Cutters Businesses and the 139 company-owned Businesses (a total of 490 Cost Cutters Businesses) that were open as of July 1, 2019, the beginning of the Covered Period (meaning that the stores were open for at least 8 months as of February 29, 2020) —but excluding the 180 Transferred Stores—were $170,700. A total of 214 stores, or 43.67%, exceeded this average. The median gross sales during the Covered Period for all such stores was $158,491. The highest and lowest gross sales in the average and median calculations were $744,763 and $25,357, respectively.

The average total gross sales during the Covered Period for the 180 Transferred Stores that were open company-owned Businesses as of July 1, 2019, the beginning of the Covered Period, but then were sold to franchisees after July 1, 2019 (meaning that the Businesses were open for at least 8 months as of February 29, 2020 as company-owned Businesses for part of the year and as franchisee-owned Businesses for the remainder of the year), were $175,457. A total of 75 Businesses, or 41.67%, exceeded this average. The median gross sales during the Covered Period for all such stores were $159,289. The highest and lowest gross sales in the average and median calculations were $423,225 and $69,697, respectively.

The average total gross sales during the 8-month period ending February 29, 2020 for the combined 351 franchised Stores, 139 company-owned Businesses, and 180 Transferred Stores (a total of 670 Businesses) that were open as of July 1, 2019, the beginning of the Covered Period (meaning that the

Businesses were open for at least 8 months as of February 29, 2020), were $171,978. A total of 288 Businesses, or 42.99%, exceeded this average. The median gross sales during the Covered Period for all such stores were $158,629. The highest and lowest gross sales in the average and median calculations were $744,763 and $25,357, respectively.

Average Gross Sales Breakdown by One-Thirds

Franchised Cost Cutters Businesses

	# of Stores	Average Sales	% of 351 Franchised Stores	# and % of Franchised Stores Exceeding Average
Top one-third	116	$262,416	33.05%	42/36.21%
Middle one-third	118	$166,850	33.62%	57/48.31%
Bottom one-third	117	$98,217	33.33%	67/57.26%
Total	351	$175,555	100.00%	162/46.15%

Median Gross Sales Breakdown by One-Thirds

Franchised Cost Cutters Businesses

	# of Stores	Median Sales	% of 351 Franchised Stores
Top one-third	116	$241,430	33.05%
Middle one-third	118	$165,119	33.62%
Bottom one-third	117	$103,940	33.33%
Total	351	$164,488	100.00%

Highest and Lowest Gross Sales for Average and Median One-Thirds

Franchised Cost Cutters Businesses

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$744,763	$199,014
Middle one-third	$197,992	$135,543
Bottom one-third	$135,176	$25,357
Total	$744,763	$25,357

Average Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Average Sales	% of 139 Cost Cutters-Owned Businesses	# and % of Cost Cutters-Owned Businesses Exceeding Average
Top one-third	46	$230,045	33.09%	15/32.61%
Middle one-third	46	$149,052	33.09%	24/52.17%
Bottom one-third	47	$97,505	33.81%	30/63.83%
Total	139	$158,426	100.00%	59/42.45%

Median Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Median Sales	% of 139 Company-Owned Stores
Top one-third	46	$199,677	33.09%
Middle one-third	46	$149,614	33.09%
Bottom one-third	47	$105,621	33.81%
Total	139	$149,291	100.00%

Highest and Lowest Gross Sales for Average and Median by One-Thirds

Company-Owned Stores

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$447,853	$174,656
Middle one-third	$173,795	$124,557
Bottom one-third	$124,288	$45,738
Total	$447,853	$45,738

Average Gross Sales Breakdown by One-Thirds

Transferred Stores

	Salon Count	Average Sales	% of 180 Transferred Stores	# and % of Transferred Stores Exceeding Average
Top One-Third	59	$254,451	32.78%	26 / 44.07%
Middle One-Third	61	$161,258	33.89%	28 / 45.90%
Bottom One-Third	60	$112,215	33.33%	38 / 63.33%
Total	180	$175,457	100.00%	75 / 41.67%

Median Gross Sales Breakdown by One-Thirds

Transferred Stores

	Salon Count	Median Sales	% of 180 Transferred Stores
Top	59	$239,392	32.78%
Mid	61	$159,541	33.89%
Bottom	60	$117,938	33.33%
Total	180	$159,289	100.00%

Highest and Lowest Gross Sales for Average and Median by One-Thirds

Transferred Stores

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$423,225	$194,212
Middle one-third	$191,345	$136,993
Bottom one-third	$136,633	$69,697
Total	$423,225	$69,697

B. The July/August Period

In addition to the gross sales information presented above for the Covered Period, this subsection sets forth the actual historical average and median gross sales during July 2020 and August 2020 of all franchised and company-owned Cost Cutters Businesses that were open during the Covered Period and also open during July 2020 and/or August 2020 (i.e., stores that were not open as of July 1, 2019, are not included in this portion of the presentation even if they were open in July 2020 and/or August 2020). We have also excluded stores that were temporarily or permanently closed for the entire months of July and/or August and reflected $0 in gross sales during such months.

(i) July 2020

The average total gross sales for 526 franchised Cost Cutters Businesses that were open during July 2020 were $16,045. A total of 226 franchised stores, or 42.97%, exceeded this average. The median gross sales were $14,724. The highest and lowest gross sales in the average and median calculations were $76,513 and $810, respectively. The average total gross sales for the 115 company-owned stores during July 2020 were $11,831. A total of 56 company-owned Stores, or 48.70%, exceeded this average. The median gross sales were $11,708. The highest and lowest gross sales in the average and median calculations were $31,468 and $376, respectively.

Average Gross Sales Breakdown by One-Thirds

Franchised Cost Cutters Businesses

	# of Stores	Average Total Gross Sales	% of Franchised Stores	# and % of Franchised Stores Exceeding Average
Top one-third	175	$24,710	33.27%	62/35.43%
Middle one-third	175	$14,991	33.27%	79/45.14%
Bottom one-third	176	$8,478	33.46%	101/57.39%
Total	526	$16,045	100.00%	226/42.97%

Median Gross Sales Breakdown by One-Thirds

Franchised Cost Cutters Businesses

	# of Stores	Median Total Gross Sales	% of Franchised Stores
Top one-third	175	$23,379	33.27%
Middle one-third	175	$14,729	33.27%
Bottom one-third	176	$9,077	33.46%
Total	526	$14,724	100.00%

Highest and Lowest Gross Sales for Average and Median One-Thirds

Franchised Cost Cutters Businesses

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$76,513	$18,141
Middle one-third	$18,103	$12,116
Bottom one-third	$12,097	$810
Total	$76,513	$810

Average Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Average Total Gross Sales	% of 115 Company-Owned Stores	# and % of Company-Owned Stores Exceeding Average
Top one-third	38	$17,569	33.04%	14/36.84%
Middle one-third	38	$11,583	33.04%	21/55.26%
Bottom one-third	39	$6,482	33.91%	23/58.97%
Total	115	$11,831	100.00%	56/48.70%

Median Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Median Sales	% of 115 Company-Owned Stores
Top one-third	38	$16,311	33.04%
Middle one-third	38	$11,756	33.04%
Bottom one-third	39	$7,212	33.91%
Total	115	$11,708	100.00%

Highest and Lowest Gross Sales for Average and Median One-Thirds

Company-Owned Stores

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$31,468	$13,896
Middle one-third	$13,658	$9,557
Bottom one-third	$9,378	$376
Total	$31,468	$376

(i) August 2020

The average total gross sales for 529 franchised Cost Cutters Businesses during August 2020 were $16,500. A total of 222 franchised Stores, or 41.97%, exceeded this average. The median gross sales were $15,342. The highest and lowest gross sales in the average and median calculations were $86,188 and $43, respectively. The average total gross sales for the 104 company-owned Stores during August 2020 were $13,245. A total of 49 company-owned Stores, or 47.12%, exceeded this average. The median gross sales were $12,635. The highest and lowest gross sales in the average and median calculations were $34,734 and $1,048, respectively.

Average Gross Sales Breakdown by One-Thirds

Franchised Cost Cutters Businesses

	# of Stores	Average Total Gross Sales	% of Franchised Stores	# and % of Franchised Stores Exceeding Average
Top one-third	176	$25,740	33.27%	65/36.93%
Middle one-third	176	$15,342	33.27%	88/50.00%
Bottom one-third	177	$8,465	33.46%	102/57.63%
Total	529	$16,500	100.00%	222/41.97%

Median Gross Sales Breakdown by One-Thirds

Franchised Cost Cutters Businesses

	# of Stores	Median Total Gross Sales	% of Franchised Stores
Top one-third	176	$24,047	33.27%
Middle one-third	176	$15,343	33.27%
Bottom one-third	177	$8,898	33.46%
Total	529	$15,342	100.00%

Highest and Lowest Gross Sales for Average and Median One-Thirds

Franchised Cost Cutters Businesses

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$86,188	$18,573
Middle one-third	$18,507	$12,639
Bottom one-third	$12,595	$43
Total	$86,188	$43

Average Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Average Total Gross Sales	% of 104 Company-Owned Stores	# and % Company-Owned Stores Exceeding Average
Top one-third	34	$20,083	32.69%	14/41.18%
Middle one-third	35	$12,760	33.65%	17/48.57%
Bottom one-third	35	$7,086	33.65%	20/57.14%
Total	104	$13,245	100.00%	49/47.12%

Median Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Median Sales	% of 104 Company-Owned Stores
Top one-third	34	$18,949	32.69%
Middle one-third	35	$12,708	33.65%
Bottom one-third	35	$7,635	33.65%
Total	104	$12,635	100.00%

Highest and Lowest Gross Sales for Average and Median by One-Thirds

Company-Owned Stores

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$34,734	$15,247
Middle one-third	$15,130	$10,563
Bottom one-third	$10,470	$1,048
Total	$34,734	$1,048

The products and services offered by each franchised store, company-owned store, and Transferred Store are essentially the same. The franchised stores and Transferred Stores whose gross sales numbers are included in this financial performance representation are substantially similar to the franchises that we currently offer in all states. These stores receive substantially the same services from us. However, we do not provide services to franchisees that a store's owner normally provides, such as financing, accounting, legal, personnel, construction, and management services. The availability of these services to a franchisee, as well as their cost and quality, will affect operations.

The financial performance representation in this Section I does not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Cost Cutters Business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

II. Average and Median Store Gross Sales Information for Fiscal-Year Period from July 1, 2018, through June 30, 2019

In addition to the foregoing financial performance representations for the Covered Period and the July/August Period, we are providing in this Section II historical average and median store gross sales during the 12-month period ending June 30, 2019, for 347 franchised Cost Cutters Businesses and 201 company-owned Cost Cutters Businesses.

The first portion of the following financial performance representation discloses historical average and median store gross sales during the 12-month period ending June 30, 2019 (the "2019 Fiscal Year") for 347 franchised Cost Cutters Businesses operating throughout the United States. (Historical financial

performance information for company-owned stores follows afterward.) The franchised Cost Cutters Businesses whose gross sales were included in order to calculate the average and median were open as of the 2019 Fiscal Year (meaning that these franchised Cost Cutters Businesses were open for at least 1 full year as of June 30, 2019, the end of the 2019 Fiscal Year). As of June 30, 2019, there were an additional 33 franchised Cost Cutters Businesses operating throughout the United States. However, stores' gross sales were not included in this calculation because they were not open at all as of July 1, 2018, the beginning of the 12-month period for which the numbers were calculated. As of July 1, 2018, there were an additional 19 franchised Cost Cutters Businesses operating throughout the United States. However, these stores' gross sales were not included in this calculation because prior to June 30, 2019, they closed and therefore, in each case, were not open as franchised stores for the full 2019 Fiscal Year.

The following information has been compiled from the figures reported on sales and royalty statements submitted by the franchisees of these 347 franchised Cost Cutters Businesses. While we believe this information to be accurate and complete, we have not independently audited this information or otherwise verified its accuracy. The numbers reported for these franchised Cost Cutters Businesses do not include the operating results of any of the 201 company-owned stores as of June 30, 2019.

The 347 franchised Cost Cutters Businesses included in this financial performance representation are located in the following states:

1. Alabama (9)
2. Arizona (2)
3. California (17)
4. Connecticut (14)
5. Florida (1)
6. Iowa (47)
7. Idaho (5)
8. Illinois (19)
9. Indiana (4)
10. Kentucky (19)
11. Massachusetts (14)
12. Michigan (10)
13. Minnesota (25)
14. Missouri (8)
15. Nebraska (23)
16. North Carolina (3)
17. North Dakota (5)
18. South Carolina (9)
19. South Dakota (9)
20. Tennessee (16)
21. Texas (18)
22. Virginia (7)
23. Washington (1)
24. West Virginia (3)
25. Wisconsin (69)

The average total gross sales for this group of 347 franchised Cost Cutters Businesses during the 2019 Fiscal Year was $267,835. A total of 158 franchised Cost Cutters Businesses, or 45.53%, exceeded this average. The median total gross sales was $250,524. The highest and lowest gross sales in the average and median calculations were $1,115,528 and $53,315 respectively. For purposes of this financial performance representation, "gross sales" is defined as total gross revenue (net of customer discounts) derived from operating a Cost Cutters Business (including merchandise and services sales), whether from cash or credit sales, and without regard to the payment source or collection costs, but excluding taxes added to the sales price and collected from customers and less bona fide refunds.

The average total gross sales during the 2019 Fiscal Year for the 201 company-owned stores that were open as of July 1, 2018, the beginning of the 2019 Fiscal Year (meaning that the company-owned stores were open for at least 1 full year as of June 30, 2019), were $244,597. A total of 87 company-owned stores, or 43.28%, exceeded this average. The median gross sales were $235,261. The highest and lowest gross sales in the average and median calculations were $678,036 and $39,000 respectively. As of June 30, 2019, there were 3 additional company-owned stores operating in the United States that were not included in this calculation because they were not open at all as of July 1, 2018, the beginning of the 2019 Fiscal Year. As of July 1, 2018, there were an additional 9 company-owned stores operating throughout

the United States. However, these stores' gross sales were not included in this calculation because they closed prior to June 30, 2019 and therefore were not open for the full 2019 Fiscal Year.

The average total gross sales during the 2019 Fiscal Year for both the 347 franchised Cost Cutters Businesses and the 201 company-owned stores (a total of 548 Cost Cutters Businesses) that were open as of July 1, 2018, the beginning of the 2019 Fiscal Year (meaning that the Cost Cutters Businesses were open for at least 1 full year as of June 30, 2019), was $259,314. A total of 232 stores, or 42.34%, exceeded this average. The median gross sales of all such salons was $241,179. The highest and lowest gross sales in the average and median calculations were $1,115,528 and $39,000, respectively.

Average Gross Sales Breakdown by One-Thirds

Franchised Stores

	# of Stores	Average Sales	% of 347 Franchised Stores	# and % of Franchised Stores Exceeding Average
Top one-third	115	$399,903	33.14%	41/35.65%
Middle one-third	116	$252,848	33.43%	54/46.55%
Bottom one-third	116	$151,892	33.43%	63/54.31%
Total	347	$267,835	100.00%	158/45.53%

Median Gross Sales Breakdown by One-Thirds

Franchised Stores

	# of Stores	Median Sales	% of 347 Franchised Stores
Top one-third	115	$378,016	33.14%
Middle one-third	116	$251,237	33.43%
Bottom one-third	116	$157,834	33.43%
Total	347	$250,524	100.00%

Highest and Lowest Gross Sales for Average and Median One-Thirds

Franchised Stores

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$1,115,528	$301,995
Middle one-third	$301,400	$207,212
Bottom one-third	$207,162	$53,315
Total	$1,115,528	$53,315

Average Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Average Sales	% of 180 Company-Owned Stores	# and % of Company-Owned Stores Exceeding Average
Top one-third	66	$345,632	32.84%	25/37.88%
Middle one-third	68	$232,184	33.83%	35/51.47%
Bottom one-third	67	$157,667	33.33%	38/56.72%
Total	201	$244,597	100.00%	87/43.28%

Median Gross Sales Breakdown by One-Thirds

Company-Owned Stores

	# of Stores	Median Sales	% of 201 Company-Owned Stores
Top one-third	66	$309,798	32.84%
Middle one-third	68	$235,573	33.83%
Bottom one-third	67	$161,965	33.33%
Total	201	$235,261	100.00%

Highest and Lowest Gross Sales for Average and Median One-Thirds

Company-Owned Stores

	Highest Gross Sales	Lowest Gross Sales
Top one-third	$678,036	$264,850
Middle one-third	$263,875	$196,528
Bottom one-third	$196,523	$39,000
Total	$678,036	$39,000

The products and services offered by each franchised store and company-owned store are essentially the same. The franchised stores whose gross sales numbers are included in this financial performance representation are substantially similar to the franchises that Cost Cutters currently offers in all states. These stores receive substantially the same services from Cost Cutters. However, Cost Cutters does not provide services to franchisees that a store's owner normally provides, such as financing, accounting, legal, personnel, construction, and management services. The availability of these services to a franchisee, as well as their cost and quality, will affect operations.

The financial performance representation in this Section II does not reflect the cost of sales, operating expenses, or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your store. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Stores open less than 1 year tend to have lower average sales than those included in the averages above, particularly when they are developed in a new market or a market with few stores.

Some Cost Cutters Businesses have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.

Written substantiation of the information in this financial performance representation will be made available to you at Cost Cutter's offices upon reasonable request.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Kurt Landwehr, Vice President, Franchise Development, 3701 Wayzata Boulevard, Suite 500, Minneapolis, MN 55416, (888) 888-7008, the Federal Trade Commission, and the appropriate state regulatory agencies.

20. OUTLETS AND FRANCHISEE INFORMATION

As of June 30, 2020, COST CUTTERS had 664 operational Cost Cutters and The Barbers franchised 537 operational franchises. As of June 30, 2020, Regis Corp. operated 127 company-owned Cost Cutters Businesses. Exhibit A attached to this Disclosure Document lists the addresses and telephone numbers of the operational Cost Cutters Businesses as of June 30, 2020. The following tables provide information concerning Cost Cutters Businesses by state:

Table No. 1

SYSTEMWIDE OUTLET SUMMARY
For Years ending June 30, 2018, 2019 and 2020

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	2018	376	372	-4
	2019	372	380	+8
	2020	380	537	+157
Company-Owned	2018	241	217	-24
	2019	217	204	-13
	2020	204	127	--77
Total Outlets	2018	617	589	-28
	2019	589	584	-5
	2020	584	664	-+80

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(Other than the Franchisor)
For Years ending June 30, 2018, 2019 and 2020

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Illinois	2018	0
	2019	2
	2020	1
Kentucky	2018	7
	2019	0
	2020	0
Massachusetts	2018	0
	2019	1
	2020	0
Minnesota	2018	5
	2019	0
	2020	7
South Carolina	2018	9
	2019	0
	2020	0
Texas	2018	0
	2019	0
	2020	1
Wisconsin	2018	0
	2019	0
	2020	1
Total	2018	21
	2019	3
	2020	10

Table No. 3

STATUS OF FRANCHISED OUTLETS
For Years ending June 30, 2018, 2019 and 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
Alabama	2018	10	0	0	0	0	1	9
	2019	9	2[2]	0	0	0	0	11
	2020	11	0	0	0	0	0	11
Arizona	2018	0	2[2]	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	1[2]	0	0	0	0	3
California	2018	12	0	0	0	0	1	11
	2019	11	0	0	0	0	4	7
	2020	7	0	0	0	0	2	5
Colorado	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	4[2]	0	0	0	0	4
Connecticut	2018	16	0	0	0	0	0	16
	2019	16	0	0	0	0	2	14
	2020	14	0	0	0	0	1	13
Delaware	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	4[1]	0	0	0	0	4
Florida	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	2	0	0	0	0	3
Georgia	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Idaho	2018	3	2[2]	0	0	0	0	5
	2019	5	3[2]	0	0	0	0	8
	2020	8	0	0	0	0	1	7
Iowa	2018	53	1	0	0	0	2	52
	2019	52	0	0	0	0	5	47
	2020	47	5[2]	0	0	0	6	46
Illinois	2018	22	0	0	0	0	1	21
	2019	21	0	0	0	0	2	19
	2020	19	4	0	0	0	2	21

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
Indiana	2018	5	0	0	0	0	0	5
	2019	5	1[2]	0	0	0	1	5
	2020	5	10[1]	0	0	0	0	15
Kentucky	2018	20	0	0	0	0	0	20
	2019	20	0	0	0	0	1	19
	2020	19	0	0	0	0	1	18
Massachusetts	2018	12	2[2]	0	0	0	1	13
	2019	13	5[2]	0	0	0	0	18
	2020	18	0	0	0	0	2	16
Michigan	2018	9	1	0	0	0	0	10
	2019	10	0	0	0	0	0	10
	2020	10	11[1]	0	0	0	0	21
Minnesota	2018	29	0	0	0	0	3	26
	2019	26	0	0	0	0	1	25
	2020	25	0	0	0	0	0	25
Missouri	2018	10	0	0	0	0	1	9
	2019	9	0	0	0	0	1	8
	2020	8	0	0	0	0	2	6
Nebraska	2018	23	0	0	0	0	0	23
	2019	23	0	0	0	0	0	23
	2020	23	1	0	0	0	1	23
New Jersey	2018	1	0	0	0	0	1	0
	2019	0	1	0	0	0	0	1
	2020	1	2[1]	0	0	0	1	2
North Carolina	2018	4	0	0	0	0	0	4
	2019	4	0	0	0	0	1	3
	2020	3	0	0	0	0	0	3
North Dakota	2018	6	0	0	0	0	1	5
	2019	5	0	0	0	0	0	5
	2020	5	0	0	0	0	0	5
Ohio	2018	0	0	0	0	0	0	0
	2019	0	9[2]	0	0	0	0	9
	2020	9	65[1]	0	0	0	0	74
Oregon	2018	0	0	0	0	0	0	0
	2019	0	1[2]	0	0	0	0	1
	2020	1	0	0	0	0	0	1

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of Year
Pennsylvania	2018	1	0	0	0	0	1	0
	2019	0	0	0	0	0	0	0
	2020	0	26[2]	0	0	0	0	26
South Carolina	2018	9	0	0	0	0	0	9
	2019	9	0	0	0	0	0	9
	2020	9	0	0	0	0	0	9
South Dakota	2018	8	0	0	0	0	0	8
	2019	8	0	0	0	0	0	8
	2020	8	0	0	0	0	0	8
Tennessee	2018	11	7	0	0	0	1	17
	2019	17	0	0	0	0	0	17
	2020	17	0	0	0	0	3	14
Texas	2018	19	0	0	0	0	1	18
	2019	18	0	0	0	0	0	18
	2020	18	23[1]	0	0	0	2	39
Virginia	2018	8	0	0	0	0	0	8
	2019	8	0	0	0	0	0	8
	2020	8	5[1]	0	0	0	0	13
Washington	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Wisconsin	2018	75	3	0	0	0	3	75
	2019	75	0	0	0	0	1	74
	2020	74	23[2]	0	0	0	2	95
West Virginia	2018	3	0	0	0	0	0	3
	2019	3	0	0	0	0	0	3
	2020	3	3[1]	0	0	0	0	6
Totals	2018	372	18	0	0	0	19	371
	2019	371	22	0	0	0	19	374
	2020	374	189	0	0	0	26	537

(1) Franchisee converted a Franchisor corporate store from another brand to a Cost Cutters franchise
(2) Franchisee purchased corporate Cost Cutters store(s).

Table No. 4

STATUS OF COMPANY OWNED OUTLETS
For Years ending June 30, 2018, 2019 and 2020

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of Year
Alabama	2018	2	0	0	1	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Arizona	2018	46	0	0	1	3[1]	42
	2019	42	0	0	1	1	40
	2020	40	2	0	0	8	34
Colorado	2018	58	0	0	5	0	53
	2019	53	0	0	1	0	52
	2020	52	0	0	0	8	44
Connecticut	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
Florida	2018	5	0	0	2	0	3
	2019	3	0	0	2	0	1
	2020	1	0	0	1	0	0
Illinois	2018	7	0	0	0	0	7
	2019	7	0	0	0	0	7
	2020	7	0	0	1	4	2
Iowa	2018	6	0	0	0	0	6
	2019	6	0	0	0	0	6
	2020	6	0	0	2	4	0
Massachusetts	2018	7	0	0	2	1	4
	2019	4	0	0	0	3	1
	2020	1	0	0	0	0	1
Minnesota	2018	2	0	0	1	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	1	0	0
Mississippi	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Montana	2018	11	0	0	2	0	9
	2019	9	0	0	0	0	9
	2020	9	0	0	1	0	8

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of Year
Nevada	2018	6	0	0	0	0	6
	2019	6	0	0	0	0	6
	2020	6	0	0	2	0	4
New Hampshire	2018	2	0	0	0	0	2
	2019	2	0	0	0	0	2
	2020	2	0	0	0	0	2
New York	2018	16	0	0	0	0	16
	2019	16	0	0	0	0	16
	2020	16	0	0	0	6	10
North Carolina	2018	2	0	0	1	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
Pennsylvania	2018	15	0	0	2	0	13
	2019	13	0	0	0	0	13
	2020	13	0	0	0	12	1
Rhode Island	2018	1	0	0	1	0	0
	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
Texas	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	1	0	0
Virginia	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	2	2	0
Wisconsin	2018	41	0	0	0	0	41
	2019	41	0	0	2	3	36
	2020	36	0	0	0	24	12
Wyoming	2018	4	0	0	0	0	4
	2019	4	0	0	0	0	4
	2020	4	0	0	0	0	4
Totals	2018	241	0	0	20	4	217
	2018	217	0	0	6	5	206
	2020	206	0	0	11	68	127

(1) Sold corporate Cost Cutters store to franchisee who converted to another Franchisor concept

Table No. 5

PROJECTED OPENINGS
AS OF JULY 1, 2020 FOR FISCAL YEAR ENDED JUNE 30, 2021

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Arizona	0	29	0
California	3	0	0
Colorado	5	41	0
Connecticut	0	4	0
Delaware	0	0	0
Florida	0	0	0
Illinois	7	2	0
Indiana	2	0	0
Iowa	0	0	0
Maine	1	0	0
Massachusetts	0	1	0
Michigan	0	0	0
Mississippi	0	1	0
Montana	0	6	0
Nebraska	5	0	0
Nevada	0	4	0
New Hampshire	0	2	0
New York	13	9	0
North Carolina	0	1	0
Ohio	5	0	0
Oregon	3	0	0
Pennsylvania	0	0	0
South Carolina	1	0	0
Tennessee	0	0	0
Texas	31	0	0
Virginia	0	0	0
Washington	0	0	0

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
West Virginia	0	3	0
Wisconsin	3	8	0
Wyoming	0	3	0
Totals:	79	115*	0

*This number is based on our plan described in Item 1 to offer company-owned stores for sale to be operated as franchised outlets.

A list of the names, city and state and current business telephone number (or, if unknown, the last known home telephone number) of every franchisee under a Franchise Agreement with COST CUTTERS whose franchise has, within the fiscal year ended June 30, 2020, been terminated, canceled, not renewed, or who has, during the same period, otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement, or who has not communicated with COST CUTTERS within ten weeks of the date of this Disclosure Document is attached as Exhibit B. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have signed confidentiality clauses with current or former franchisees. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with COST CUTTERS. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

COST CUTTERS is not aware of any franchisee associations of Cost Cutters franchisees.

21. FINANCIAL STATEMENTS

Attached as Exhibit C are the audited Consolidated Financial Statements of our parent company Regis Corporation as of June 30, 2020, June 30, 2019 and June 30, 2018. Regis Corporation absolutely and unconditionally guarantees our obligations under the Franchise Agreement. See Exhibit M for a copy of the guarantee.

22. CONTRACTS

Exhibit D is the Cost Cutters Franchise Agreement which includes a Personal Guaranty. Exhibit E is the Cost Cutters Development Agreement. Exhibit F is the Cost Cutters Sublease. Exhibit G is the Regis Sublease for Wal-Mart sites. Exhibit H is the Cost Cutters Franchisee Questionnaire, Exhibit K is the Point of Sale System Rental Agreements. Exhibit L is the Gift Card Participation Agreement, Exhibit N is the Construction Management Services Agreement and Exhibit O is the Agreement for Purchase and Sale of Assets.

23. RECEIPT

A detachable document in duplicate, which you will find at the very end of this Disclosure Document as Exhibit P, acknowledges your receipt of the Disclosure Document. The Federal Trade Commission requires that you promptly sign and return one copy of the Receipt to us. This does not obligate you to purchase a franchise and it does not obligate us to sell you a franchise.

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A: LIST OF OPERATIONAL SALONS

COST CUTTERS
Franchised Salons as of June 30, 2020

Salon	SalonType	Address1	Address2	Address3	City	ST	Zip	Country	Phone	Owner VP
15988	Franchise	Cost Cutters	LOCATED INSIDE WALMART #661	1011 US HIGHWAY 72 E	ATHENS	AL	35611	USA	(256) 771-1640	THORNTON, BROWNING AND HANNAH*
15995	Franchise	Cost Cutters	LOCATED INSIDE WALMART #766	3100 HOUGH RD	FLORENCE	AL	35630	USA	(256) 718-0762	THORNTON, BROWNING AND HANNAH
16067	Franchise	Cost Cutters	COX CREEK CENTER	392 COX CREEK PKWY	FLORENCE	AL	35630	USA	(256) 764-1933	THORNTON, BROWNING AND HANNAH
16001	Franchise	Cost Cutters	LOCATED INSIDE WALMART #691	2001 GLENN BLVD SW	FORT PAYNE	AL	35968	USA	(256) 997-0105	THORNTON, BROWNING AND HANNAH
16004	Franchise	Cost Cutters	LOCATED INSIDE WALMART #434	11610 MEMORIAL PKWY S	HUNTSVILLE	AL	35803	USA	(256) 881-9932	THORNTON, BROWNING AND HANNAH
17307	Franchise	Cost Cutters	KILLEN MARKETPLACE	1145 HIGHWAY 72	KILLEN	AL	35645	USA	(256) 757-6676	THORNTON, BROWNING AND HANNAH
17569	Franchise	Cost Cutters	HIGHWAY 72	7830 HIGHWAY 72 W	MADISON	AL	35758	USA	(256) 864-2784	THORNTON, BROWNING AND HANNAH
16852	Franchise	Cost Cutters	CITY LINE ROAD	12050 COUNTY LINE RD STE 1	MADISON	AL	35756	USA	(256) 230-2785	THORNTON, BROWNING AND HANNAH
15994	Franchise	Cost Cutters	LOCATED INSIDE WALMART #660	517 W AVALON AVE	MUSCLE SHOALS	AL	35661	USA	(256) 381-6711	THORNTON, BROWNING AND HANNAH
11108	Franchise	Cost Cutters	HUNTINGTON MARKETPLACE	13560 HWY 43 NORTH	NORTHPORT	AL	35475	USA	(205) 333-2445	THORNTON, BROWNING AND HANNAH
11096	Franchise	Cost Cutters	OXFORD EXCHANGE	600 OXFORD EXCHANGE BLVD	OXFORD	AL	36203	USA	(256) 832-8795	THORNTON, BROWNING AND HANNAH
15774	Franchise	Cost Cutters	BEVERLY AVENUE PLAZA	1949 E BEVERLY AVE STE 103C	KINGMAN	AZ	86409	USA	(928) 757-1510	BERGER, RICHARD*
16934	Franchise	Cost Cutters	SMITH'S PLAZA	2231 MCCULLOCH BLVD STE 101	LAKE HAVASU CITY	AZ	86403	USA	(928) 505-5838	BERGER, RICHARD
16935	Franchise	Cost Cutters	HAVASU NORTH SHOPPING CENTER	1799 KIOWA AVE STE 102	LAKE HAVASU CITY	AZ	86403	USA	(928) 453-3211	BERGER, RICHARD
17343	Franchise	Cost Cutters	WILLOW PROMENADE	785 W HERNDON AVE STE 200	CLOVIS	CA	93612	USA	(559) 325-6797	LOPEZ-ORTIZ, SHAIL AND ANTONIO
17465	Franchise	Cost Cutters	VONS CENTER	1758 GRAND AVE	GROVER BEACH	CA	93433	USA	(805) 473-5920	FLORES, CINDY
16540	Franchise	Cost Cutters	THE PLACE ON 47TH STREET	37134 47TH ST E STE C	PALMDALE	CA	93552	USA	(661) 285-2202	MAYOL, JOE AND LENA
16305	Franchise	Cost Cutters		2535 W ROSAMOND BLVD	ROSAMOND	CA	93560	USA	(661) 256-2282	MAYOL, JOE AND LENA
17576	Franchise	Cost Cutters	IRISH HILLS PLAZA	1511 FROOM RANCH WAY	SAN LUIS OBISPO	CA	93405	USA	(805) 541-2270	GRASSLE, SHERI
11263	Franchise	Cost Cutters	HIGH PLAINS MARKETPLACE	6160 FIRESTONE BLVD STE 109	FIRESTONE	CO	80504	USA	(303) 485-9999	GOUIN, DEAN AND ELIZABETH*
11260	Franchise	Cost Cutters	BITTERSWEET SHOPPING CENTER	3514 W 10TH ST BLVD A UNIT A	GREELEY	CO	80634	USA	(970) 353-0770	GOUIN, DEAN AND ELIZABETH
11259	Franchise	Cost Cutters	CENTER PLACE AT GREELEY	4626 CENTERPLACE DR STE 136	GREELEY	CO	80634	USA	(970) 330-1135	GOUIN, DEAN AND ELIZABETH
11262	Franchise	Cost Cutters	HIGH PLAINS SHOPPING CENTER	1303 W MAIN ST	STERLING	CO	80751	USA	(970) 521-0300	GOUIN, DEAN AND ELIZABETH
17105	Franchise	Cost Cutters		122 MILL ST	BERLIN	CT	6037	USA	(860) 828-0261	MENDENHALL, JAMES
16871	Franchise	Cost Cutters	SHOPS AT FARMINGTON VALLEY	110 ALBANY TURNPIKE STE 405	CANTON	CT	6019	USA	(860) 693-8909	SINACORI, NICK AND JOANNE
16064	Franchise	Cost Cutters		77 BERLIN RD	CROMWELL	CT	6416	USA	(860) 632-7859	MENDENHALL, JAMES
16128	Franchise	Cost Cutters		441 LONGHILL RD	GROTON	CT	6340	USA	(860) 445-5884	PAGLEY, TOM
16035	Franchise	Cost Cutters		1131 TOLLAND TPKE STE L	MANCHESTER	CT	6042	USA	(860) 646-1018	PAGLEY, TOM
16059	Franchise	Cost Cutters		533 S BROAD ST	MERIDEN	CT	6450	USA	(203) 235-5066	CLAPP, MARK
16071	Franchise	Cost Cutters	STOP & SHOP SILVER SANDS PLAZA	829 BRIDGEPORT AVE	MILFORD	CT	6460	USA	(203) 882-9191	GOLDBERG, JOE
16371	Franchise	Cost Cutters	COLUMBUS PLAZA	172 COLUMBUS BLVD	NEW BRITAIN	CT	6051	USA	(860) 224-7287	MENDENHALL, JAMES
16859	Franchise	Cost Cutters	WALGREENS PLAZA	975 MAIN ST	NEWINGTON	CT	6111	USA	(860) 665-0484	MENDENHALL, JAMES
16448	Franchise	Cost Cutters	SOUTHBURY PLAZA	100 MAIN ST N	SOUTHBURY	CT	6488	USA	(203) 267-7117	SINACORI, NICK AND JOANNE*
16273	Franchise	Cost Cutters	SOUTHINGTON PLAZA	758 QUEEN ST	SOUTHINGTON	CT	6489	USA	(860) 621-8308	SINACORI, NICK AND JOANNE
16277	Franchise	Cost Cutters	BIG Y PLAZA	508 WINSTED RD	TORRINGTON	CT	6790	USA	(860) 496-1502	SINACORI, NICK AND JOANNE
16933	Franchise	Cost Cutters	WATERFORD PLAZA	117 BOSTON POST RD	WATERFORD	CT	6385	USA	(860) 440-3655	PAGLEY, TOM
15670	Franchise	Cost Cutters	COLLEGE PARK SHOPPING CENTER	6 COLLEGE PARK LN STE 1	GEORGETOWN	DE	19947	USA	(302) 856-2575	KOTTAM, VIJAY BHASKER REDDY*
15669	Franchise	Cost Cutters	BAYSHORE PLAZA	25935 PLAZA DR STE 3	MILLSBORO	DE	19966	USA	(302) 945-2546	KOTTAM, VIJAY BHASKER REDDY
15668	Franchise	Cost Cutters	REHOBOTH MARKETPLACE	19287 MILLER RD UNIT 6	REHOBOTH BEACH	DE	19971	USA	(302) 227-9730	KOTTAM, VIJAY BHASKER REDDY
15673	Franchise	Cost Cutters	SEAFORD VILLAGE	22980 SUSSEX HWY	SEAFORD	DE	19973	USA	(302) 629-2916	KOTTAM, VIJAY BHASKER REDDY
15945	Franchise	Cost Cutters	GLADIOULUS GATEWAY	11600 GLADIOULUS DR STE 313	FORT MYERS	FL	33908	USA	(239) 482-3134	DIEMER, CHRISTOPHER
15944	Franchise	Cost Cutters	UNIVERSITY CROSSING	13401 SUMMERLIN RD UNIT 10	FORT MYERS	FL	33919	USA	(239) 489-1268	DIEMER, CHRISTOPHER
16340	Franchise	Cost Cutters	HARBOUR LANDING	1912 HIGHWAY A1A	INDIAN HARBOUR BEACH	FL	32937	USA	(321) 777-7373	KING, SHEILA
17586	Franchise	Cost Cutters	VENBURY SQUARE	301 CENTER PL SW STE B	ALTOONA	IA	50009	USA	(515) 967-5664	EVANS, MARK-CC*
16113	Franchise	Cost Cutters	NORTHVIEW CENTRE	1620 N ANKENY BLVD	ANKENY	IA	50023	USA	(515) 963-4530	EVANS, MARK-CC
15561	Franchise	Cost Cutters	CUMBERLAND	2925 18TH ST UNIT 3	BETTENDORF	IA	52722	USA	(563) 355-0843	POSTEN, DAVID II
16190	Franchise	Cost Cutters	FAMILY VIDEO	528 STORY ST	BOONE	IA	50036	USA	(515) 432-3018	EVANS, MARK-CC
17126	Franchise	Cost Cutters	BLACK HAWK POINTE	618 BRANDILYN BLVD	CEDAR FALLS	IA	50613	USA	(319) 277-7535	EVANS, MARK-CC
17076	Franchise	Cost Cutters		1710 W 1ST ST	CEDAR FALLS	IA	50613	USA	(319) 266-1140	EVANS, MARK-CC
16493	Franchise	Cost Cutters	BLACK HAWK VILLAGE	5901 UNIVERSITY AVE STE 3	CEDAR FALLS	IA	50613	USA	(319) 277-7520	ANDERBERG, BERTIL & CHERYL
16057	Franchise	Cost Cutters		500 BLAIRS FERRY RD STE A	CEDAR RAPIDS	IA	52402	USA	(319) 294-9336	EVANS, MARK-CC
17038	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1528	2645 BLAIRS FERRY RD NE	CEDAR RAPIDS	IA	52402	USA	(319) 393-6053	EVANS, MARK-CC
18494	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2716	3601 29TH AVE SW	CEDAR RAPIDS	IA	52404	USA	(319) 390-1008	EVANS, MARK-CC
16961	Franchise	Cost Cutters	CLARK CENTER	1944 42ND ST NE STE A	CEDAR RAPIDS	IA	52402	USA	(319) 261-0014	EVANS, MARK-CC
16608	Franchise	Cost Cutters	BOWMAN SQUARE	540 BOYSON RD NE UNIT A	CEDAR RAPIDS	IA	52402	USA	(319) 294-2662	EVANS, MARK-CC

COST CUTTERS
Franchised Salons as of June 10, 2020

16771	Franchise	Cost Cutters		368 EDGEWOOD RD NW	CEDAR RAPIDS	IA	52405 USA	(319) 390-1325	EVANS, MARK CC
16066	Franchise	Cost Cutters		3301 MOUNT VERNON RD SE	CEDAR RAPIDS	IA	52403 USA	(319) 365-0305	EVANS, MARK CC
16069	Franchise	Cost Cutters	EDGEWOOD STATION	2300 EDGEWOOD RD SW STE E	CEDAR RAPIDS	IA	52404 USA	(319) 390-3776	EVANS, MARK CC
17415	Franchise	Cost Cutters		15956 HICKMAN RD	CLIVE	IA	50325 USA	(515) 987-9152	EVANS, MARK CC
17536	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2827	2801 COMMERCE DR	CORALVILLE	IA	52241 USA	(319) 545-6482	EVANS, MARK CC
15562	Franchise	Cost Cutters		3876 ELMORE AVE	DAVENPORT	IA	52807 USA	(563) 344-9063	POSTEN, DAVID II
15565	Franchise	Cost Cutters	5 POINTS CENTER	1724 W LOCUST ST	DAVENPORT	IA	52804 USA	(563) 323-8701	POSTEN, DAVID II
15566	Franchise	Cost Cutters	KIMBERLY CENTER	3301 W KIMBERLY RD STE H	DAVENPORT	IA	52806 USA	(563) 388-6060	POSTEN, DAVID II
16294	Franchise	Cost Cutters		2600 DODGE ST	DUBUQUE	IA	52003 USA	(563) 583-8266	BRYLSKI, DAVE
16290	Franchise	Cost Cutters		1960 ELM ST	DUBUQUE	IA	52001 USA	(563) 582-9009	BRYLSKI, DAVE
16286	Franchise	Cost Cutters	KENNEDY MALL	555 JOHN F KENNEDY RD STE 476	DUBUQUE	IA	52002 USA	(563) 583-1633	BRYLSKI, DAVE
16298	Franchise	Cost Cutters	LOCATED INSIDE WALMART #886	3036 1ST AVE S STE A	FORT DODGE	IA	50501 USA	(515) 573-4633	BARNES, DOUG & LIZ
17659	Franchise	Cost Cutters		250 SE DESTINATION DR	GRIMES	IA	50111 USA	(515) 986-0809	EVANS, MARK CC
17661	Franchise	Cost Cutters		629 WEST S ST	GRINNELL	IA	50112 USA	(641) 236-9229	EVANS, MARK CC
17583	Franchise	Cost Cutters		203 N JEFFERSON	INDIANOLA	IA	50125 USA	(515) 961-0387	EVANS, MARK CC
16076	Franchise	Cost Cutters	WALDON SQUARE	729 MORMON TREK	IOWA CITY	IA	52246 USA	(319) 466-1091	EVANS, MARK CC
17647	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1721	919 HIGHWAY 1 W	IOWA CITY	IA	52246 USA	(319) 351-1860	EVANS, MARK CC
18102	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1625	1111 HOLTON DR SW	LE MARS	IA	51031 USA	(712) 546-4483	BARNES, DOUG & LIZ
16091	Franchise	Cost Cutters		1216 W MAIN ST	MANCHESTER	IA	52057 USA	(563) 927-4170	EVANS, MARK CC
17323	Franchise	Cost Cutters	EAGLE RIDGE PARK	1101 EAGLEVIEW DR	MARION	IA	52302 USA	(319) 447-5701	EVANS, MARK CC
17067	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3630	5491 BUSINESS HWY 151	MARION	IA	52302 USA	(319) 373-1616	EVANS, MARK CC
16100	Franchise	Cost Cutters	PLAZA WEST SHOPPING CENTER	2432 4TH ST SW	MASON CITY	IA	50401 USA	(641) 424-3525	EVANS, MARK CC
16919	Franchise	Cost Cutters	LOCATED INSIDE WALMART #784	1045 N GRAND AVE	MOUNT PLEASANT	IA	52641 USA	(319) 385-2771	EVANS, MARK CC
16257	Franchise	Cost Cutters		465 HIGHWAY 965 STE C	NORTH LIBERTY	IA	52317 USA	(319) 665-5033	EVANS, MARK CC
16324	Franchise	Cost Cutters	EAST VIEW CENTER	1613 1ST AVE SW	SIOUX CENTER	IA	51250 USA	(712) 722-1295	BARNES, DOUG & LIZ
16111	Franchise	Cost Cutters	GORDON PLAZA SHOPPING CENTER	3233 GORDON DR	SIOUX CITY	IA	51105 USA	(712) 255-3373	BARNES, DOUG & LIZ
16520	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3590	3101 FLOYD BLVD	SIOUX CITY	IA	51108 USA	(712) 239-3802	BARNES, DOUG & LIZ
16595	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1361	3400 SINGING HILLS BLVD	SIOUX CITY	IA	51106 USA	(712) 252-0901	BARNES, DOUG & LIZ
16114	Franchise	Cost Cutters	MARKET PLACE	3017 HAMILTON BLVD	SIOUX CITY	IA	51104 USA	(712) 255-9200	BARNES, DOUG & LIZ
18529	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1415	2200 17TH ST	SPIRIT LAKE	IA	51360 USA	(712) 336-0458	BARNES, DOUG & LIZ
17267	Franchise	Cost Cutters	FAMILY VIDEO PLAZA #303	4631 86TH ST	URBANDALE	IA	50322 USA	(515) 276-0922	EVANS, MARK CC
17546	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1496	1334 FLAMMANG DR	WATERLOO	IA	50702 USA	(319) 287-3914	EVANS, MARK CC
16102	Franchise	Cost Cutters	KIMBALL PLAZA	1029 PEOPLE'S SQ	WATERLOO	IA	50702 USA	(319) 232-2932	EVANS, MARK CC
16126	Franchise	Cost Cutters	FOURTH STREET PLAZA	1810 4TH ST SW STE 102	WAVERLY	IA	50677 USA	(319) 352-3252	ANDERBERG, BERTIL & CHERYL
15965	Franchise	Cost Cutters	FRED MEYER CENTER	10751 W OVERLAND RD STE B	BOISE	ID	83709 USA	(208) 377-2887	RAMSOUR, BRAD AND STRITTMATTER, DAN
15973	Franchise	Cost Cutters	ALBERTSON PARK CENTER	951 E PARK CTR	BOISE	ID	83706 USA	(208) 343-1313	RAMSOUR, BRAD AND STRITTMATTER, DAN
17580	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3511	550 W HONEYSUCKLE AVE	HAYDEN	ID	83835 USA	(208) 772-4911	LILLIE, JERRY
15980	Franchise	Cost Cutters	ALBERTSONS CENTER	3321 W CHERRY LN	MERIDIAN	ID	83642 USA	(208) 888-7811	RAMSOUR, BRAD AND STRITTMATTER, DAN
15969	Franchise	Cost Cutters	FRED MEYER CENTER	1794 E FAIRVIEW AVE STE F	MERIDIAN	ID	83642 USA	(208) 888-5056	RAMBOUR, BRAD AND STRITTMATTER, DAN
15982	Franchise	Cost Cutters	TREASURE VALLEY MARKETPLACE	16369 N MARKETPLACE BLVD # S-5	NAMPA	ID	83687 USA	(208) 463-4074	RAMSOUR, BRAD AND STRITTMATTER, DAN
16580	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3472	3050 E MULLAN	POST FALLS	ID	83854 USA	(208) 457-9727	LILLIE, JERRY
15406	Franchise	Cost Cutters		10 E GREEN ST	CHAMPAIGN	IL	61820 USA	(217) 398-6098	PIOTROWSKI, LAURA & PAUL
18368	Franchise	Cost Cutters	LOCATED INSIDE WALMART #786	2300 SYCAMORE RD	DEKALB	IL	60115 USA	(815) 756-1969	PIOTROWSKI, LAURA & PAUL
17708	Franchise	Cost Cutters	LOCATED INSIDE WALMART #5399	1640 S GALENA AVE	DIXON	IL	61021 USA	(815) 288-1204	PIOTROWSKI, LAURA & PAUL
15560	Franchise	Cost Cutters	KENNEDY SQUARE SHOPPING CENTER	157 AVENUE OF THE CITIES	EAST MOLINE	IL	61244 USA	(309) 755-2046	POSTEN, DAVID II
16211	Franchise	Cost Cutters		2 W GRAND AVE STE 108	FOX LAKE	IL	60020 USA	(847) 587-5500	CORRIGALL- LENNON, KARLA
16924	Franchise	Cost Cutters	FOX LAKE RETAIL CENTER	1392 ROUTE 12 S	FOX LAKE	IL	60020 USA	(847) 587-6700	CORRIGALL- LENNON, KARLA
16601	Franchise	Cost Cutters	THE QUARRY	9270 W JOLIET RD	HODGKINS	IL	60525 USA	(708) 387-0868	TURNER, EDWARD
17602	Franchise	Cost Cutters		2410 W JEFFERSON ST STE 106	JOLIET	IL	60435 USA	(815) 725-6699	JOVANOVICH, ANTHONY & JULIE
17668	Franchise	Cost Cutters	ORLANDO CENTER	1335 W LANE RD	MACHESNEY PARK	IL	61115 USA	(779) 210-3732	PIOTROWSKI, LAURA & PAUL
16186	Franchise	Cost Cutters		2206 N RICHMOND RD	MCHENRY	IL	60051 USA	(815) 363-1600	CORRIGALL- LENNON, KARLA
15403	Franchise	Cost Cutters	NORTH OTTAWA PLAZA	2729 N COLUMBUS DR	OTTAWA	IL	61350 USA	(815) 434-2428	PIOTROWSKI, LAURA & PAUL
18027	Franchise	Cost Cutters	LOCATED INSIDE WALMART #852	4041 VETERANS RD	OTTAWA	IL	61350 USA	(815) 433-5610	PIOTROWSKI, LAURA & PAUL
18026	Franchise	Cost Cutters	LOCATED INSIDE WALMART #796	5307 ROUTE 251	PERU	IL	61354 USA	(815) 220-0196	PIOTROWSKI, LAURA & PAUL
16738	Franchise	Cost Cutters	COUNTRYSIDE SQUARE	13518 JULIE DR	POPLAR GROVE	IL	61065 USA	(815) 765-2485	PIOTROWSKI, LAURA & PAUL
17615	Franchise	Cost Cutters	CHANDAN PLACE CENTER	3031 N PERRYVILLE RD	ROCKFORD	IL	61114 USA	(815) 639-4911	PIOTROWSKI, LAURA & PAUL

COST CUTTERS
Franchised Salons as of June 30, 2020

17707	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1490	7219 WALTON ST	ROCKFORD	IL	61108 USA	(815) 394-0133	PIOTROWSKI, LAURA & PAUL
18025	Franchise	Cost Cutters	LOCATED INSIDE WALMART #891	4115 E LINCOLN WAY	STERLING	IL	61081 USA	(815) 535-0844	PIOTROWSKI, LAURA & PAUL
18028	Franchise	Cost Cutters	LOCATED INSIDE WALMART #4699	2415 N BLOOMINGTON ST	STREATOR	IL	61364 USA	(815) 672-7840	PIOTROWSKI, LAURA & PAUL
17667	Franchise	Cost Cutters	WINNEBAGO CROSSING CENTER	809 CANNEL-PURI COURT STE 3	WINNEBAGO	IL	61088 USA	(815) 335-2179	PIOTROWSKI, LAURA & PAUL
16342	Franchise	Cost Cutters	173 PLAZA	1311 21ST ST	ZION	IL	60099 USA	(847) 746-5350	BARNES, MICHELLE
17581	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3893	4000 ROUTE 173	ZION	IL	60099 USA	(847) 746-5590	BARNES, MICHELLE
15723	Franchise	Cost Cutters	FOREST PARK PLAZA	97 FOREST PARK CTR	BRAZIL	IN	47834 USA	(812) 443-8300	BAKSHI, AMAN AND ANNURADHA BHANDARI
16052	Franchise	Cost Cutters	HERITAGE SQUARE	1115 MERRILLVILLE RD	CROWN POINT	IN	46307 USA	(219) 226-1474	CEPLINA, SANDI
15882	Franchise	Cost Cutters	NORTHFIELD MARKET SHOPPING CTR	197 COUNTY ROAD 6	ELKHART	IN	46514 USA	(574) 264-7505	BAKSHI, AMAN AND ANNURADHA BHANDARI*
15886	Franchise	Cost Cutters	RED BANK COMMONS	222 REDBANK RD STE D	EVANSVILLE	IN	47712 USA	(812) 464-9414	BAKSHI, AMAN AND ANNURADHA BHANDARI
15883	Franchise	Cost Cutters	TOWNE CENTER	594 E DIAMOND AVE	EVANSVILLE	IN	47711 USA	(812) 424-8422	BAKSHI, AMAN AND ANNURADHA BHANDARI
15884	Franchise	Cost Cutters	EVANSVILLE PAVILLION	6401 E LLOYD EXPY STE 10	EVANSVLLE	IN	47715 USA	(812) 491-0119	BAKSHI, AMAN AND ANNURADHA BHANDARI
15879	Franchise	Cost Cutters	K-MART CENTER	504 MCKINLEY AVE W	MISHAWAKA	IN	46545 USA	(574) 258-6084	BAKSHI, AMAN AND ANNURADHA BHANDARI
15887	Franchise	Cost Cutters	NEWBURGH COMMONS	8680 HIGH POINTE DR STE E	NEWBURGH	IN	47630 USA	(812) 853-8146	BAKSHI, AMAN AND ANNURADHA BHANDARI
16881	Franchise	Cost Cutters		6036 CENTRAL AVE	PORTAGE	IN	46368 USA	(219) 764-1126	CEPLINA, SANDI
11131	Franchise	Cost Cutters	GATEWAY CENTER	4525 E MAIN ST	RICHMOND	IN	47374 USA	(765) 935-9814	BAKSHI, AMAN AND ANNURADHA BHANDARI
16432	Franchise	Cost Cutters	LINCOLN RIDGE PLAZA	220 W LINCOLN HWY	SCHERERVILLE	IN	46375 USA	(219) 865-8639	CEPLINA, SANDI
15880	Franchise	Cost Cutters	ERSKINE PLAZA	912 ERSKINE PLAZA	SOUTH BEND	IN	46614 USA	(574) 291-1919	BAKSHI, AMAN AND ANNURADHA BHANDARI
15775	Franchise	Cost Cutters	SOUTH POINTE CROSSING	4836 S US HIGHWAY 41	TERRE HAUTE	IN	47802 USA	(812) 298-1666	BAKSHI, AMAN AND ANNURADHA BHANDARI
16465	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1479	2400 E MORTHLAND DR	VALPARAISO	IN	46383 USA	(219) 464-8313	CEPLINA, SANDI
15782	Franchise	Cost Cutters		1735 S STATE ROAD 57 STE 105	WASHINGTON	IN	47501 USA	(812) 257-1967	BAKSHI, AMAN AND ANNURADHA BHANDARI
16103	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2638	12504 US ROUTE 60	ASHLAND	KY	41102 USA	(606) 929-9565	HALL, WALTER
17339	Franchise	Cost Cutters	LOCATED INSIDE WALMART #143	310 W 5TH ST	BENTON	KY	42025 USA	(270) 527-6592	BIEBEL, HAROLD AND RENEE
16112	Franchise	Cost Cutters	KROGER CENTER	330 US 31 W BYP UNIT 330	BOWLING GREEN	KY	42101 USA	(270) 783-0417	BIEBEL, HAROLD AND RENEE
16110	Franchise	Cost Cutters	LOCATED INSIDE WALMART #299	150 WALTON AVE	BOWLING GREEN	KY	42104 USA	(270) 843-9345	BIEBEL, HAROLD AND RENEE
17259	Franchise	Cost Cutters	LOCATED INSIDE WALMART #5236	1201 MORGANTOWN RD	BOWLING GREEN	KY	42101 USA	(270) 782-2003	BIEBEL, HAROLD AND RENEE
16118	Franchise	Cost Cutters	LOCATED INSIDE WALMART #294	1725 W EVERLY BROTHERS BLVD	CENTRAL CITY	KY	42330 USA	(270) 754-9004	BIEBEL, HAROLD AND RENEE
16125	Franchise	Cost Cutters	LOCATED INSIDE WALMART #709	100 WALMART DR	ELIZABETHTOWN	KY	42701 USA	(270) 763-1575	TIMM, MARTIN
16202	Franchise	Cost Cutters	LOCATED INSIDE WALMART #655	420 FACTORY OUTLET RD STE 106	HANSON	KY	42413 USA	(270) 322-0177	TIMM, MARTIN
16131	Franchise	Cost Cutters	LOCATED INSIDE WALMART #653	300 CLINIC DR	HOPKINSVILLE	KY	42240 USA	(270) 887-2723	BIEBEL, HAROLD AND RENEE
16602	Franchise	Cost Cutters	LOCATED INSIDE WALMART #445	1801 ELIZABETHTOWN RD	LEITCHFIELD	KY	42754 USA	(270) 287-9753	TIMM, MARTIN
16151	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1113	1851 W HIGHWAY 192	LONDON	KY	40741 USA	(606) 877-3247	HALL, WALTER
17122	Franchise	Cost Cutters	ISLAND FORD SQUARE	526 ISLAND FORD RD	MADISONVILLE	KY	42431 USA	(270) 825-9008	TIMM, MARTIN*
17342	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3363	3151 LEITCHFIELD RD	OWENSBORO	KY	42303 USA	(270) 852-5798	TIMM, MARTIN
17297	Franchise	Cost Cutters	STARLITE KROGER CENTER	1650 STARLITE DR STE R	OWENSBORO	KY	42301 USA	(270) 685-9096	TIMM, MARTIN
16229	Franchise	Cost Cutters	LOCATED INSIDE WALMART #701	5031 FREDERICA ST	OWENSBORO	KY	42301 USA	(270) 683-6111	TIMM, MARTIN
16246	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1505	254 CASSIDY BLVD	PIKEVILLE	KY	41501 USA	(606) 432-6629	HALL, WALTER
17537	Franchise	Cost Cutters	FORUM SHOPS SHOPPING CENTER	125 SAM WALTON DR	RUSSELLVILLE	KY	42276 USA	(270) 726-9441	BIEBEL, HAROLD AND RENEE
17113	Franchise	Cost Cutters	INSIDE WALMART #2548 TO SALON	28402 US HIGHWAY 119 N	SOUTH WILLIAMSON	KY	41503 USA	(606) 237-4499	HALL, WALTER
18712	Franchise	Cost Cutters	PLAZA CENTER	856 SUFFIELD RD	AGAWAM	MA	1001 USA	(413) 317-7154	DESAI, DARSHAN AND ANKITA
17281	Franchise	Cost Cutters	SHAW'S PLAZA	333 POND ST	ASHLAND	MA	1721 USA	(508) 881-1175	SOLON, DAVID AND TRACEY
18777	Franchise	Cost Cutters	BILLERICA TOWNE PLAZA	700 BOSTON RD STE 3	BILLERICA	MA	1821 USA	(978) 362-2417	KONTIS, JOHN*
17161	Franchise	Cost Cutters	DRUM HILL SHOPPING CENTER	90 DRUM HILL RD STE A140	CHELMSFORD	MA	1824 USA	(978) 735-4545	KONTIS, JOHN
17657	Franchise	Cost Cutters	DANVERS PLAZA	301 NEWBURY ST	DANVERS	MA	1923 USA	(978) 777-7787	KONTIS, JOHN
11112	Franchise	Cost Cutters	HORACE MANN PLAZA	277 E CENTRAL ST	FRANKLIN	MA	2038 USA	(508) 541-2011	KONTIS, JOHN
11113	Franchise	Cost Cutters	WATERTOWER PLAZA	26 WATERTOWER PL	LEOMINSTER	MA	1453 USA	(978) 534-9690	KONTIS, JOHN
11111	Franchise	Cost Cutters	LUNENBURG CROSSING	329 MASSACHUSETTS AVE	LUNENBURG	MA	1462 USA	(978) 582-0320	KONTIS, JOHN
15962	Franchise	Cost Cutters	LYNNGATE PLAZA	148 BOSTON ST	LYNN	MA	1904 USA	(781) 596-1130	KONTIS, JOHN
17606	Franchise	Cost Cutters	FELLSWAY PLAZA	720 FELLSWAY	MEDFORD	MA	2155 USA	(781) 350-4418	KONTIS, JOHN
18506	Franchise	Cost Cutters	MEDWAY COMMONS SHOPPING CENTER	67 C MAIN ST UNIT 109	MEDWAY	MA	2053 USA	(508) 533-6800	SOLON, DAVID AND TRACEY
17362	Franchise	Cost Cutters	MILLISTON COMMONS	6 MILLISTON RD	MILLIS	MA	2054 USA	(508) 376-4555	SOLON, DAVID AND TRACEY
16741	Franchise	Cost Cutters		55 STOREY AVE	NEWBURYPORT	MA	1950 USA	(978) 499-9500	KONTIS, JOHN
17648	Franchise	Cost Cutters	NORTHGATE SHOPPING CENTER	339 SQUIRE RD STE 105B	REVERE	MA	2151 USA	(781) 289-2100	KONTIS, JOHN
17368	Franchise	Cost Cutters	SUNNYHURST PLAZA	200 MAIN ST UNIT G	STONEHAM	MA	2180 USA	(781) 438-4400	KONTIS, JOHN
17748	Franchise	Cost Cutters	SWAMPSCOTT MALL	450 PARADISE AVE	SWAMPSCOTT	MA	1907 USA	(978) 969-6240	KONTIS, JOHN
16176	Franchise	Cost Cutters	MENG'S BROOK MALL	5700 BECKLEY RD STE C-1	BATTLE CREEK	MI	49015 USA	(269) 979-4247	FLYNN GRETZ, LYNN

16180	Franchise	Cost Cutters		1272 PERRY AVE	BIG RAPIDS	MI	49307	USA	(231) 796-1627	FLYNN GRETZ, LYNN
15728	Franchise	Cost Cutters	THE SHOPPES AT GREEN OAKS	9290 LEE RD STE 109	BRIGHTON	MI	48116	USA	(810) 225-2957	SARAFA, MICHAEL
16185	Franchise	Cost Cutters	LAKELAND SQUARE	2168 N MITCHELL ST	CADILLAC	MI	49601	USA	(231) 779-8144	FLYNN GRETZ, LYNN
17011	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1432	8917 E 34 RD	CADILLAC	MI	49601	USA	(231) 775-2906	FLYNN GRETZ, LYNN
15573	Franchise	Cost Cutters	ARBOR PLAZA	2723 S TELEGRAPH RD	DEARBORN	MI	48124	USA	(313) 562-8800	SARAFA, MICHAEL
16496	Franchise	Cost Cutters	DELTA PLACE	2507 3RD AVE N	ESCANABA	MI	49829	USA	(906) 786-9638	FLYNN GRETZ, LYNN
16499	Franchise	Cost Cutters	GRAND PLAZA	544 N BEACON BLVD	GRAND HAVEN	MI	49417	USA	(616) 842-4412	FLYNN GRETZ, LYNN
15720	Franchise	Cost Cutters	HASTING CENTER	818 W STATE ST	HASTINGS	MI	49058	USA	(269) 948-9470	SARAFA, MICHAEL
15726	Franchise	Cost Cutters	CINGULAR WIRELESS SHOPPING CTR	3435 W SHORE DR STE 20	HOLLAND	MI	49424	USA	(616) 399-0640	SARAFA, MICHAEL
16512	Franchise	Cost Cutters		1830 S STEPHENSON AVE	IRON MOUNTAIN	MI	49801	USA	(906) 779-5969	FLYNN GRETZ, LYNN
16517	Franchise	Cost Cutters	IRONWOOD COMMONS	1438 CLOVERLAND DR	IRONWOOD	MI	49938	USA	(906) 932-2373	CHRISTENSEN, TOM
15717	Franchise	Cost Cutters	WESTWOOD PLAZA	4518 W MAIN ST	KALAMAZOO	MI	49006	USA	(269) 381-1222	SARAFA, MICHAEL*
15719	Franchise	Cost Cutters	CLOCK TOWER CENTER	6147 KALAMAZOO AVE SE	KENTWOOD	MI	49508	USA	(616) 554-9885	SARAFA, MICHAEL
15718	Franchise	Cost Cutters	FRANDOR PLAZA	310 N CLIPPERT ST STE 3	LANSING	MI	48912	USA	(517) 332-9388	SARAFA, MICHAEL
16538	Franchise	Cost Cutters	AMERICAN PLAZA	2867 US HIGHWAY 41 W	MARQUETTE	MI	49855	USA	(906) 226-7099	FLYNN GRETZ, LYNN
16546	Franchise	Cost Cutters	M & M PLAZA	1205 8TH AVE	MENOMINEE	MI	49858	USA	(906) 863-7436	FLYNN GRETZ, LYNN
15725	Franchise	Cost Cutters		2007 S MISSION ST	MOUNT PLEASANT	MI	48858	USA	(989) 772-6396	SARAFA, MICHAEL
15721	Franchise	Cost Cutters	GOULD EAST SHOPPING CENTER	1357 E MAIN ST	OWOSSO	MI	48867	USA	(989) 725-6222	SARAFA, MICHAEL
15729	Franchise	Cost Cutters	MARKETPLACE COURT	35752 VAN DYKE AVE	STERLING HEIGHTS	MI	48312	USA	(586) 978-1105	SARAFA, MICHAEL
15724	Franchise	Cost Cutters	HERITAGE SQUARE PLAZA	8795 HALL RD	UTICA	MI	48317	USA	(586) 739-6677	SARAFA, MICHAEL
16478	Franchise	Cost Cutters	MIDWAY MALL	2715 HIGHWAY 29 S STE 107	ALEXANDRIA	MN	56308	USA	(320) 762-1101	BITZAN, DAWN
16573	Franchise	Cost Cutters	PINE TREE MALL	707 HIGHWAY 33 S STE 69	CLOQUET	MN	55720	USA	(218) 879-6774	HESKIN, GARY*
16898	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1929	1308 HIGHWAY 33 S	CLOQUET	MN	55720	USA	(218) 879-8400	HESKIN, GARY
16533	Franchise	Cost Cutters	KENWOOD SHOPPING CENTER	1348 ARROWHEAD RD	DULUTH	MN	55811	USA	(218) 724-7770	HESKIN, GARY
16544	Franchise	Cost Cutters	VALLEY CENTER	215 N CENTRAL AVE	DULUTH	MN	55807	USA	(218) 624-5447	HESKIN, GARY
17736	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1609	100 SE 29TH ST	GRAND RAPIDS	MN	55744	USA	(218) 327-9331	HESKIN, GARY
17737	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1757	4740 MALL DR	HERMANTOWN	MN	55811	USA	(218) 722-4119	HESKIN, GARY
16078	Franchise	Cost Cutters	INSIDE WALMART #2937 TO SALON	12080 HIGHWAY 169 W	HIBBING	MN	55746	USA	(218) 263-4100	HESKIN, GARY
17294	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1722	1221 E MAIN ST	MARSHALL	MN	56258	USA	(507) 532-2743	HAHN, VIKKI
16953	Franchise	Cost Cutters		3003 NICOLLET AVE S	MINNEAPOLIS	MN	55408	USA	(612) 875-0623	HA, ROBERT
16951	Franchise	Cost Cutters	COBALT CONDOMINIUMS	329 CENTRAL AVE SE	MINNEAPOLIS	MN	55414	USA	(612) 331-2753	LINDERMAN, DAN & JENNY
16915	Franchise	Cost Cutters	EASTEN SHOPPING CENTER	3234 HIGHWAY 10 E	MOORHEAD	MN	56560	USA	(218) 233-5911	SCHARDIN, SUSY
17734	Franchise	Cost Cutters	SHOPPES ON MAINE	4607 MAINE AVE SE STE 207	ROCHESTER	MN	55904	USA	(507) 288-1417	GILBERTSON, MARK*
17064	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2812	25 25TH ST SE	ROCHESTER	MN	55904	USA	(507) 536-9100	GILBERTSON, MARK
17065	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1971	3400 55TH ST NW	ROCHESTER	MN	55901	USA	(507) 289-0679	GILBERTSON, MARK
16700	Franchise	Cost Cutters	ST JOSEPH BUSINESS CENTER	PO BOX 358	SAINT JOSEPH	MN	56374	USA	(320) 271-4247	GETTLER, TERRI
16877	Franchise	Cost Cutters	HIGHLAND VILLAGE	2142 FORD PKWY	SAINT PAUL	MN	55116	USA	(651) 690-5211	ROGERS, TERESA
17251	Franchise	Cost Cutters		13 N BENTON DR	SAUK RAPIDS	MN	56379	USA	(320) 654-6855	GETTLER, TERRI
16887	Franchise	Cost Cutters	STILLWATER MARKET PLACE	1990 MARKET DR	STILLWATER	MN	55082	USA	(651) 430-7164	MACCHESNEY, RICHARD AND CATHERINE*
17289	Franchise	Cost Cutters	ROBERTS SQUARE	1684 S ROBERT ST	WEST SAINT PAUL	MN	55118	USA	(651) 455-0924	MACCHESNEY, RICHARD AND CATHERINE
17302	Franchise	Cost Cutters	WHITE BEAR HILLS CENTER	2695 COUNTY ROAD E	WHITE BEAR LAKE	MN	55110	USA	(651) 429-1762	MACCHESNEY, RICHARD AND CATHERINE
17293	Franchise	Cost Cutters	WHITE BEAR SHOPPING CENTER	4401 S LAKE AVE	WHITE BEAR LAKE	MN	55110	USA	(651) 407-7019	MACCHESNEY, RICHARD AND CATHERINE
17303	Franchise	Cost Cutters	KANDI MALL	1605 1ST ST S	WILLMAR	MN	56201	USA	(320) 231-2218	MURPHY-BUDDE, MICHELLE
17305	Franchise	Cost Cutters		1217 GILMORE AVE	WINONA	MN	55987	USA	(507) 454-6030	MASYGA, BRIAN
17311	Franchise	Cost Cutters	EAGLE VALLEY MARKETPLACE	2190 EAGLE CREEK LN STE C	WOODBURY	MN	55129	USA	(651) 998-0333	MACCHESNEY, RICHARD AND CATHERINE
16023	Franchise	Cost Cutters	CROSSROADS WEST SHOPPING CTR	2101 W BROADWAY STE R	COLUMBIA	MO	65203	USA	(573) 446-9599	EMEL, AARON AND ASHLEY*
17235	Franchise	Cost Cutters	BROADWAY MARKETPLACE	27 CONLEY RD STE 100	COLUMBIA	MO	65201	USA	(573) 875-4247	EMEL, AARON AND ASHLEY
17241	Franchise	Cost Cutters	LOCATED INSIDE WALMART #29	724 W STADIUM BLVD STE 32	JEFFERSON CITY	MO	65109	USA	(573) 634-5566	EMEL, AARON AND ASHLEY
17746	Franchise	Cost Cutters	CENTER SHOPPES AT KEARNEY	801 WATSON DR STE E	KEARNEY	MO	64060	USA	(816) 903-5515	HOGAN, BRAD & AMY
17599	Franchise	Cost Cutters	BISHOP COMMONS	201 S BISHOP AVE STE J	ROLLA	MO	65401	USA	(573) 426-2606	EMEL, AARON AND ASHLEY
17482	Franchise	Cost Cutters	SEDALIA CROSSING SHOPPING CTR	3040 W BROADWAY BLVD STE 360	SEDALIA	MO	65301	USA	(660) 829-3600	EMEL, AARON AND ASHLEY
18616	Franchise	Cost Cutters		544 CC CAMP RD STE 1400	ELKIN	NC	28621	USA	(336) 835-9132	HEREDIA, MICHAEL & JANE*
18615	Franchise	Cost Cutters	FORREST OAKS SHOPPING CENTER	2123 ROCKFORD ST	MOUNT AIRY	NC	27030	USA	(336) 789-9906	HEREDIA, MICHAEL & JANE
18613	Franchise	Cost Cutters		1235 N BRIGHTLEAF BLVD	SMITHFIELD	NC	27577	USA	(919) 989-9941	HEREDIA, MICHAEL & JANE
16833	Franchise	Cost Cutters		1823 N 13TH ST	BISMARCK	ND	58501	USA	(701) 255-3515	THORPE, DON & DEB
16818	Franchise	Cost Cutters	CIVIC PLAZA	309 S 3RD ST	BISMARCK	ND	58504	USA	(701) 258-6707	THORPE, DON & DEB

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17186	Franchise	Cost Cutters		4265 45TH ST S STE 117	FARGO	ND	58104	USA	(701) 293-3722	SCHARDIN, SUSY
17268	Franchise	Cost Cutters		2475 32ND AVE S STE 4	GRAND FORKS	ND	58201	USA	(701) 772-1488	WEDIN, BOB JR
16872	Franchise	Cost Cutters	GRAND CITIES MALL	1726 S WASHINGTON ST	GRAND FORKS	ND	58201	USA	(701) 772-4523	WEDIN, BOB JR
16495	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2784	3620 N 6TH ST	BEATRICE	NE	68310	USA	(402) 223-5898	BARNES, DOUG & LIZ
17286	Franchise	Cost Cutters	LOCATED INSIDE WALMART #774	818 E 23RD ST	COLUMBUS	NE	68601	USA	(402) 563-9672	BARNES, DOUG & LIZ
16807	Franchise	Cost Cutters		3351 E 24TH ST STE 100	FREMONT	NE	68025	USA	(402) 727-6770	ERICKSON, JOE AND CARYN
17298	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1326	2250 N DIERS AVE	GRAND ISLAND	NE	68803	USA	(308) 384-4340	BARNES, DOUG & LIZ
17291	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3395	3501 S LOCUST	GRAND ISLAND	NE	68801	USA	(308) 384-6057	BARNES, DOUG & LIZ
17295	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1460	3803 OSBORNE DR W	HASTINGS	NE	68901	USA	(402) 463-3002	BARNES, DOUG & LIZ
17106	Franchise	Cost Cutters		1010 3RD ST STE C	KEARNEY	NE	68845	USA	(308) 234-5077	BARNES, DOUG & LIZ
16918	Franchise	Cost Cutters	LOCATED INSIDE WALMART #637	200 S FRONTIER ST	LEXINGTON	NE	68850	USA	(308) 324-2749	BARNES, DOUG & LIZ
16823	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3278	8700 ANDERMATT DR	LINCOLN	NE	68526	USA	(402) 486-9353	BARNES, DOUG & LIZ
17733	Franchise	Cost Cutters	YANKEE RIDGE CENTER	3900 YANKEE HILL RD STE 107	LINCOLN	NE	68516	USA	(402) 423-2555	BARNES, DOUG & LIZ
17608	Franchise	Cost Cutters	SOUTH STREET SHOPPING CENTER	1606 SOUTH ST	LINCOLN	NE	68502	USA	(402) 435-2002	BARNES, DOUG & LIZ
16819	Franchise	Cost Cutters	LENOX VILLAGE	4500 S 70TH ST STE 108	LINCOLN	NE	68516	USA	(402) 488-8589	BARNES, DOUG & LIZ
16454	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1943	4700 N 27TH ST	LINCOLN	NE	68521	USA	(402) 435-1041	BARNES, DOUG & LIZ
16822	Franchise	Cost Cutters	PIEDMONT	1265 S COTNER BLVD	LINCOLN	NE	68510	USA	(402) 488-3130	BARNES, DOUG & LIZ
16814	Franchise	Cost Cutters	BELMONT PLAZA SHOPPING CTR	2601 N 11TH BLDG E	LINCOLN	NE	68521	USA	(402) 477-5850	BARNES, DOUG & LIZ
17646	Franchise	Cost Cutters	CROSSROADS PAVILION	233 N 48TH ST STE S	LINCOLN	NE	68504	USA	(402) 466-5473	BARNES, DOUG & LIZ
17497	Franchise	Cost Cutters		2100 MARKET LN	NORFOLK	NE	68701	USA	(402) 379-3432	BARNES, DOUG & LIZ
17296	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1585	1401 S DEWEY ST	NORTH PLATTE	NE	69101	USA	(308) 534-2681	BARNES, DOUG & LIZ
15578	Franchise	Cost Cutters		6909 S 157TH ST STE B	OMAHA	NE	68136	USA	(402) 896-0477	ADAMSON, MARK
17645	Franchise	Cost Cutters	HY VEE SHOPPING CENTER	16401 WEST SIDE DR STE C	PLATTSMOUTH	NE	68048	USA	(402) 298-7232	BARNES, DOUG & LIZ
16663	Franchise	Cost Cutters	LOCATED INSIDE WALMART #867	3322 AVE I	SCOTTSBLUFF	NE	69361	USA	(308) 635-1660	BARNES, DOUG & LIZ
17074	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1332	1601 CORNHUSKER DR	SOUTH SIOUX CITY	NE	68776	USA	(402) 494-5154	BARNES, DOUG & LIZ
17285	Franchise	Cost Cutters	LOCATED INSIDE WALMART #350	101 E DAVID DR	YORK	NE	68467	USA	(402) 362-3331	BARNES, DOUG & LIZ
15592	Franchise	Cost Cutters	CROSSROADS SHOPPING CENTER	1520 ROUTE 38 UNIT 15	HAINESPORT	NJ	8036	USA	(609) 267-8165	SARAFA, MICHAEL
15593	Franchise	Cost Cutters	SHARPS RUN SHOPPING CENTER	175 ROUTE 70 STE 16	MEDFORD	NJ	8055	USA	(609) 953-3691	SARAFA, MICHAEL
15871	Franchise	Cost Cutters	GIANT PLAZA-ROBINSON STREET	180 ROBINSON ST	BINGHAMTON	NY	13904	USA	(607) 722-4682	MILOWICKI, CLIFFORD
15586	Franchise	Cost Cutters	RIVERSIDE PLAZA	164 CLINTON AVE	CORTLAND	NY	13045	USA	(607) 756-4294	OWEN, ROBERT
15875	Franchise	Cost Cutters	PRICE CHOPPER PLAZA	1007 NORTH ST	ENDICOTT	NY	13760	USA	(607) 748-0951	MILOWICKI, CLIFFORD
15567	Franchise	Cost Cutters	TOPS PLAZA	722 S MEADOW ST	ITHACA	NY	14850	USA	(607) 272-6308	OWEN, ROBERT
15878	Franchise	Cost Cutters		3159 SILVERBACK LN STE 104	PAINTED POST	NY	14870	USA	(607) 936-6222	MILOWICKI, CLIFFORD
15874	Franchise	Cost Cutters	VESTAL PLAZA	4700 VESTAL PKWY E	VESTAL	NY	13850	USA	(607) 797-0394	MILOWICKI, CLIFFORD
15741	Franchise	Cost Cutters	TRI COUNTY PLAZA	3500 CANTON RD ROOM 120	AKRON	OH	44312	USA	(330) 784-0342	SARAFA, MICHAEL
15745	Franchise	Cost Cutters	SOUTH PLAZA	372 E WATERLOO RD	AKRON	OH	44319	USA	(330) 786-1447	SARAFA, MICHAEL
15849	Franchise	Cost Cutters	ELLET WEDGEWOOD PLAZA	2420 WEDGEWOOD DR	AKRON	OH	44312	USA	(330) 794-4058	SARAFA, MICHAEL
15744	Franchise	Cost Cutters	ACME PLAZA	3235 MANCHESTER RD STE 3	AKRON	OH	44319	USA	(330) 645-1915	SARAFA, MICHAEL
15845	Franchise	Cost Cutters	BUCKEYE VILLAGE CENTER	1836 W STATE ST	ALLIANCE	OH	44601	USA	(330) 823-8271	SARAFA, MICHAEL
15847	Franchise	Cost Cutters	AMHERST PLAZA	1911 COOPER FOSTER PARK RD	AMHERST	OH	44001	USA	(440) 960-2269	SARAFA, MICHAEL
16800	Franchise	Cost Cutters		110 HEDSTROM DR	ASHLAND	OH	44805	USA	(419) 281-0199	SARAFA, MICHAEL
15792	Franchise	Cost Cutters	EAST MAIN STREET COMMERCE CTR	1145 E MAIN ST	ASHLAND	OH	44805	USA	(419) 289-3945	SARAFA, MICHAEL
15736	Franchise	Cost Cutters	NORTH RIDGE EAST SHOPPING PLZ	2912 N RIDGE RD E	ASHTABULA	OH	44004	USA	(440) 997-5771	SARAFA, MICHAEL
15798	Franchise	Cost Cutters	MARKETPLACE AT FOUR CORNERS	7209 AURORA RD	AURORA	OH	44202	USA	(330) 995-2304	SARAFA, MICHAEL
15909	Franchise	Cost Cutters	CARDINAL PLAZA	1698 S RACOON RD	AUSTINTOWN	OH	44515	USA	(330) 792-8881	SARAFA, MICHAEL
15794	Franchise	Cost Cutters	AVON COMMONS SHOPPING CENTER	35968 DETROIT RD	AVON	OH	44011	USA	(440) 937-4266	SARAFA, MICHAEL
15858	Franchise	Cost Cutters		219 W MAIN ST STE B	BELLEVUE	OH	44811	USA	(419) 483-5165	SARAFA, MICHAEL
15908	Franchise	Cost Cutters	SHOPS AT BOARDMAN PARK	397 BOARDMAN POLAND RD	BOARDMAN	OH	44512	USA	(330) 758-4538	SARAFA, MICHAEL
15907	Franchise	Cost Cutters	SOUTHLAND CROSSINGS	1214 DORAL DR	BOARDMAN	OH	44514	USA	(330) 726-6470	SARAFA, MICHAEL
15903	Franchise	Cost Cutters	832 S MAIN ST		BOWLING GREEN	OH	43402	USA	(419) 352-9763	SARAFA, MICHAEL
15904	Franchise	Cost Cutters	SOUTHTOWN CENTRE	1232 S MAIN ST	BRYAN	OH	43506	USA	(419) 636-2899	SARAFA, MICHAEL
15746	Franchise	Cost Cutters	CANFIELD COLONIAL PLAZA	421 E MAIN ST	CANFIELD	OH	44406	USA	(330) 707-0213	SARAFA, MICHAEL
15895	Franchise	Cost Cutters	CANTON SOUTHGATE	3009 CLEVELAND AVE SW	CANTON	OH	44707	USA	(330) 484-6245	SARAFA, MICHAEL
15894	Franchise	Cost Cutters	MARKETPLACE AT NOBLES POND	7218 FULTON DR NW	CANTON	OH	44718	USA	(330) 830-3347	SARAFA, MICHAEL
15852	Franchise	Cost Cutters		3230 CLEVELAND AVE NW	CANTON	OH	44709	USA	(330) 493-0400	SARAFA, MICHAEL
15846	Franchise	Cost Cutters	CANTON CENTRE MALL OUTLOT	4330 W TUSCARAWAS ST	CANTON	OH	44708	USA	(330) 478-8880	SARAFA, MICHAEL

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15896	Franchise	Cost Cutters	BAINBRIDGE MARKET SQUARE	16779 CHILLICOTHE RD	CHAGRIN FALLS ANNEX	OH	44023	USA	(440) 543-2644	SARAFA, MICHAEL
15910	Franchise	Cost Cutters	MEADOWLAND TOWN CENTER	255 MEADOWLANDS DR STE 150	CHARDON	OH	44024	USA	(440) 285-2500	SARAFA, MICHAEL
15731	Franchise	Cost Cutters	WARREN VILLAGE SHOPPING CENTER	3358 WARREN RD	CLEVELAND	OH	44111	USA	(216) 941-9407	SARAFA, MICHAEL
15844	Franchise	Cost Cutters	IMAGINE PLAZA	69 GRAHAM RD STE C	CUYAHOGA FALLS	OH	44223	USA	(330) 922-4111	SARAFA, MICHAEL
15575	Franchise	Cost Cutters	CLINTON STREET CROSSINGS	1601 N CLINTON ST	DEFIANCE	OH	43512	USA	(419) 782-1137	SARAFA, MICHAEL
15574	Franchise	Cost Cutters	DEFIANCE KROGER PLAZA	1842 E 2ND ST	DEFIANCE	OH	43512	USA	(419) 782-2121	SARAFA, MICHAEL
15732	Franchise	Cost Cutters	VINE STREET PLAZA	34021 VINE ST UNIT C	EASTLAKE	OH	44095	USA	(440) 946-6260	SARAFA, MICHAEL
15828	Franchise	Cost Cutters	RIVER STREET SQUARE	237 MIDWAY BLVD	ELYRIA	OH	44035	USA	(440) 324-2312	SARAFA, MICHAEL
15733	Franchise	Cost Cutters	FAIRLAWN CENTER	2673 W MARKET ST	FAIRLAWN	OH	44333	USA	(330) 864-9903	SARAFA, MICHAEL
15885	Franchise	Cost Cutters	NORTH TOWNE PLAZA	1309 WAGNER AVE	GREENVILLE	OH	45331	USA	(937) 548-9061	BAKSHI, AMAN AND ANNURADHA BHANDARI
15906	Franchise	Cost Cutters	SPRING MEADOWS PLACE	1331 MCCORD RD	HOLLAND	OH	43528	USA	(419) 867-9524	SARAFA, MICHAEL
15748	Franchise	Cost Cutters	TOPS PLAZA	1590 S WATER ST STE B	KENT	OH	44240	USA	(330) 677-1765	SARAFA, MICHAEL
15854	Franchise	Cost Cutters	LOUISVILLE RETAIL CENTER	524 W MAIN ST	LOUISVILLE	OH	44641	USA	(330) 875-9145	SARAFA, MICHAEL
15847	Franchise	Cost Cutters	WALMART PLAZA	331 N LEXINGTON SPRINGMILL#150	MANSFIELD	OH	44906	USA	(419) 529-8343	SARAFA, MICHAEL
15742	Franchise	Cost Cutters		1327 LEXINGTON AVE	MANSFIELD	OH	44907	USA	(419) 756-0625	SARAFA, MICHAEL
15799	Franchise	Cost Cutters	WALES SQUARE	7999 HILLS N DALE RD	MASSILLON	OH	44646	USA	(330) 833-6664	SARAFA, MICHAEL
15848	Franchise	Cost Cutters	MEADOWS PLAZA	20108 LINCOLN WAY E	MASSILLON	OH	44646	USA	(330) 837-4943	SARAFA, MICHAEL
15899	Franchise	Cost Cutters	GOLDEN GATE SHOPPING CENTER	251 GOLDEN GATE SHOPPING CTR	MAUMEE	OH	43537	USA	(419) 893-8005	SARAFA, MICHAEL
15837	Franchise	Cost Cutters	MEDWICK MARKETPLACE	1093 N COURT	MEDINA	OH	44256	USA	(330) 722-5592	SARAFA, MICHAEL
15827	Franchise	Cost Cutters	POINTS EAST SHOPPING CENTER	7325 MENTOR AVE STE 5-4AS	MENTOR	OH	44060	USA	(440) 951-9757	SARAFA, MICHAEL
15747	Franchise	Cost Cutters	HERITAGE TOWN CENTER	1835 SCOTT ST	NAPOLEON	OH	43545	USA	(419) 592-0111	SARAFA, MICHAEL
15743	Franchise	Cost Cutters	GREAT EAST PLAZA	940 GREAT EAST PL2	NILES	OH	44446	USA	(330) 544-5353	SARAFA, MICHAEL
15850	Franchise	Cost Cutters	MARKETPLACE AT WASHINGTON	1963 E MAPLE ST	NORTH CANTON	OH	44720	USA	(330) 244-8928	SARAFA, MICHAEL
15836	Franchise	Cost Cutters	BELDEN PARK CROSSINGS	5560 DRESSLER RD	NORTH CANTON	OH	44720	USA	(330) 494-3962	SARAFA, MICHAEL
15830	Franchise	Cost Cutters	NEW BERLIN COMMONS	1664 N MAIN ST STE 19	NORTH CANTON	OH	44720	USA	(330) 497-0329	SARAFA, MICHAEL
15734	Franchise	Cost Cutters	GREAT NORTHERN PLAZA SOUTH	5160 GREAT NORTHERN PLAZA S	NORTH OLMSTED	OH	44070	USA	(440) 734-3443	SARAFA, MICHAEL
15838	Franchise	Cost Cutters	GIANT EAGLE PLAZA	34307 CENTER RIDGE RD	NORTH RIDGEVILLE	OH	44039	USA	(440) 353-3822	SARAFA, MICHAEL
15677	Franchise	Cost Cutters	ROYALTON PLAZA	6140 ROYALTON RD	NORTH ROYALTON	OH	44133	USA	(440) 237-7123	SARAFA, MICHAEL
15738	Franchise	Cost Cutters	NORTON PLAZA	4162 S CLEVELAND MASSILON RD	NORTON	OH	44203	USA	(330) 825-9863	SARAFA, MICHAEL
15840	Franchise	Cost Cutters	NORWALK KRONERS	201 MILAN AVE STE D	NORWALK	OH	44857	USA	(419) 663-0338	SARAFA, MICHAEL
15983	Franchise	Cost Cutters	PARMATOWN MALL	7471 W RIDGEWOOD DR	PARMA	OH	44129	USA	(440) 884-6300	SARAFA, MICHAEL
15795	Franchise	Cost Cutters	SOUTH PARK PLAZA	6883 W 130TH ST	PARMA HEIGHTS	OH	44130	USA	(440) 845-3400	SARAFA, MICHAEL
15905	Franchise	Cost Cutters	VILLAGE SQUARE	26580 N DIXIE HWY UNIT 104	PERRYSBURG	OH	43551	USA	(419) 872-2977	SARAFA, MICHAEL
15900	Franchise	Cost Cutters	PERRYSBURG MARKETPLACE	27072 CARRONADE DR STE L	PERRYSBURG	OH	43551	USA	(419) 874-9825	SARAFA, MICHAEL
15751	Franchise	Cost Cutters	PLAZA EAST	320 E MAIN ST STE 104	RAVENNA	OH	44266	USA	(330) 297-0333	SARAFA, MICHAEL
15750	Franchise	Cost Cutters	BROADWAY PLAZA	200 E 2ND ST	SALEM	OH	44460	USA	(330) 332-2366	SARAFA, MICHAEL
15789	Franchise	Cost Cutters	PARK PLACE PLAZA	5500 MILAN RD	SANDUSKY	OH	44870	USA	(419) 621-9002	SARAFA, MICHAEL
15739	Franchise	Cost Cutters		161 MANSFIELD AVE	SHELBY	OH	44875	USA	(419) 347-8271	SARAFA, MICHAEL
15829	Franchise	Cost Cutters	GRAHAM SQUARE	3515 HUDSON DR STE 400	STOW	OH	44224	USA	(330) 928-0066	SARAFA, MICHAEL
15832	Franchise	Cost Cutters	STOW KENT SHOPPING CENTER	4301 KENT RD	STOW	OH	44224	USA	(330) 686-9656	SARAFA, MICHAEL
15735	Franchise	Cost Cutters	STREETSBORO CROSSING SHOPPING	9772 STATE ROUTE 14	STREETSBORO	OH	44241	USA	(330) 626-5395	SARAFA, MICHAEL
15893	Franchise	Cost Cutters	FIRST FEDERAL COMMONS	14236 PEARL RD	STRONGSVILLE	OH	44136	USA	(440) 572-3316	SARAFA, MICHAEL
15839	Franchise	Cost Cutters	EASTWOOD SQUARE	616 SOUTH AVE	TALLMADGE	OH	44278	USA	(330) 633-0988	SARAFA, MICHAEL
15898	Franchise	Cost Cutters	FOUNDATION PARK SHOPPING CTR	1515 S BYRNE RD	TOLEDO	OH	43614	USA	(419) 381-9064	SARAFA, MICHAEL
15897	Franchise	Cost Cutters	NORTHTOWNE COMMONS PLAZA	821 W ALEXIS RD STE A-102	TOLEDO	OH	43612	USA	(419) 478-1043	SARAFA, MICHAEL
15833	Franchise	Cost Cutters	TOWN PARK CENTER	1840 TOWN PARK BLVD STE Q	UNIONTOWN	OH	44685	USA	(330) 899-0454	SARAFA, MICHAEL
15901	Franchise	Cost Cutters	WAUSEON MARKETPLACE	836 N SHOOP AVE	WAUSEON	OH	43567	USA	(419) 335-2255	SARAFA, MICHAEL
15740	Franchise	Cost Cutters	BLOSSOM CENTER	110 BLOSSOM CENTER BLVD	WILLARD	OH	44890	USA	(419) 933-8501	SARAFA, MICHAEL
15851	Franchise	Cost Cutters	WAYNETOWN PLAZA	3939 BURBANK RD	WOOSTER	OH	44691	USA	(330) 345-6116	SARAFA, MICHAEL
15979	Franchise	Cost Cutters	ONTARIO MARKETPLACE	203 E LANE N STE 4	ONTARIO	OR	97914	USA	(541) 889-7312	RAMSOUR, BRAD AND STRITTMATTER, DAN
15595	Franchise	Cost Cutters	WEST VALLEY MARKETPLACE	1042 MILL CREEK RD UNIT 35	ALLENTOWN	PA	18106	USA	(610) 395-8374	SARAFA, MICHAEL
15594	Franchise	Cost Cutters	CREST PLAZA	1632 N CEDAR CREST BLVD # I-2	ALLENTOWN	PA	18104	USA	(610) 391-8400	SARAFA, MICHAEL
15605	Franchise	Cost Cutters	MORNINGSIDE PLAZA	8518 W PLANK RD ROOM A	ALTOONA	PA	16602	USA	(814) 941-7881	SARAFA, MICHAEL
15591	Franchise	Cost Cutters	MIFFLIN COUNTY COMMONS	325 W FREEDOM AVE STE 142	BURNHAM	PA	17009	USA	(717) 248-3538	SARAFA, MICHAEL
15589	Franchise	Cost Cutters	CARLISLE CROSSING	262 WESTMINSTER DR STE 136	CARLISLE	PA	17013	USA	(717) 218-9640	SARAFA, MICHAEL
15662	Franchise	Cost Cutters	NORTH STAR PLAZA	225 STATE ROUTE 288	ELLWOOD CITY	PA	16117	USA	(724) 758-5499	SARAFA, MICHAEL

15603	Franchise	Cost Cutters	ERIE COMMONS SHOPPING CENTER	1715 E 38TH ST	ERIE	PA	16510 USA	(814) 824-4003	SARAFA, MICHAEL
15601	Franchise	Cost Cutters	PEACH STREET SQUARE	1905 ROTUNDA DR	ERIE	PA	16509 USA	(814) 866-9907	SARAFA, MICHAEL
15602	Franchise	Cost Cutters	YORKTOWNE CENTRE	2501 W 12TH ST	ERIE	PA	16505 USA	(814) 836-1211	SARAFA, MICHAEL
15599	Franchise	Cost Cutters	K-MART PLAZA	2891 W 26TH ST	ERIE	PA	16506 USA	(814) 838-1166	SARAFA, MICHAEL
15598	Franchise	Cost Cutters	PRICERITE PLAZA	4486 BUFFALO RD	ERIE	PA	16510 USA	(814) 898-2386	SARAFA, MICHAEL
15600	Franchise	Cost Cutters	LIBERTY PLAZA III	709 W 38TH ST	ERIE	PA	16508 USA	(814) 866-1168	SARAFA, MICHAEL
15596	Franchise	Cost Cutters	LAUREL MALL	35 LAUREL MALL	HAZLE TOWNSHIP	PA	18202 USA	(570) 454-4432	SARAFA, MICHAEL
15606	Franchise	Cost Cutters	HILLCREST SHOPPING CENTER	143 HILLCREST SHOPPING CTR	LOWER BURRELL	PA	15068 USA	(724) 335-9177	SARAFA, MICHAEL
15648	Franchise	Cost Cutters	KENNEDY CENTER	1825 MCKEES ROCKS RD	MCKEES ROCKS	PA	15136 USA	(412) 331-2930	SARAFA, MICHAEL
11084	Franchise	Cost Cutters	OLYMPIA SHOPPING CENTER	4313 WALNUT ST STE 116	MCKEESPORT	PA	15132 USA	(412) 751-1223	LATIF, ISMAIL
15604	Franchise	Cost Cutters	WALMART PLAZA	16230 CONNEAUT LAKE RD	MEADVILLE	PA	16335 USA	(814) 337-8158	SARAFA, MICHAEL
15676	Franchise	Cost Cutters		2425 WILMINGTON RD ROOM 2C	NEW CASTLE	PA	16105 USA	(724) 652-3317	SARAFA, MICHAEL
15708	Franchise	Cost Cutters	UNION SQUARE	2529 W STATE ST	NEW CASTLE	PA	16101 USA	(724) 654-3457	SARAFA, MICHAEL
15657	Franchise	Cost Cutters	SHENANGO SQUARE	2618 ELLWOOD RD	NEW CASTLE	PA	16101 USA	(724) 652-3010	SARAFA, MICHAEL
15651	Franchise	Cost Cutters	ROBINSON TOWN CENTER	1905 PARK MANOR BLVD	PITTSBURGH	PA	15205 USA	(412) 788-0316	SARAFA, MICHAEL
15628	Franchise	Cost Cutters	MARSHALLS GREENTREE ROAD SHOP	1968 GREENTREE RD	PITTSBURGH	PA	15220 USA	(412) 563-6360	SARAFA, MICHAEL
15616	Franchise	Cost Cutters	WHARTON SQUARE SHOPPING CENTER	2011 WHARTON SQ	PITTSBURGH	PA	15203 USA	(412) 431-4545	SARAFA, MICHAEL
15768	Franchise	Cost Cutters	CARRICK SHOPPING CENTER	2150 BROWNSVILLE RD STE 128	PITTSBURGH	PA	15210 USA	(412) 882-2664	SARAFA, MICHAEL
11085	Franchise	Cost Cutters	WIDEWATER COMMONS	104 MATTHEW DR	UNIONTOWN	PA	15401 USA	(724) 438-8821	LATIF, ISMAIL
15633	Franchise	Cost Cutters	CENTURY SQUARE	3585 MOUNTAIN VIEW	WEST MIFFLIN	PA	15122 USA	(412) 653-7726	SARAFA, MICHAEL
17152	Franchise	Cost Cutters	HARBISON CENTER	275 HARBISON BLVD SHOP FF	COLUMBIA	SC	29212 USA	(803) 732-7983	YOUMANS, GIL
16932	Franchise	Cost Cutters	EAST FOREST PLAZA	5510 FOREST DR STE Z	COLUMBIA	SC	29206 USA	(803) 782-1874	YOUMANS, GIL
17184	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1382	508 HIGHWAY 72 BYP W	GREENWOOD	SC	29649 USA	(864) 227-0966	YOUMANS, GIL
17175	Franchise	Cost Cutters	LOCATED INSIDE WALMART #881	5556 SUNSET BLVD	LEXINGTON	SC	29072 USA	(803) 951-3333	YOUMANS, GIL
17173	Franchise	Cost Cutters	LEXINGTON PLACE	100 OLD CHEROKEE RD SHOP H	LEXINGTON	SC	29072 USA	(803) 356-6557	YOUMANS, GIL
17177	Franchise	Cost Cutters	MILLS CORNER	4360 AUGUSTA RD	LEXINGTON	SC	29073 USA	(803) 356-0011	YOUMANS, GIL
16783	Franchise	Cost Cutters	SHOPPES AT NORTH AUGUSTA	1239 KNOX AVE	NORTH AUGUSTA	SC	29841 USA	(803) 279-1998	YOUMANS, GIL
17188	Franchise	Cost Cutters	LOCATED INSIDE WALMART #616	2795 NORTH RD	ORANGEBURG	SC	29118 USA	(803) 539-0091	YOUMANS, GIL
16925	Franchise	Cost Cutters		1285 BROAD ST STE 2	SUMTER	SC	29150 USA	(803) 469-4887	YOUMANS, GIL
17202	Franchise	Cost Cutters		1923 6TH AVE SE STE 110	ABERDEEN	SD	57401 USA	(605) 226-3410	ERHARDT, DAWN
17206	Franchise	Cost Cutters	HAINES PLAZA	1430 HAINES AVE STE 106	RAPID CITY	SD	57701 USA	(605) 388-9118	STROBEL, ROD & BETTY
17270	Franchise	Cost Cutters	RUSHMORE CROSSING	1612 EGLIN ST STE 400	RAPID CITY	SD	57701 USA	(605) 791-5911	STROBEL, ROD & BETTY
17228	Franchise	Cost Cutters	SHOPKO	4601 E 12TH ST STE 103	SIOUX FALLS	SD	57103 USA	(605) 336-9792	PIERCE, BOB CCSIOUXFL02
17230	Franchise	Cost Cutters	WEST PARK PLAZA	2720 W 12TH ST STE 300	SIOUX FALLS	SD	57104 USA	(605) 335-3264	PIERCE, BOB CCSIOUXFL02
16931	Franchise	Cost Cutters	FIRST PLACE PLAZA	3025 1ST AVE STE S	SPEARFISH	SD	57783 USA	(605) 559-2678	STROBEL, ROD & BETTY
17585	Franchise	Cost Cutters	MARKETPLACE CENTER	310 BOWER ST	VERMILLION	SD	57069 USA	(605) 624-4796	BARNES, DOUG & LIZ
17587	Franchise	Cost Cutters	YANKTON PLACE	3013 BROADWAY AVE	YANKTON	SD	57078 USA	(605) 260-4334	BARNES, DOUG & LIZ
16525	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3495	2315 MADISON ST	CLARKSVILLE	TN	37043 USA	(931) 553-6662	BIEBEL, HAROLD AND RENEE
17239	Franchise	Cost Cutters	LOCATED INSIDE WALMART #873	3050 WILMA RUDOLPH BLVD	CLARKSVILLE	TN	37040 USA	(931) 645-1084	BIEBEL, HAROLD AND RENEE
17236	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1075	1680 FORT CAMPBELL BLVD	CLARKSVILLE	TN	37042 USA	(931) 552-1083	BIEBEL, HAROLD AND RENEE
16597	Franchise	Cost Cutters	LOCATED INSIDE WALMART #192	2200 BROOKMEAD DR	COLUMBIA	TN	38401 USA	(931) 388-0425	BIEBEL, HAROLD AND RENEE
17276	Franchise	Cost Cutters	LOCATED INSIDE WALMART #335	2196 EMPORIUM DR	JACKSON	TN	38305 USA	(731) 664-8630	BIEBEL, HAROLD AND RENEE
17578	Franchise	Cost Cutters	KROGER CENTER	1805 W STATE OF FRANKLIN RD	JOHNSON CITY	TN	37604 USA	(423) 232-1895	CARISTO, JIM & KAREN
16900	Franchise	Cost Cutters	CROWN POINT SHOPPING CENTER	1233 N EASTMAN RD STE 315	KINGSPORT	TN	37664 USA	(423) 245-2748	CARISTO, JIM & KAREN
18360	Franchise	Cost Cutters	LOCATED INSIDE WALMART #4482	300 PLEASANT GROVE RD STE 600	MOUNT JULIET	TN	37122 USA	(615) 758-5664	PIOTROWSKI, LAURA & PAUL
18363	Franchise	Cost Cutters	LOCATED INSIDE WALMART #659	7044 CHARLOTTE PIKE	NASHVILLE	TN	37209 USA	(615) 354-0508	PIOTROWSKI, LAURA & PAUL
16720	Franchise	Cost Cutters	MANHATTAN PLACE	1133 OAK RIDGE TPKE STE B	OAK RIDGE	TN	37830 USA	(865) 482-9776	GILTZ, TOM & LINDA
17332	Franchise	Cost Cutters	LOCATED INSIDE WALMART #177	1210 MINERAL WELL DR	PARIS	TN	38242 USA	(731) 641-0400	BIEBEL, HAROLD AND RENEE
16719	Franchise	Cost Cutters	RIVERS EDGE SHOPPING CENTER	639 PARKWAY	SEVIERVILLE	TN	37862 USA	(865) 428-1906	GILTZ, TOM & LINDA
18362	Franchise	Cost Cutters	LOCATED INSIDE WALMART #406	570 ENON SPRINGS RD E	SMYRNA	TN	37167 USA	(615) 459-0310	PIOTROWSKI, LAURA & PAUL
18361	Franchise	Cost Cutters	LOCATED INSIDE WALMART #4483	222 WILKINSON LN	WHITE HOUSE	TN	37188 USA	(615) 672-1472	PIOTROWSKI, LAURA & PAUL
17201	Franchise	Cost Cutters	THE PLAZA AT AVERY RANCH	14900 AVERY RANCH BLVD B-600	AUSTIN	TX	78717 USA	(512) 687-0429	MCILLECE, KEVIN & LIZ
17199	Franchise	Cost Cutters	LAKE HILLS PLAZA	4211 S LAMAR BLVD STE A9	AUSTIN	TX	78704 USA	(512) 445-5445	MCILLECE, KEVIN & LIZ
17215	Franchise	Cost Cutters		2110 NEW SLAUGHTER LN STE 112	AUSTIN	TX	78748 USA	(512) 282-9770	MCILLECE, KEVIN & LIZ
15778	Franchise	Cost Cutters	TECH RIDGE CENTER	500 CANYON RIDGE DR STE J 200	AUSTIN	TX	78753 USA	(512) 491-8100	TEVES, ERNEST AND SUSAN
15783	Franchise	Cost Cutters	MOPAC EXPRESSWAY	6600 S MOPAC EXPY STE 2120	AUSTIN	TX	78749 USA	(512) 892-6060	TEVES, ERNEST AND SUSAN

COST CUTTERS
Franchised Salons as of June 30, 2020

17660	Franchise	Cost Cutters	HEB CENTER	3025 N DOWLEN RD STE E510	BEAUMONT	TX	77706	USA	(409) 860-9141	BUI, LE AND QUOC NAM TRAN
16255	Franchise	Cost Cutters	HEB SHOPPING CENTER	15300 S IH 35 STE 360	BUDA	TX	78610	USA	(512) 295-8295	MCILLECE, KEVIN & LIZ
16260	Franchise	Cost Cutters	CYPRESS CREEK VILLAGE	1525 CYPRESS CREEK RD STE F	CEDAR PARK	TX	78613	USA	(512) 257-7897	MCILLECE, KEVIN & LIZ
15781	Franchise	Cost Cutters	WHITESTONE MARKET SHPNG CTR	2800 E WHITESTONE BLVD STE 215	CEDAR PARK	TX	78613	USA	(512) 260-5255	TEVES, ERNEST AND SUSAN
17331	Franchise	Cost Cutters	NORTHWEST CROSSING SHOP CTR	13605 NW BLVD STE 100	CORPUS CHRISTI	TX	78410	USA	(361) 387-7727	SHERMAN, KATHY AND MIGUEL
15780	Franchise	Cost Cutters	HEB SHOPPING CENTER	4500 WILLIAMS DR STE 242	GEORGETOWN	TX	78633	USA	(512) 863-4800	TEVES, ERNEST AND SUSAN
15686	Franchise	Cost Cutters	CYPRESS TOWN CENTER	12220 JONES RD STE G	HOUSTON	TX	77070	USA	(281) 477-3500	TEIXEIRA, FABIO*
15685	Franchise	Cost Cutters	BELTWAY 8	9105 W SAM HOUSTON PKWY N # E	HOUSTON	TX	77064	USA	(832) 237-2828	TEIXEIRA, FABIO
15684	Franchise	Cost Cutters	RANDALLS STEEPLECHASE SHOPPING	9575 JONES RD STE B	HOUSTON	TX	77065	USA	(281) 955-2828	TEIXEIRA, FABIO
15712	Franchise	Cost Cutters	PARKWAY VILLAGE	1510 ELDRIDGE RD STE 128	HOUSTON	TX	77077	USA	(281) 759-2221	TEIXEIRA, FABIO
15701	Franchise	Cost Cutters	RIVER OAKS SHOPPING CENTER	1944 W GRAY ST	HOUSTON	TX	77019	USA	(713) 520-0044	TEIXEIRA, FABIO
15698	Franchise	Cost Cutters	SOUTH VOSS SHOPPING CENTER	2534 S VOSS RD	HOUSTON	TX	77057	USA	(713) 781-7333	TEIXEIRA, FABIO
15697	Franchise	Cost Cutters	WOODLAKE SQUARE	9650 WESTHEIMER RD STE 200	HOUSTON	TX	77063	USA	(713) 266-8700	TEIXEIRA, FABIO
15699	Franchise	Cost Cutters	SHOPS OF HILLSHIRE VILLAGE	1437 WIRT RD	HOUSTON	TX	77055	USA	(713) 647-0100	TEIXEIRA, FABIO
15703	Franchise	Cost Cutters	TOWN & COUNTRY VILLAGE	650 W BOUGH LN STE 126	HOUSTON	TX	77024	USA	(713) 461-9119	TEIXEIRA, FABIO
15700	Franchise	Cost Cutters	HEIGHTS PLAZA SHOPPING CENTER	205 W 20TH ST	HOUSTON	TX	77008	USA	(713) 869-0400	TEIXEIRA, FABIO
15688	Franchise	Cost Cutters	ELDRIDGE LAKES TOWN CENTER	6340 N ELDRIDGE PKWY STE E	HOUSTON	TX	77041	USA	(713) 856-9799	TEIXEIRA, FABIO
15687	Franchise	Cost Cutters	COPPERFIELD VILLAGE	7085 HIGHWAY 6 N STE B	HOUSTON	TX	77095	USA	(281) 859-9090	TEIXEIRA, FABIO
17596	Franchise	Cost Cutters	ATASCOCITA COMMONS	6707 FM 1960 E	HUMBLE	TX	77346	USA	(281) 548-3000	TEIXEIRA, FABIO
17663	Franchise	Cost Cutters	HEB PLUS SHOPPING CENTER	5002 GATTIS SCHOOL RD STE 180	HUTTO	TX	78634	USA	(512) 373-8489	MCILLECE, KEVIN & LIZ
17124	Franchise	Cost Cutters	HANSON'S CORNER	560 HIGHWAY 79 STE A-700	HUTTO	TX	78634	USA	(512) 846-2165	MCILLECE, KEVIN & LIZ
15692	Franchise	Cost Cutters	CINCO RANCH	22072 WESTHEIMER PKWY	KATY	TX	77450	USA	(281) 398-6000	TEIXEIRA, FABIO
15691	Franchise	Cost Cutters	HIGHLAND KNOLLS SHOPPING CTR	1535 MASON RD	KATY	TX	77450	USA	(281) 829-1100	TEIXEIRA, FABIO
15690	Franchise	Cost Cutters	GREEN TREE RETAIL CENTER	515 S FRY RD	KATY	TX	77450	USA	(281) 579-6660	TEIXEIRA, FABIO
15695	Franchise	Cost Cutters		3042 N FRY RD	KATY	TX	77449	USA	(281) 398-3400	TEIXEIRA, FABIO
15696	Franchise	Cost Cutters	MEADOWS MARKETPLACE	6725 S FRY RD STE 100	KATY	TX	77494	USA	(281) 392-5262	TEIXEIRA, FABIO
17656	Franchise	Cost Cutters	CRYSTAL FALLS	3501 N LAKELINE BLVD STE 140	LEANDER	TX	78641	USA	(512) 986-7991	MCILLECE, KEVIN & LIZ
15777	Franchise	Cost Cutters	H E B SHOPPING CENTER @ PFLUG	900 E PECAN ST STE 200	PFLUGERVILLE	TX	78660	USA	(512) 670-9998	TEVES, ERNEST AND SUSAN
17117	Franchise	Cost Cutters		1434 W WELLS BRANCH PKWY # 130	PFLUGERVILLE	TX	78660	USA	(512) 251-2295	MCILLECE, KEVIN & LIZ
17103	Franchise	Cost Cutters	PORTLAND TOWNE SHOPPING CENTER	1850 US 181 HIGHWAY STE F	PORTLAND	TX	78374	USA	(361) 643-2777	SHERMAN, KATHY AND MIGUEL
16452	Franchise	Cost Cutters	SHOPS AT FOREST COMMONS	3720 GATTIS SCHOOL RD STE 200	ROUND ROCK	TX	78664	USA	(512) 248-9578	MCILLECE, KEVIN & LIZ
15576	Franchise	Cost Cutters	GREENLAWN CROSSING	603 LOUIS HENNA BLVD STE B 180	ROUND ROCK	TX	78664	USA	(512) 671-8111	TEVES, ERNEST AND SUSAN
17219	Franchise	Cost Cutters		110 N I H 35 STE 280	ROUND ROCK	TX	78681	USA	(512) 244-2111	MCILLECE, KEVIN & LIZ
17200	Franchise	Cost Cutters	HEB CENTER	103 NW CARLOS G PARKER BLVD	TAYLOR	TX	76574	USA	(512) 352-7522	MCILLECE, KEVIN & LIZ
16386	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1399	1126 E LYNCHBURG SALEM TPKE	BEDFORD	VA	24523	USA	(540) 587-9300	GILTZ, TOM & LINDA
17229	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2089	13245 LEE HWY	BRISTOL	VA	24202	USA	(276) 466-6013	GILTZ, TOM & LINDA
17231	Franchise	Cost Cutters	SHOPS AT EUCLID SHOPPING CTR	1318 EUCLID AVE	BRISTOL	VA	24201	USA	(276) 466-2301	CARISTO, JIM & KAREN
11091	Franchise	Cost Cutters	EAGLE HARBOR SHOPPING CENTER	13478 CARROLLTON BLVD STE J	CARROLLTON	VA	23314	USA	(757) 238-2480	ROD, ANDREW, ADAM KENT, GEOFFREY BLOCK
15430	Franchise	Cost Cutters	GREENBRIAR MARKET CENTER	1244 GREENBRIAR PKWY STE 560	CHESAPEAKE	VA	23320	USA	(757) 436-5487	ROD, ANDREW, ADAM KENT, GEOFFREY BLOCK
18612	Franchise	Cost Cutters	SHOPPES AT FARMVILLE	1427 S MAIN ST STE D	FARMVILLE	VA	23901	USA	(434) 392-9188	HEREDIA, MICHAEL & JANE
15431	Franchise	Cost Cutters	FOX MILL CENTER	6715 FOX CENTER PKWY	GLOUCESTER	VA	23061	USA	(804) 693-3764	ROD, ANDREW, ADAM KENT, GEOFFREY BLOCK
16967	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2565	197 MADISON HEIGHTS SQ STE 100	MADISON HEIGHTS	VA	24572	USA	(434) 845-6515	GILTZ, TOM & LINDA*
16972	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1243	976 COMMONWEALTH BLVD	MARTINSVILLE	VA	24112	USA	(276) 634-5441	GILTZ, TOM & LINDA
15785	Franchise	Cost Cutters	TOWERS SHOPPING CENTER	664 BRANDEN AVE SW	ROANOKE	VA	24015	USA	(540) 342-9277	GILTZ, TOM & LINDA
15786	Franchise	Cost Cutters	CAVE SPRINGS CORNERS	3943 BRAMBLETON AVE	ROANOKE	VA	24018	USA	(540) 725-3981	GILTZ, TOM & LINDA
17131	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2337	550 OLD FRANKLIN TURNPIKE	ROCKY MOUNT	VA	24151	USA	(540) 489-3454	GILTZ, TOM & LINDA
15784	Franchise	Cost Cutters	LAKE DRIVE PLAZA	979 HARDY RD	VINTON	VA	24179	USA	(540) 345-7527	GILTZ, TOM & LINDA
17172	Franchise	Cost Cutters	GATEWAY SQUARE	370 BRIDGE ST STE B-B	CLARKSTON	WA	99403	USA	(509) 758-0253	LILLIE, JERRY
17030	Franchise	Cost Cutters	K-MART PLAZA	437 HIGHWAY 64	ANTIGO	WI	54409	USA	(715) 627-4484	CHRISTENSEN, TOM
15951	Franchise	Cost Cutters	PARK VILLAGE MALL	820 PARK AVE STE C	BEAVER DAM	WI	53916	USA	(920) 885-0437	VAN DE SYPE, MIRIAM & FLAVIUS CUCU
17433	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2532	2785 MILWAUKEE RD	BELOIT	WI	53511	USA	(608) 362-2600	HOVEY, KYLE
16988	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3488	1901 MILWAUKEE AVE	BURLINGTON	WI	53105	USA	(262) 763-2200	BARNES, MICHELLE
17556	Franchise	Cost Cutters	COLUMBUS CENTER	1540 W JAMES ST STE 100	COLUMBUS	WI	53925	USA	(920) 623-1900	KAMINSKI, BILL
17728	Franchise	Cost Cutters		443 W COTTAGE GROVE RD	COTTAGE GROVE	WI	53527	USA	(608) 839-0135	KAMINSKI, BILL
15767	Franchise	Cost Cutters	FESTIVAL MARKETPLACE	999 MAIN AVE	DE PERE	WI	54115	USA	(920) 964-0187	O'LEARY, NIALL
17400	Franchise	Cost Cutters	DEFOREST TOWNE CENTER	116 VINBURN RD	DEFOREST	WI	53532	USA	(608) 846-2260	KAMINSKI, BILL

16789	Franchise	Cost Cutters	DELAVAN CROSSING RETAIL CENTER	1741 E GENEVA ST STE 600	DELAVAN	WI	53115	USA	(262) 728-6618	CORRIGALL-LENNON, KARLA
17639	Franchise	Cost Cutters	MADISON STREET RETAIL CENTER	309 E MADISON ST	EAU CLAIRE	WI	54703	USA	(715) 835-5971	ROGERS, TERESA
17403	Franchise	Cost Cutters	HATCHERY HILL	2990 CAHILL MAIN	FITCHBURG	WI	53711	USA	(608) 276-1403	KAMINSKI, BILL
15957	Franchise	Cost Cutters	FOND DU LAC SHOPPES	928 S MAIN ST STE 500	FOND DU LAC	WI	54935	USA	(920) 922-2539	KRAUS, LYNN FERG AND CHRISTOPHER
15956	Franchise	Cost Cutters	SHOPS AT JOHNSON CROSSING	1147 E JOHNSON ST	FOND DU LAC	WI	54935	USA	(920) 322-9191	KRAUS, LYNN FERG AND CHRISTOPHER
17325	Franchise	Cost Cutters	GLENDALE	6969 N PORT WASHINGTON RD B160	GLENDALE	WI	53217	USA	(414) 540-0143	HAGEMEIER, DAVID AND CAROL
15946	Franchise	Cost Cutters	GRAFTON PLAZA	418 FALLS RD	GRAFTON	WI	53024	USA	(262) 375-3520	VAN DE SYPE, MIRIAM & FLAVIUS CUCU
15758	Franchise	Cost Cutters	WEST MASON PLAZA	2416 W MASON ST STE 102	GREEN BAY	WI	54303	USA	(920) 498-1180	O'LEARY, NIALL*
16666	Franchise	Cost Cutters		1981 E MASON ST STE 106	GREEN BAY	WI	54302	USA	(920) 468-8282	O'LEARY, NIALL
16667	Franchise	Cost Cutters	BELLEVUE TOWN CENTER	2064 LIME KILN RD STE 6	GREEN BAY	WI	54311	USA	(920) 884-8822	O'LEARY, NIALL
16999	Franchise	Cost Cutters	GREENFIELD	7438 W HOLMES	GREENFIELD	WI	53220	USA	(414) 282-4355	HAGEMEIER, DAVID AND CAROL
15954	Franchise	Cost Cutters	HARTFORD PLAZA	1239 BELL AVE	HARTFORD	WI	53027	USA	(262) 673-3128	KRAUS, LYNN FERG AND CHRISTOPHER
15752	Franchise	Cost Cutters		2465 LINEVILLE RD	HOWARD	WI	54313	USA	(920) 434-7110	O'LEARY, NIALL
17054	Franchise	Cost Cutters	NORTHTOWNE PLACE	1809 MILTON AVE STE 1	JANESVILLE	WI	53545	USA	(608) 757-1600	HOVEY, KYLE
17419	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1305	3800 DEERFIELD DR	JANESVILLE	WI	53546	USA	(608) 757-1900	HOVEY, KYLE
17610	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1167	3500 BRUMBACK BLVD	KENOSHA	WI	53144	USA	(262) 658-8200	BARNES, MICHELLE*
17345	Franchise	Cost Cutters	SHOPPES AT INDIAN TRAIL PLAZA	6430 GREEN BAY RD	KENOSHA	WI	53142	USA	(262) 925-8855	BARNES, MICHELLE
17017	Franchise	Cost Cutters		8038 22ND AVE	KENOSHA	WI	53143	USA	(262) 652-6440	BARNES, MICHELLE
16034	Franchise	Cost Cutters	LOCATED INSIDE WALMART #3505	PO BOX 321	LAKE DELTON	WI	53940	USA	(608) 254-5600	KAMINSKI, BILL
16996	Franchise	Cost Cutters	LOCATED INSIDE WALMART #910	201 S EDWARDS BLVD	LAKE GENEVA	WI	53147	USA	(262) 248-9940	CORRIGALL-LENNON, KARLA
17027	Franchise	Cost Cutters	GENEVA SQUARE	164 E GENEVA SQ	LAKE GENEVA	WI	53147	USA	(262) 248-7799	CORRIGALL-LENNON, KARLA
17621	Franchise	Cost Cutters	LAKE MILLS CENTER	144 E TYRANENA PARK RD	LAKE MILLS	WI	53551	USA	(920) 648-8000	KAMINSKI, BILL*
16983	Franchise	Cost Cutters	OLD SAUK ROW	8456 OLD SAUK RD STE 350	MADISON	WI	53562	USA	(608) 833-3911	KAMINSKI, BILL
16214	Franchise	Cost Cutters	MAPLE GROVE SHOPPING CENTER	6615 MCKEE RD	MADISON	WI	53719	USA	(608) 848-6883	KAMINSKI, BILL
17370	Franchise	Cost Cutters		702 S GAMMON RD	MADISON	WI	53719	USA	(608) 274-2804	KAMINSKI, BILL
17029	Franchise	Cost Cutters		4525 COTTAGE GROVE RD	MADISON	WI	53716	USA	(608) 221-4440	KAMINSKI, BILL
17372	Franchise	Cost Cutters		2829 E WASHINGTON AVE	MADISON	WI	53704	USA	(608) 246-4311	KAMINSKI, BILL
16957	Franchise	Cost Cutters		404 N CENTRAL AVE	MARSHFIELD	WI	54449	USA	(715) 486-8300	CHRISTENSEN, TOM
17626	Franchise	Cost Cutters	WOODLAND COMMONS RETAIL CENTER	4830 LARSON BEACH RD	MCFARLAND	WI	53558	USA	(608) 579-1379	KAMINSKI, BILL
16962	Franchise	Cost Cutters	K-MART PLAZA	176 MEDFORD PLAZA	MEDFORD	WI	54451	USA	(715) 748-6006	CHRISTENSEN, TOM
15955	Franchise	Cost Cutters	NORTH POINTE CENTER	N 78 W 14571 W APPLETON AVE	MENOMONEE FALLS	WI	53051	USA	(262) 255-6929	KRAUS, LYNN FERG AND CHRISTOPHER
16971	Franchise	Cost Cutters	RED CEDAR PLAZA	2421 HIGHWAY 25 N	MENOMONIE	WI	54751	USA	(715) 235-3118	CHRISTENSEN, TOM
16990	Franchise	Cost Cutters	MERRILL RIDGE SHOP CENTER	3440 E MAIN ST	MERRILL	WI	54452	USA	(715) 536-3445	CHRISTENSEN, TOM
17389	Franchise	Cost Cutters	STONEFIELD SHOPPING CENTER	1017 N GAMMON RD	MIDDLETON	WI	53562	USA	(608) 841-1097	KAMINSKI, BILL
17563	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2510	8760 NORTH RIDGE WAY	MINOCQUA	WI	54548	USA	(715) 356-3148	CHRISTENSEN, TOM
16030	Franchise	Cost Cutters	PIER 37	6518 MONONA DR	MONONA	WI	53716	USA	(608) 223-0045	KAMINSKI, BILL
17490	Franchise	Cost Cutters	TROLLWAY SHOPPES	1205 SPRINGDALE ST	MOUNT HOREB	WI	53572	USA	(608) 437-1220	KAMINSKI, BILL
15756	Franchise	Cost Cutters	RIVERVIEW CENTRE	827 S ROCHESTER STE 105	MUKWONAGO	WI	53149	USA	(262) 363-8430	ORZECHOWSKI, MICHAEL AND KELLY
15755	Franchise	Cost Cutters	MOORLAND PLAZA	15431 W NATIONAL AVE	NEW BERLIN	WI	53151	USA	(262) 789-0122	ORZECHOWSKI, MICHAEL AND KELLY
15958	Franchise	Cost Cutters	TARGET OUTLOT	8907 S HOWELL AVE STE 200	OAK CREEK	WI	53154	USA	(414) 762-8594	O'LEARY, NIALL
11123	Franchise	Cost Cutters	PRAIRIE CREEK RETAIL CENTER	1280 BROWN ST STE C	OCONOMOWOC	WI	53066	USA	(262) 567-6140	O'LEARY, NIALL
11122	Franchise	Cost Cutters	WATERTOWER CENTER	1400 SUMMIT AVE STE C	OCONOMOWOC	WI	53066	USA	(262) 569-2919	O'LEARY, NIALL
17356	Franchise	Cost Cutters	CROSSEROADS CENTER	9348 HIGHWAY 16	ONALASKA	WI	54650	USA	(608) 781-3378	KENNEDY, BILL
16997	Franchise	Cost Cutters	LOCATED NSIDE WALMART #1679	3107 MARKET PL	ONALASKA	WI	54650	USA	(608) 781-6501	KENNEDY, BILL
17643	Franchise	Cost Cutters		786 N MAIN ST	OREGON	WI	53575	USA	(608) 835-8639	KAMINSKI, BILL
15713	Franchise	Cost Cutters	FAIRACRES CENTER	1868 JACKSON ST	OSHKOSH	WI	54901	USA	(920) 426-9293	KRAUS, LYNN FERG AND CHRISTOPHER*
15714	Franchise	Cost Cutters	WESTOWNE CENTER	2330 WESTOWNE AVE	OSHKOSH	WI	54904	USA	(920) 231-6466	KRAUS, LYNN FERG AND CHRISTOPHER
15716	Franchise	Cost Cutters	STAPLES CENTER	1110 S KOELLER RD	OSHKOSH	WI	54902	USA	(920) 233-4567	KRAUS, LYNN FERG AND CHRISTOPHER
11127	Franchise	Cost Cutters	LAKE COUNTRY SQUARE	601 C RYAN RD	PEWAUKEE	WI	53072	USA	(262) 691-1921	O'LEARY, NIALL
11118	Franchise	Cost Cutters	SILVERNAIL PLAZA	2100 SILVERNAIL RD	PEWAUKEE	WI	53072	USA	(262) 542-6101	O'LEARY, NIALL
17073	Franchise	Cost Cutters	LOCATED INSIDE WALMART #958	800 PROGRESSIVE PKWY	PLATTEVILLE	WI	53818	USA	(608) 348-3760	KAMINSKI, BILL
17549	Franchise	Cost Cutters		140 MCGREGOR PLAZA	PLATTEVILLE	WI	53818	USA	(608) 348-5800	KAMINSKI, BILL
17545	Franchise	Cost Cutters	PRAIRIE RIDGE COMMONS	9780 76TH ST STE 106	PLEASANT PRAIRIE	WI	53158	USA	(262) 697-6993	BARNES, MICHELLE
17066	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1828	250 CROSSROADS DR	PLOVER	WI	54467	USA	(715) 295-0550	CHRISTENSEN, TOM
15947	Franchise	Cost Cutters	NORT PORT	209 W SEVEN HILLS RD	PORT WASHINGTON	WI	53074	USA	(262) 284-9612	VAN DE SYPE, MIRIAM & FLAVIUS CUCU
16965	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1799	2950 NEW PINERY RD	PORTAGE	WI	53901	USA	(608) 742-8787	KAMINSKI, BILL

COST CUTTERS
Franchised Salons as of June 30, 2020

17338	Franchise	Cost Cutters		2937 NEW PINERY RD	PORTAGE	WI	53901	USA	(608) 745-4173	KAMINSKI, BILL
16599	Franchise	Cost Cutters	LOCATED INSIDE WALMART #882	38020 US HIGHWAY 18	PRAIRIE DU CHIEN	WI	53821	USA	(608) 326-2713	KENNEDY, BILL
16475	Franchise	Cost Cutters	KOHL'S CENTER	5630 WASHINGTON AVE	RACINE	WI	53406	USA	(262) 833-1100	BARNES, MICHELLE
17388	Franchise	Cost Cutters	REGENCY POINT SHOPPING CENTER	6104 REGENCY WEST DR	RACINE	WI	53406	USA	(262) 898-8300	BARNES, MICHELLE
17349	Franchise	Cost Cutters	GREEN TREE CENTRE	5131 DOUGLAS AVE	RACINE	WI	53402	USA	(262) 639-5353	BARNES, MICHELLE
16382	Franchise	Cost Cutters		35 VIKING DR	REEDSBURG	WI	53959	USA	(608) 524-1557	KAMINSKI, BILL
17205	Franchise	Cost Cutters	EAST POINT CENTER	2146 LINCOLN ST	RHINELANDER	WI	54501	USA	(715) 362-1200	CHRISTENSEN, TOM
17347	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1446	2501 W AVE	RICE LAKE	WI	54868	USA	(715) 234-5063	CHRISTENSEN, TOM
17148	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1007	2401 HIGHWAY 14 E	RICHLAND CENTER	WI	53581	USA	(608) 647-8493	KAMINSKI, BILL
17214	Franchise	Cost Cutters		1196 W FOND DU LAC ST	RIPON	WI	54971	USA	(920) 748-7504	CHRISTENSEN, TOM
17221	Franchise	Cost Cutters	ROTHSCHILD SHOPKO PLAZA	1051 E GRAND AVE	ROTHSCHILD	WI	54474	USA	(715) 355-1958	CHRISTENSEN, TOM
17573	Franchise	Cost Cutters	SAUK CITY RETAIL	772 PHILLIPS BLVD	SAUK CITY	WI	53583	USA	(608) 370-7979	KAMINSKI, BILL
15949	Franchise	Cost Cutters	TAYLOR HEIGHTS	535 S TAYLOR DR	SHEBOYGAN	WI	53081	USA	(920) 457-1095	VAN DE SYPE, MIRIAM & FLAVIUS CUCU
17094	Franchise	Cost Cutters		101 DIVISION ST N	STEVENS POINT	WI	54481	USA	(715) 345-0300	CHRISTENSEN, TOM
17096	Franchise	Cost Cutters	MCCOMB PLACE CONDO	2380 JACKSON ST	STOUGHTON	WI	53589	USA	(608) 877-9780	KAMINSKI, BILL
17197	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2668	3049 S OAKES RD	STURTEVANT	WI	53177	USA	(262) 554-8556	BARNES, MICHELLE
17732	Franchise	Cost Cutters	MARKET PLACE AT SUN PRAIRIE	310 S GRAND AVE	SUN PRAIRIE	WI	53590	USA	(608) 825-2979	KAMINSKI, BILL
17098	Franchise	Cost Cutters		1334 W MAIN ST STE A	SUN PRAIRIE	WI	53590	USA	(608) 837-3877	KAMINSKI, BILL
17428	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1447	3801 TOWER AVE	SUPERIOR	WI	54880	USA	(715) 392-0969	HESKIN, GARY
11129	Franchise	Cost Cutters	SUSSEX COMMONS	N 65 W 24838 MAIN	SUSSEX	WI	53089	USA	(262) 246-7140	O'LEARY, NIALL
16003	Franchise	Cost Cutters	LOCATED INSIDE WALMART #965	222 W MCCOY BLVD	TOMAH	WI	54660	USA	(608) 374-5007	KENNEDY, BILL
17552	Franchise	Cost Cutters	VERONA SHOPPING CENTER	204 E VERONA AVE	VERONA	WI	53593	USA	(608) 848-7580	KAMINSKI, BILL
17555	Franchise	Cost Cutters	WATERTOWN SQUARE	628 S CHURCH ST	WATERTOWN	WI	53094	USA	(920) 206-1640	KAMINSKI, BILL
11119	Franchise	Cost Cutters	MEADOWBROOK MARKETPLACE	821 MEADOWBROOK RD STE 12	WAUKESHA	WI	53188	USA	(262) 547-9542	O'LEARY, NIALL
17057	Franchise	Cost Cutters		826 W FULTON ST	WAUPACA	WI	54981	USA	(715) 258-5585	CHRISTENSEN, TOM
17088	Franchise	Cost Cutters		362 S 18TH AVE	WAUSAU	WI	54401	USA	(715) 842-2400	CHRISTENSEN, TOM
16116	Franchise	Cost Cutters	LOCATED INSIDE WALMART #1396	920 US HIGHWAY 12	WEST BARABOO	WI	53913	USA	(608) 356-2366	KAMINSKI, BILL
15952	Franchise	Cost Cutters	WESTWOOD PLAZA	2366 W WASHINGTON ST	WEST BEND	WI	53095	USA	(262) 334-9405	KRAUS, LYNN FERG AND CHRISTOPHER
17327	Franchise	Cost Cutters	WEST MILWAUKEE	1625 MILLER PARK WAY	WEST MILWAUKEE	WI	53214	USA	(414) 672-9214	HAGEMEIER, DAVID AND CAROL
15757	Franchise	Cost Cutters	WHITEWATER PLAZA	1139 W MAIN ST	WHITEWATER	WI	53190	USA	(262) 472-9138	ORZECHOWSKI, MICHAEL AND KELLY
17282	Franchise	Cost Cutters		2330 8TH ST S	WISCONSIN RAPIDS	WI	54494	USA	(715) 424-3600	CHRISTENSEN, TOM
18594	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2036	2700 MOUNTAINEER BLVD	CHARLESTON	WV	25309	USA	(304) 746-7299	HALL, WALTER
15682	Franchise	Cost Cutters	NEW POINTE PLAZA	548 EMILY DR	CLARKSBURG	WV	26301	USA	(304) 622-5993	LATIF, ISMAIL
17016	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2576	100 NITRO MARKET PL	CROSS LANES	WV	25313	USA	(304) 769-0012	HALL, WALTER
16986	Franchise	Cost Cutters	LOCATED INSIDE WALMART #2610	77 NORMAN MORGAN BLVD	LOGAN	WV	25601	USA	(304) 752-5132	HALL, WALTER
15680	Franchise	Cost Cutters	GLENMARK CENTRE	732 VENTURE DR STE 13	MORGANTOWN	WV	26508	USA	(304) 292-9370	LATIF, ISMAIL
15681	Franchise	Cost Cutters	UNIVERSITY TOWN CENTER	1139 TARGET WAY	MORGANTOWN	WV	26501	USA	(304) 598-5840	LATIF, ISMAIL

* Indicates Area Developer

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B: LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM

COST CUTTERS FRANCHISEES
LEFT THE SYSTEM
FISCAL YEAR 2020

FRANCHISEES WHO TRANSFERRED STORES TO OTHER FRANCHISEES:

JERRY & DEENA BROADDUS
216 Julep Avenue
Oswego, IL 60543
815-325-5199
Transferred 1 Store in Illinois; left the system

GARY HESKIN
5043 Miller Trunk Highway
Hermantown, MN 55811
Phone unavailable
Transferred 7 Stores in Minnesota and 1 Store in Wisconsin; left the system

WAYNE & DEBBIE REITMEYER
107 Plantation Drive
Lake Jackson, TX 77566
409-986-6358
Transferred 1 Store in Texas; remains a franchisee

FRANCHISEES WHO CLOSED STORES:

JOE & LENA MAYOL
2722 Desert Rose Dr.
Lancaster, CA 93536
661-273-5567
Closed 2 stores in California; remains a franchisee

MICHAEL SARAFA
36800 Woodward Avenue, Suite 310
Bloomfield Hills, MI 48304
248-303-8788
Closed 2 stores in Ohio; remains a franchisee

DOUG BARNES
9010 S. 83rd Street
Lincoln, NE 68516
402-420-6102
Closed 1 store in Iowa; remains a franchisee

CHUCK CREWS
2716 Forum Blvd., Suite 4A
Columbia, MO 65203
573-234-1441
Closed 1 store in Missouri; left the system

JOHN WOOD
2840 Dan Patch Drive
Lexington, KY 40511
859-230-5262
Closed 1 store in Kentucky; remains a franchisee

LAURA & PAUL PIOTROWSKI
102 Bree Drive
Poplar Grove IL 61065
815-742-7805
Closed 1 store in Illinois and 3 stores in Tennessee ; remains a franchisee

JOHN & DONNA GUALTIERI
1842 Downs Avenue
Laurel Springs, NJ 08021
856-889-6501
Closed 1 store in New Jersey; remains a franchisee

JERRY LILLIE
820 North Post #201
Spokane, WA 99201
509-315-4474
Closed 1 store in Idaho; remains a franchisee

MARK EVANS
805 N. Compton Dr.
Hiawatha, IA 52233
319-294-6753
Closed 3 stores in Iowa; remains a franchisee

SCOTT & JANET WILSON
32 Dunster Dr.
Stow, MA 01775
978-897-3462
Closed 1 store in Massachusetts; left the system

DAVE BRYLSKI
2600 Dodge Street
Dubuque, IA 52003
563-585-1991
Closed 1 store in Iowa; remains a franchisee

EDWARD TURNER
2820 Cordgrass Road
Naperville, IL 60564
630-335-5948
Closed 1 store in Illinois; remains a franchisee

JOHN KONTIS
20 Lafayette Place
Woburn, MA 01801
781-933-8282
Closed 1 store in Massachusetts

BILL KAMINSKI
1001 Fourier Dr.
Madison, WI 53717
608-833-3533
Closed 1 store in Wisconsin; remains a franchisee

HAROLD & RENEE BIEBEL
1144 Garvin Lane
Bowling Green, KY 42101
270-796-4085
Closed 1 store in Kentucky; remains a franchisee

BRAD & AMY HOGAN
P.O. Box 6
Richmond, MO 64085
816-776-6669
Closed 1 store in Missouri; remains a franchisee

BOB PIERCE
5208 Heritage Hills Dr.
Bloomington, MN 55437
952-830-1325
Closed 1 store in South Dakota; remains a franchisee

KARLA LENNON
600 County Lane
Twin Lakes, WI 53181
262-877-4239
Closed 1 store in Illinois; remains a franchisee

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C: FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Regis Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheet of Regis Corporation and its subsidiaries (the "Company") as of June 30, 2020 and 2019, and the related consolidated statements of operations, of comprehensive (loss) income, of shareholders' equity and of cash flows for each of the three years in the period ended June 30, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of July 1, 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as

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well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill Impairment Assessment as of March 31, 2020 – Franchise Reporting Unit

As described in Notes 1 and 5 to the consolidated financial statements, the Company's consolidated goodwill balance was $227.5 million as of June 30, 2020, which is fully attributed to the Franchise reporting unit. Management assesses goodwill impairment on an annual basis, as of April 30, 2020, and between annual assessments if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. During the third quarter of fiscal year 2020, management determined a triggering event occurred, resulting in quantitative impairment tests performed over the goodwill. This determination was made considering the reduced sales and profitability projections for the reporting unit, driven by the COVID-19 pandemic and related economic disruption. As a result of the triggering event impairment testing, the Franchise reporting unit was determined to have a fair value that exceeded carrying value by approximately 50 percent. The fair value of the Franchise reporting unit was determined based on a combination of a discounted cash flow model and a market

model. The significant assumptions used in determining fair value for the March 31, 2020 assessment were the number of salons to be sold to franchisees and the discount rate. Management subsequently updated the triggering event impairment assessment with its annual impairment test of the Franchise reporting unit as of April 30, 2020.

The principal considerations for our determination that performing procedures relating to the goodwill triggering event impairment assessment of the Franchise reporting unit is a critical audit matter are the significant judgment by management when determining the fair value measurement of the reporting unit, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to (i) management's discounted cash flow model (ii) significant assumptions related to the number of salons to be sold to franchisees and the discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's triggering event goodwill impairment assessment for the Franchise reporting unit, including controls over the valuation of the Franchise reporting unit. These procedures also included, among others,(i) testing management's process for determining fair value of the reporting unit; (ii) evaluating the appropriateness of the discounted cash flow model; (iii) testing the completeness, accuracy, and relevance of underlying data used in the model; and (iv) evaluating the significant assumptions used by management relating to the number of salons to be sold to franchisees and the discount rate. Evaluating management's assumption related to the number of salons to be sold to franchisees involved evaluating whether the assumptions used by management were reasonable considering current and past performance of the reporting unit and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow model and the discount rate assumption.

Right of Use Asset Impairment Assessment for the Salon Asset Groups

As described in Notes 1 and 6 to the consolidated financial statements, the Company's consolidated Right of Use Asset (ROUA) balance was $786.2 million as of June 30, 2020. As a result of COVID-19 and the related store closures that occurred during the fourth fiscal quarter of 2020, management determined that a triggering event had occurred and was required to perform a quantitative impairment assessment in the fourth fiscal quarter fiscal 2020. Management first assessed all of its salon asset groups, which included the ROU assets, to determine if the carrying value was recoverable, which is determined by comparing the net carrying value of the salon asset group to the undiscounted net cash flows to be generated from the use and eventual disposition of that asset group. For the salon asset groups that failed the recoverability test, an impairment loss was measured as the amount by which the carrying amount of the asset group exceeds its fair value. As described by management, the results of this assessment indicated that the estimated fair value of a portion of the Company's salon asset groups did not exceed the carrying value and an impairment charge was recorded in the amount of $17.4 million to the ROUA balance. The fair value of the salon asset groups is estimated using market participant methods based on the best information available. The significant judgments and assumptions used in determining the fair value of the salon asset groups were the market rent of comparable properties based on recently negotiated leases as applicable, asset group's projected sales for fiscal years 2021 through 2023 for properties with no recently negotiated leases, and a discount rate. The Company engaged a third-party valuation specialist to assist with significant inputs and assumptions utilized in the measurement of the impairment loss.

The principal considerations for our determination that performing procedures relating to the ROUA impairment assessment of the salon asset groups that failed the long-lived asset recoverability test is a critical audit matter are the significant judgment by management when developing the fair value measurement of the asset groups, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating audit evidence related to (i) management's methods and calculations and, (ii) significant judgments and assumptions related to the market rent of comparable properties based on recently negotiated leases, as applicable, asset group's projected sales for fiscal years 2021 through 2023 for properties with no recently negotiated leases, and the discount rate. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's ROUA impairment assessment, including controls over the valuation of the salon asset groups. These procedures also included, among others, (i) testing management's process for developing the fair value of the salon asset groups; (ii) evaluating the appropriateness of the market participant approach methods; (iii) testing the completeness, accuracy, and relevance of underlying data used in the estimates; and (iv) evaluating the significant judgments and assumptions used by management, which are the market rent of comparable properties based on recently negotiated leases, as applicable, asset group's projected sales for fiscal years 2021 through 2023 for properties with no recently negotiated leases, and the discount rate. Evaluating management's judgments and assumptions relating to market rent of comparable properties of recently negotiated leases involved obtaining recently negotiated leases to evaluate whether the fair market monthly rent used in the method was consistent with the executed agreements. Evaluating management's assumptions relating to the market comparable properties based on asset group's projected sales for fiscal years 2021 through 2023 sales involved evaluating whether the assumptions used by management were reasonable considering current and past performance of the asset group, industry data and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's market participant approach methods and the discount rate assumption.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota

August 31, 2020

We have served as the Company's auditor since at least 1990. We have not been able to determine the specific year we began serving as auditor of the Company.

PricewaterhouseCoopers LLP, 45 South 7th Street, Suite 3400, Minneapolis, Minnesota 55402
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REGIS CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except per share data)

	June 30, 2020	June 30, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 113,667	$ 70,141
Receivables, net	31,030	30,143
Inventories	62,597	77,322
Other current assets	19,138	33,216
Total current assets	226,432	210,822
Property and equipment, net	57,176	78,090
Goodwill	227,457	345,718
Other intangibles, net	4,579	8,761
Right of use asset (Note 6)	786,216	—
Other assets	40,934	34,170
Non-current assets held for sale (Note 1)	—	5,276
Total assets	$ 1,342,794	$ 682,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 50,918	$ 47,532
Accrued expenses	48,825	80,751
Short-term lease liability (Note 6)	137,271	—
Total current liabilities	237,014	128,283
Long-term debt, net	177,500	90,000
Long-term lease liability (Note 6)	680,454	—
Long-term financing liabilities	27,981	28,910
Other non-current liabilities	94,142	111,399
Total liabilities	1,217,091	358,592
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Common stock, $0.05 par value; issued and outstanding: 35,625,716 and 36,869,249 common shares at June 30, 2020 and 2019, respectively	1,781	1,843
Additional paid-in capital	22,011	47,152
Accumulated other comprehensive income	7,449	9,342
Retained earnings	94,462	265,908
Total shareholders' equity	125,703	324,245
Total liabilities and shareholders' equity	$ 1,342,794	$ 682,837

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars and shares in thousands, except per share data)

	Fiscal Years		
	2020	2019	2018
Revenues:			
Service	$ 331,538	$ 749,660	$ 899,345
Product	137,586	225,618	258,740
Royalties and fees	73,402	93,761	77,394
Franchise rental income (Note 6)	127,203	—	—
Total revenue	669,729	1,069,039	1,235,479
Operating expenses:			
Cost of service	222,279	452,827	530,582
Cost of product	84,698	128,816	140,623
Site operating expenses	71,543	141,031	154,067
General and administrative	130,953	177,004	174,045
Rent (Note 6)	76,382	131,816	183,096
Franchise rent expense (Note 6)	127,203	—	—
Depreciation and amortization	36,952	37,848	58,205
Long-lived asset impairment (Note 1)	22,560	—	—
TBG mall restructuring (Note 3)	2,333	21,816	—
Goodwill impairment (Note 1)	40,164	—	—
Total operating expenses	815,067	1,091,158	1,240,618
Operating loss	(145,338)	(22,119)	(5,139)
Other (expense) income:			
Interest expense	(7,522)	(4,795)	(10,492)
(Loss) gain from sale of salon assets to franchisees, net	(27,306)	2,918	241
Interest income and other, net	3,353	1,729	5,199
Loss from continuing operations before income taxes	(176,813)	(22,267)	(10,191)
Income tax benefit	4,619	2,145	69,812
(Loss) income from continuing operations	(172,194)	(20,122)	59,621
Income (loss) from discontinued operations, net of taxes (Note 3)	832	5,896	(53,185)
Net (loss) income	$ (171,362)	$ (14,226)	$ 6,436
Net (loss) income per share:			
Basic:			
(Loss) income from continuing operations	$ (4.79)	$ (0.48)	$ 1.28
Income (loss) from discontinued operations	0.02	0.14	(1.14)
Net (loss) income per share, basic (1)	$ (4.77)	$ (0.34)	$ 0.14
Diluted:			
(Loss) income from continuing operations	$ (4.79)	$ (0.48)	$ 1.27
Income (loss) from discontinued operations	0.02	0.14	(1.13)
Net (loss) income per share, diluted (1)	$ (4.77)	$ (0.34)	$ 0.14
Weighted average common and common equivalent shares outstanding:			
Basic	35,936	41,829	46,517
Diluted	35,936	41,829	47,035

(1) Total is a recalculation; line items calculated individually may not sum to total due to rounding.

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS) INCOME
(Dollars in thousands)

	Fiscal Years		
	2020	2019	2018
Net (loss) income	$ (171,362)	$ (14,226)	$ 6,436
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustments during the period:			
Foreign currency translation adjustments	(1,462)	185	(168)
Reclassification adjustments for losses included in net income (Note 3)	—	—	6,152
Net current period foreign currency translation adjustments	(1,462)	185	5,984
Recognition of deferred compensation	(431)	(499)	336
Other comprehensive (loss) income	(1,893)	(314)	6,320
Comprehensive (loss) income	$ (173,255)	$ (14,540)	$ 12,756

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except share data)

	Common Stock					
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance, June 30, 2017	46,400,367	$ 2,320	$ 214,109	$ 3,336	$ 273,580	$ 493,345
Net income	—	—	—	—	6,436	6,436
Foreign currency translation	—	—	—	5,984	—	5,984
Stock repurchase program	(1,469,057)	(74)	(24,724)	—	—	(24,798)
Exercise of SARs	33,342	2	(332)	—	—	(330)
Stock-based compensation	—	—	7,475	—	—	7,475
Shares issued through franchise stock incentive program	522	—	7	—	—	7
Recognition of deferred compensation (Note 11)	—	—	—	336	—	336
Net restricted stock activity	293,397	15	(2,099)	—	—	(2,084)
Minority interest (Note 1)	—	—	—	—	67	67
Balance, June 30, 2018	45,258,571	2,263	194,436	9,656	280,083	486,438
Net loss	—	—	—	—	(14,226)	(14,226)
Foreign currency translation	—	—	—	185	—	185
Stock repurchase program	(8,605,430)	(431)	(154,114)	—	—	(154,545)
Exercise of SARs	22,263	1	(222)	—	—	(221)
Stock-based compensation	—	—	9,003	—	—	9,003
Recognition of deferred compensation (Note 11)	—	—	—	(499)	—	(499)
Net restricted stock activity	193,845	10	(1,951)	—	—	(1,941)
Minority interest (Note 1)	—	—	—	—	51	51
Balance, June 30, 2019	36,869,249	1,843	47,152	9,342	265,908	324,245
Net loss	—	—	—	—	(171,362)	(171,362)
Foreign currency translation (Note 1)	—	—	—	(1,462)	—	(1,462)
Stock repurchase program	(1,504,000)	(75)	(26,281)	—	—	(26,356)
Exercise of SARs	1,776	—	28	—	—	28
Stock-based compensation	—	—	3,275	—	—	3,275
Recognition of deferred compensation (Note 11)	—	—	—	(431)	—	(431)
Net restricted stock activity	258,691	13	(2,163)	—	—	(2,150)
Minority interest (Note 1)	—	—	—	—	(84)	(84)
Balance, June 30, 2020	35,625,716	$ 1,781	$ 22,011	$ 7,449	$ 94,462	$ 125,703

The accompanying notes are an integral part of the Consolidated Financial Statements.

REGIS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

	Fiscal Years		
	2020	2019	2018
Cash flows from operating activities:			
Net (loss) income	$ (171,362)	$ (14,226)	$ 6,436
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Non-cash adjustments related to discontinued operations	(1,098)	306	38,826
Depreciation and amortization	33,101	33,261	39,433
Depreciation related to discontinued operations	—	—	3,738
Salon asset impairments	3,851	4,587	11,092
Long-lived asset impairment	22,560	—	—
Deferred income taxes	(3,934)	(9,812)	(80,241)
Gain on life insurance proceeds	—	—	(7,986)
Gain from sale of company headquarters, net	(2,515)	—	—
Loss (gain) from sale of salon assets to franchisees, net	27,306	(2,918)	(241)
Non-cash TBG mall location restructuring charge (Note 3)	—	21,008	—
Goodwill impairment	40,164	—	—
Accumulated other comprehensive income reclassification adjustments (Note 3)	—	—	6,152
Stock-based compensation	3,275	9,003	8,269
Amortization of debt discount and financing costs	398	275	4,080
Other non-cash items affecting earnings	(539)	(903)	(294)
Changes in operating assets and liabilities (1):			
Receivables	(3,902)	(17,304)	(12,081)
Inventories	(2,255)	(8,492)	13,940
Income tax receivable	(1,804)	(703)	527
Other current assets	2,827	(783)	239
Other assets	(10,094)	(5,546)	(11,229)
Accounts payable	4,588	(5,836)	(1,103)
Accrued expenses	(27,622)	(20,158)	(10,940)
Net lease liabilities	276	—	—
Other non-current liabilities	368	717	(6,027)
Net cash (used in) provided by operating activities:	(86,409)	(17,524)	2,590
Cash flows from investing activities:			
Capital expenditures	(37,494)	(31,616)	(29,571)
Capital expenditures related to discontinued operations	—	—	(1,171)
Proceeds from sale of company headquarters	8,996	—	—
Proceeds from sale of assets to franchisees	91,616	94,787	11,582
Costs associated with sale of assets to franchisees	(2,089)	—	—
Proceeds from company-owned life insurance policies	—	24,617	18,108
Net cash provided by (used in) investing activities:	61,029	87,788	(1,052)
Cash flows from financing activities:			
Borrowings on revolving credit facility	213,000	—	90,000
Repayments of revolving credit facility	(125,500)	—	(124,230)
Repurchase of common stock	(28,246)	(152,661)	(24,798)
Proceeds from sale and leaseback transactions	—	28,821	—
Sale and leaseback payments	(769)	(378)	—
Taxes paid for shares withheld	(2,320)	(2,477)	(2,413)
Settlement of equity awards	—	—	(794)
Net cash provided by (used in) financing activities:	56,165	(126,695)	(62,235)
Effect of exchange rate changes on cash and cash equivalents	(284)	35	(514)
Increase (decrease) in cash, cash equivalents and restricted cash	30,501	(56,396)	(61,211)
Cash, cash equivalents and restricted cash:			
Beginning of year	92,379	148,775	208,634
Cash and cash equivalents included in current assets held for sale	—	—	1,352
Beginning of year	92,379	148,775	209,986
End of year	$ 122,880	$ 92,379	$ 148,775

(1) Changes in operating assets and liabilities exclude assets and liabilities sold or acquired.

The accompanying notes are an integral part of the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description:

Regis Corporation (the "Company") franchises, owns and operates technology-enabled hairstyling and hair care salons throughout the United States (U.S.), the United Kingdom (U.K.), Canada and Puerto Rico. The business is evaluated in two segments, Franchise salons and Company-owned salons. See Note 15 to the Consolidated Financial Statements. Franchised salons throughout the U.S. and Canada are primarily located in strip shopping centers or Walmart Supercenters. Salons in the U.K. are franchised locations and operate in leading department stores, mass merchants and high-street locations. Substantially all of the hairstyling and hair care salons owned and operated by the Company in the U.S., Canada and Puerto Rico are located in leased space in strip shopping centers, malls or Walmart Supercenters.

COVID-19 Impact:

During fiscal year 2020, the global coronavirus pandemic (COVID-19) had an adverse impact on operations, including the closure of all company-owned salons and almost all franchise locations from March 2020 due to government mandates. Salons continued to be closed until April 23, 2020 when franchise salons began re-opening slowly, as government, state and local restrictions eased. As of June 30, 2020 approximately 87% of franchise salons were open. Company-owned salons were closed through May 21, 2020 and are gradually re-opening. As of June 30, 2020, approximately 54% of company-owned salons were open. As salons re-open, the Company is taking additional measures across its portfolio of franchise and company-owned salons to facilitate customer and employee safety. As a result, COVID-19 has and will continue to negatively affect revenue and profitability. To offset the loss of revenue, in April 2020, the Company implemented a furlough program for a substantial majority of the workforce across the corporate office, field support, and distribution centers and reductions in the pay for executives and other working employees. The furlough program was in effect for the majority of the fiscal fourth quarter with a substantial majority returning to work in June 2020. Despite actions taken to resume business operations, COVID-19, and the volatile regional and global economic conditions stemming from the pandemic, as well as reactions to future pandemics or resurgences of COVID-19, could potentially prolong and intensify the impact of the global crisis on our business.

The economic disruption due to COVID-19 was determined to be a triggering event and as a result, management assessed its long-term assets, including long-lived salon assets, right of use assets, goodwill and other intangibles for impairment. Impairments were recorded related to long-lived salon assets (Note 7), right of use assets (Note 6), intangible assets (Note 4) and goodwill (Notes 1 and 5). As the COVID-19 pandemic continues, management will reassess all long-term assets and further impairment may result.

Consolidation:

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries after the elimination of intercompany accounts and transactions. All material subsidiaries are wholly owned. The Company consolidates variable interest entities where it has determined it is the primary beneficiary of those entities' operations.

Variable Interest Entities:

The Company has interests in certain privately-held entities through arrangements that do not involve voting interests. Such entities, known as a variable interest entity (VIE), are required to be consolidated by its primary beneficiary. The Company evaluates whether or not it is the primary beneficiary for each VIE using a qualitative assessment that considers the VIE's purpose and design, the involvement of each of the interest holders and the risk and benefits of the VIE.

As of June 30, 2020, the Company has one VIE, Roosters MGC International LLC (Roosters), where the Company is the primary beneficiary. The Company owns an 84.0% ownership interest in Roosters. As of June 30, 2020, total assets, total liabilities and total shareholders' equity of Roosters were $13.2, $4.8 and $8.4 million, respectively. As of June 30, 2019, total assets, total liabilities and total shareholders' equity of Roosters were $9.6, $1.7, and $7.9 million, respectively. Net income attributable to the non-controlling interest in Roosters was immaterial for fiscal years 2020, 2019 and 2018. Shareholders' equity attributable to the non-controlling interest in Roosters was $1.0 million as of June 30, 2020 and 2019, respectively, and recorded within retained earnings on the Consolidated Balance Sheet.

The Company accounts for its investment in Empire Education Group, Inc. (EEG) as an equity investment under the voting interest model, as the Company has granted the other shareholder of EEG an irrevocable proxy to vote a certain number of the Company's shares such that the other shareholder of EEG has voting control of EEG's common stock, as well as the right to appoint four of the five members of EEG's Board of Directors. The Company wrote off its investment balance in EEG in fiscal year 2016. During fiscal year 2020, the Company signed an agreement to sell its interest in EEG to the other shareholder. The transaction is expected to close in fiscal year 2021, at which time the Company expects to record an immaterial non-operating gain.

Use of Estimates:

The preparation of Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain 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. For the three months ended June 30, 2020, the impact of the decline in business activity brought about by the COVID-19 pandemic continues to evolve. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Cash, Cash Equivalents and Restricted Cash:

Cash equivalents consist of investments in short-term, highly liquid securities having original maturities of three months or less, which are made as a part of the Company's cash management activity. The carrying values of these assets approximate their fair market values. The Company primarily utilizes a cash management system with a series of separate accounts consisting of lockbox accounts for receiving cash, concentration accounts that funds are moved to and several "zero balance" disbursement accounts for funding of payroll and accounts payable. As a result of the Company's cash management system, checks issued, but not presented to the banks for payment, may create negative book cash balances. There were no checks outstanding in excess of related book cash balances at June 30, 2020 and 2019.

Restricted cash within other current assets primarily relates to consolidated advertising cooperatives' funds which can only be used to settle obligations of the respective cooperatives and contractual obligations to collateralize the Company's self-insurance programs. The self-insurance restricted cash arrangement can be canceled by the Company at any time if substituted with letters of credit. The table below reconciles the cash and cash equivalents balances and restricted cash balances, recorded within other current assets on the Consolidated Balance Sheet to the amount of cash, cash equivalents and restricted cash reported on the Consolidated Statement of Cash Flows:

	June 30,	
	2020	2019
	(Dollars in thousands)	
Cash and cash equivalents	$ 113,667	$ 70,141
Restricted cash, included in other current assets	9,213	22,238
Total cash, cash equivalents and restricted cash	$ 122,880	$ 92,379

Receivables and Allowance for Doubtful Accounts:

The receivable balance on the Company's Consolidated Balance Sheet primarily includes credit card receivables; accounts and notes receivable from franchisees and receivables related to salons sold to franchisees. The balance is presented net of an allowance for expected losses (i.e., doubtful accounts), related to receivables from the Company's franchisees. The Company monitors the financial condition of its franchisees and records provisions for estimated losses on receivables when it believes franchisees are unable to make their required payments based on factors such as delinquencies and aging trends. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses related to existing accounts and notes receivables. As of June 30, 2020, 2019 and 2018, the allowance for doubtful accounts was $6.9, $2.0 and $1.2 million, respectively. The allowance for doubtful accounts increased in fiscal year 2020 due to an increased risk in collecting franchise receivables due to decreased franchisee cash flows as a result of the government-mandated salon closures due to the COVID-19 pandemic. Material movement was also recorded within the allowance for doubtful accounts in fiscal year 2019 due to the TBG restructuring activity. See Notes 2 and 3 to the Consolidated Financial Statements in Part II, Item 8 of this Form 10-K.

At June 30, 2018, the receivable balance also included $24.6 million related to the cash surrender value of company-owned life insurance policies surrendered prior to June 30, 2018. The Company received these proceeds in July 2018.

Inventories:

Inventories of finished goods consist principally of hair care products for retail product sales. A portion of inventories are also used for salon services consisting of hair color, hair care products including shampoo and conditioner and hair care treatments including permanents, neutralizers and relaxers. Inventories are stated at the lower of cost or market, with cost determined on a weighted average cost basis.

Physical inventory counts are performed primarily in the fourth quarter of the fiscal year for salons and throughout the year at the distribution centers. Product and service inventories are adjusted based on the physical inventory counts. During the fiscal year, cost of retail product sold to salon guests is determined based on the weighted average cost of product sold, adjusted for an estimated shrinkage factor. The cost of product used in salon services is determined by applying an estimated percentage of total cost of service to service revenues. These estimates are updated quarterly based on cycle count results for the distribution centers, service sales mix, discounting, special promotions and other factors.

The Company has inventory valuation reserves for excess and obsolete inventories, or other factors that may render inventories unmarketable at their historical costs. Estimates of the future demand for the Company's inventory and anticipated changes in formulas and packaging are some of the other factors used by management in assessing the net realizable value of inventories. Activity in the inventory valuation reserves during fiscal years 2020, 2019 and 2018 was not significant.

Property and Equipment:

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is computed using the straight-line method over their estimated useful asset lives (30 to 39 years for buildings, 10 years or lease life for improvements and three to ten years or lease life for equipment, furniture and software). Depreciation expense was $31.8, $31.9 and $38.1 million in fiscal years 2020, 2019 and 2018, respectively.

The Company capitalizes both internal and external costs of developing or obtaining computer software for internal use. Costs incurred to develop internal-use software during the application development stage are capitalized, while data conversion, training and maintenance costs associated with internal-use software are expensed as incurred. Estimated useful lives range from three to seven years.

Expenditures for maintenance and repairs and minor renewals and betterments, which do not improve or extend the life of the respective assets, are expensed. All other expenditures for renewals and betterments are capitalized. The assets and related depreciation and amortization accounts are adjusted for property retirements and disposals with the resulting gain or loss included in operating income. Fully depreciated or amortized assets remain in the accounts until retired from service.

Non-Current Assets Held for Sale:

In March 2019, the Company announced that it had entered into a ten year lease for a new corporate headquarters and would be selling the land and buildings currently used for its headquarters. The non-current assets held for sale represent the net book value of the land of $1.7 million and buildings of $3.6 million as of June 30, 2019. The sale was completed in December 2019 for proceeds of $9.0 million, resulting in a net gain on sale of $2.5 million, which was recorded in Interest income and other, net on the Condensed Consolidated Statement of Operations.

Right of Use Asset, Lease Liabilities and Rent Expense:

At contract inception, the Company determines whether a contract is, or contains, a lease by determining whether it conveys the right to control the use of the identified asset for a period of time. If the contract provides the Company the right to substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset, the Company considers it to be, or contain, a lease. The Company leases its company-owned salons and some of its corporate facilities under operating leases. The original terms of the salon leases range from 1 to 20 years with many leases renewable for additional 5 to 10 year terms at the option of the Company. The right of use asset and lease liability includes one renewal options as leases for leases expected to be renewed. The Company also has variable lease payments that are based on sales levels. For most leases, the Company is required to pay real estate taxes and other occupancy expense.

The Company also leases the premises in which the majority of its franchisees operate and has entered into corresponding sublease arrangements with franchisees. These leases, generally with terms of approximately 5 years, are expected to be renewed on expiration. All additional lease costs are passed through to the franchisees. Upon adopting Topic 842, the Company now records the rental payments due from franchisees as franchise rental income and the corresponding amounts owed to landlords as franchise rent expense on the Consolidated Statement of Operations.

For franchise and company-owned salon operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. The right of use (ROU) asset is initially and subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, less any accrued lease payments and unamortized lease incentives received, if any. The Company's consolidated Right of Use Asset (ROUA) balance was $786.2 million as of June 30, 2020. As noted above, the ROU asset is a long-lived asset that is subject to impairment testing annually or as triggering events occur. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Generally, the non-lease components such as real estate taxes and other occupancy expenses are separate from rent expense within the lease and are not allocated to the lease liability.

The discount rate used to determine the present value of the lease payments is the Company's estimated collateralized incremental borrowing rate, based on the yield curve for the respective lease terms, as the interest rate implicit in the lease cannot generally be determined. The Company uses the portfolio approach in applying the discount rate based on original lease term.

For purposes of recognizing incentives and minimum rental expenses on a straight-line basis, the Company uses the date it obtains the legal right to use and control the leased space to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of its intended use.

Certain leases provide for contingent rents, which are determined as a percentage of revenues in excess of specified levels. The Company records a contingent rent liability in accrued expenses on the Consolidated Balance Sheet, along with the corresponding rent expense in the Consolidated Statement of Operations, when specified levels have been achieved or when management determines that achieving the specified levels during the fiscal year is probable.

Salon Long-Lived Asset and Right of Use Asset Impairment Assessments:

The Company assesses impairment of long-lived salon assets and right of use assets at the individual salon level, as this is the lowest level for which identifiable cash flows are largely independent of other groups of assets and liabilities; when events or changes in circumstances indicate the carrying value of the assets or the asset grouping may not be recoverable. Factors considered in deciding when to perform an impairment review include significant under-performance of an individual salon in relation to expectations, significant economic or geographic trends, and significant changes or planned changes in our use of the assets. The first step is to assess recoverability, and in doing that, the undiscounted cash flows are compared to the carrying value. If the undiscounted estimated cash flows are less than the carrying value of the assets, the Company calculates an impairment charge based on the difference between the carrying value of the asset group and its fair value. The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available. The fair value of the right of use asset is estimated by determining what a market participant would pay over the life of the primary asset in the group, discounted back to June 30, 2020. See Note 6 for further discussion related to right of use asset impairment.

Judgments made by management related to the expected useful lives of long-lived assets and the ability to realize undiscounted cash flows in excess of the carrying amounts of such assets are affected by factors such as the ongoing maintenance and improvement of the assets, changes in economic conditions, and changes in operating performance. As the ongoing expected cash flows and carrying amounts of long-lived assets are assessed, these factors could cause the Company to realize material impairment charges.

Long-lived property and equipment asset impairment charges related to continuing operations of $3.9, $4.6 and $11.1 million were recorded during fiscal years 2020, 2019 and 2018, respectively, are recorded in Depreciation and Amortization in the Consolidated Statement of Operations. A long-lived asset, including right of use and salon property and equipment, impairment charge of $22.6 million was recorded during fiscal year 2020, and is separately stated on Consolidated Statement of Operations. Of the total $22.6 million long-lived asset impairment charge, $17.4 million was allocated to the right of use asset and $5.2 million was allocated to salon property and equipment.

Goodwill:

As of June 30, 2020 and 2019, the Franchise salons reporting unit had $227.5 and $227.9 million of goodwill and the Company-owned reporting unit had $0 and $117.8 million of goodwill, respectively. See Note 5 to the Consolidated Financial Statements. The Company assesses goodwill impairment on an annual basis as of April 30, 2020 and between annual assessments if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Goodwill impairment assessments are performed at the reporting unit level, which is the same as the Company's operating segments. In fiscal year 2020, the Company adopted ASU 2017-04, which simplified the test for goodwill impairment. Under this accounting standard, the Company performed its interim impairment test and annual impairment tests by comparing the fair value of a reporting unit to its carrying amount. The Company then records an impairment charge for the amount that the carying amount exceeds the fair value. This eliminates Step 2 from the goodwill impairment test to simplify the subsequent measure of goodwill. Prior to the adoption, the goodwill assessment involved a one-step comparison of the reporting unit's fair value to its carrying value, including goodwill (Step 1). If the reporting unit's fair value exceeded its carrying value, no further procedures were required. However, if the reporting unit's fair value was less than the carrying value, an impairment charge was recorded for the difference between the fair value and carrying value of the reporting unit.

In applying the goodwill impairment assessment, the Company could assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting units was less than its carrying value (Step 0). Qualitative factors could include, but were not limited to, economic, market and industry conditions, cost factors and overall financial performance of the reporting unit. If after assessing these qualitative factors, the Company determined it is "more-likely-than-not" that the carrying value was less than the fair value, then performing Step 1 of the goodwill impairment assessment was unnecessary.

The carrying value of each reporting unit is based on the assets and liabilities associated with the operations of the reporting unit, including allocation of shared or corporate balances among reporting units. Allocations are generally based on the number of salons in each reporting unit as a percent of total company-owned salons or expenses of the reporting unit as a percent of total company expenses.

The Company calculates estimated fair values of the reporting units based on discounted cash flows utilizing estimates in annual revenue, service and product margins, fixed expense rates, allocated corporate overhead, franchise and company-owned salon counts, proceeds from the sale of company-owned salons to franchisees and long-term growth rates for determining terminal value. Where available and as appropriate, comparative market multiples are used in conjunction with the results of the discounted cash flows. The Company engages third-party valuation consultants to assist in evaluating the Company's estimated fair value calculations.

Following is a description of the goodwill impairment assessments for each of the fiscal years:

Fiscal 2020

During the third quarter of fiscal year 2020, the Company determined a triggering event occurred, resulting in quantitative impairment tests performed over the goodwill. This determination was made considering the reduced sales and profitability projections for the reporting units, driven by the COVID-19 pandemic and related economic disruption.

The triggering event experienced in the third quarter impacted both reporting units of the business, Franchise and Company-owned. The Company engaged a third-party valuation specialist to perform an impairment analysis on the Franchise reporting unit of the business. The Company-owned reporting unit is comprised of a portfolio of salons that the Company intends to sell to franchisees or close in the short-term as part of the transition to a fully-franchised model. As a result, the Company-owned reporting unit has a limited life which allows the Company to perform its own impairment analysis on the Company-owned reporting unit.

For the goodwill impairment analysis, management utilized a combination of both a discounted cash flows approach and market approach to evaluate the Franchise reporting unit, and the discounted cash flows approach to evaluate the Company-owned reporting unit. The discounted cash flow models reflect management's assumptions regarding revenue growth rates, economic and market trends including deterioration from the current COVID-19 pandemic, cost structure, and other expectations about the anticipated short-term and long-term operating results of the reporting units. For the Franchise reporting unit, the number of salons to be sold to franchisees and the discount rate of 13 percent were significant assumptions utilized in the discounted cash flow. For the Company-owned reporting unit, proceeds from the sale of salons to franchisees and number of salon venditions were the significant assumptions utilized in its discounted cash flow.

As a result of the impairment testing, the Franchise reporting unit, which has goodwill of $227.5 million, was determined to have a fair value that exceeded carrying value by approximately 50 percent. The Company-owned reporting unit was determined to have a carrying value in excess of its fair value, resulting in a goodwill impairment charge of $40.2 million. Prior to the COVID-19 pandemic, the Company had been derecognizing Company-owned goodwill as part of the calculation of gain or loss on the sale of salons to franchisees. The Company-owned reporting unit has no remaining goodwill, so there will be no further derecognition of Company-owned goodwill. The Company performed its annual impairment assessment as of April 30, 2020 and noted no significant changes to the carrying value or the fair value of the Franchise reporting unit which would indicate that the headroom dropped below the 50 percent determined as of March 31, 2020.

If a future triggering event analysis or the Company's annual impairment assessment indicates the fair value of the Franchise reporting unit has potentially fallen below more than the 50 percent headroom, we may be required to perform an updated impairment assessment which may result in a non-cash impairment charge to reduce the carrying value of goodwill.

Assessing goodwill for impairment requires management to make assumptions and to apply judgment, including forecasting future sales, future salon sales to franchisees and selecting appropriate discount rates, which can be affected by economic conditions and other factors that can be difficult to predict. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate impairment losses of goodwill. However, if actual results are not consistent with the estimates and assumptions used in the calculations, or if management is unable to expand its franchise base, the Company may be exposed to future impairment losses that could be material.

Fiscal 2019

During the fiscal year 2019, the Company did not experience any triggering events that required an interim goodwill analysis. The Company performed its annual impairment assessment as of April 30. For the fiscal year 2019 annual impairment assessment, due to the transformational efforts completed during the year, the Company elected to forgo the optional Step 0 assessment and performed the quantitative impairment analysis on the Franchise and Company-owned reporting units. The Company compared the carrying value of the reporting units, including goodwill, to their estimated fair value. The results of these assessments indicated that the estimated fair value of the Company's reporting units exceeded their carrying value. The Franchise reporting unit had substantial headroom and the Company-owned reporting unit had headroom of approximately 20%.

Fiscal Year 2018

During the first quarter of fiscal year 2018, the Company experienced a triggering event due to the redefining of its operating segments as the Company's mall-based business and International segment met the criteria to be classified as held for sale and as a discontinued operation as of September 30, 2017. The Company's reporting changed to two reporting units: Franchise and Company-owned. Prior to this change the Company had four reporting units: North American Value, North American Premium, North American Franchise and International.

Pursuant to the change in operating segments, the Company performed a goodwill impairment assessment on its North American Value reporting unit. The Company assessed qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit was less than their carrying values (Step 0). The Company determined it is "more-likely-than-not" that the carrying value of the reporting unit was less than the fair value. Accordingly, the Company did not perform a quantitative analysis. Based on the changes to the operating segment structure, there was no goodwill reallocated from the North American Value reporting unit related to the mall-based business that was subsequently sold as the mall-based business previously included in the North American Value reporting unit was projected to incur future losses. The Company did not perform a goodwill impairment assessment for the North American Franchise reporting unit during the first quarter of fiscal year 2018, as this reporting unit was not impacted by the triggering event. The North American Premium and International units did not have any goodwill.

The Company performed its annual impairment assessment as of April 30. For the fiscal year 2018 annual impairment assessment, due to the transformational efforts completed during the year, the Company elected to forgo the optional Step 0 assessment and performed the quantitative impairment analysis on the Franchise and Company-owned reporting units. The Company compared the carrying value of the reporting units, including goodwill, to their estimated fair value. The results of these assessments indicated that the estimated fair value of our reporting units exceeded their carrying value. The Franchise reporting unit had substantial headroom and the Company-owned reporting unit had headroom of approximately 24%. The fair value of the Company-owned reporting unit was determined based on a discounted cash flow analysis and comparable market multiples. The assumptions used in determining fair value were similar to than those used in fiscal year 2019.

Investments In Affiliates:

The Company has equity investments in securities of certain privately held entities. The Company accounts for these investments under the equity or cost method of accounting. The Company's investments have no value as of June 30, 2020 and 2019.

Self-Insurance Accruals:

The Company uses a combination of third party insurance and self-insurance for a number of risks including workers' compensation, health insurance, employment practice liability and general liability claims. The liability represents the Company's estimate of the undiscounted ultimate cost of uninsured claims incurred as of the Consolidated Balance Sheet date.

The Company estimates self-insurance liabilities using a number of factors, primarily based on independent third-party actuarially-determined amounts; historical claims experience; estimates of incurred but not reported claims, demographic factors and severity factors.

Although the Company does not expect the amounts ultimately paid to differ significantly from the estimates, self-insurance accruals could be affected if future claims experience differs significantly from historical trends and actuarial assumptions. For fiscal years 2020, 2019 and 2018, the Company recorded decreases (increases) in expense for changes in estimates related to prior year open policy periods of $3.1, $(1.3) and $1.2 million, respectively. The Company updates loss projections quarterly and adjusts its liability to reflect updated projections. The updated loss projections consider new claims and developments associated with existing claims for each open policy period. As certain claims can take years to settle, the Company has multiple policy periods open at any point in time.

As of June 30, 2020, the Company had $8.5 and $20.3 million recorded in current liabilities and non-current liabilities, respectively, related to the Company's self-insurance accruals. As of June 30, 2019, the Company had $10.1 and $23.6 million recorded in current liabilities and non-current liabilities, respectively, related to the Company's self-insurance accruals.

Revenue Recognition and Deferred Revenue:

Franchise revenues primarily include royalties, advertising fund fees and initial franchise fees. Royalties and advertising fund revenues represent sales-based royalties that are recognized as revenue in the period in which the sales occur. The Company defers franchise fees until the salon is open and then recognizes the revenue over the term of the franchise agreement. See Note 2 to the Consolidated Financial Statements.

Product sales by the Company to its franchisees are included within product revenues on the Consolidated Statement of Operations and recorded at the time product is delivered to franchise locations.

Company-owned salon revenues are recognized at the time when the services are provided. Product revenues are recognized when the guest receives and pays for the merchandise.

Classification of Expenses:

The following discussion provides the primary costs classified in each major expense category:

Cost of service— labor costs related to salon employees and the cost of product used in providing service.

Cost of product— cost of product sold to guests, labor costs related to selling retail product and the cost of product sold to franchisees.

Site operating— direct costs incurred by the Company's salons, such as advertising, workers' compensation, insurance, utilities and janitorial costs.

General and administrative— costs associated with field supervision, costs associated with salon training, distribution centers and corporate offices (such as salaries and professional fees), including cost incurred to support franchise operations.

Consideration Received from Vendors:

The Company receives consideration for a variety of vendor-sponsored programs. These programs primarily include volume rebates and promotion and advertising reimbursements.

With respect to volume rebates: the Company estimates the amount of rebate it will receive and accrues it as a reduction to the cost of inventory over the period in which the rebate is earned based upon historical purchasing patterns and the terms of the volume rebate program. A quarterly analysis is performed in order to ensure the estimated rebate accrued is reasonable and any necessary adjustments are recorded.

Shipping and Handling Costs:

Shipping and handling costs are incurred to store, move and ship product from the Company's distribution centers to franchise and company-owned locations and include an allocation of internal overhead. Such shipping and handling costs related to product shipped to company-owned locations are included in site operating expenses in the Consolidated Statement of Operations. Shipping and handling costs related to shipping product to franchise locations totaled $8.6, $7.7 and $6.1 million during fiscal years 2020, 2019 and 2018, respectively, and are included within general and administrative expenses on the Consolidated Statement of Operations. Any amounts billed to franchisees for shipping and handling are included in product revenues within the Consolidated Statement of Operations.

Advertising and Advertising Funds:

Advertising costs consist of the Company's corporate funded advertising costs, the Company's advertising fund contributions and Franchisee's advertising fund contributions. Corporate funded advertising costs are expensed as incurred. The Company has various franchising programs supporting certain of its franchise salon concepts. Most maintain advertising funds that provide comprehensive advertising and sales promotion support. Salons, both franchise and company-owned, are required to participate in the advertising funds for the same salon concept. The Company assists in the administration of the advertising funds, however, a group of individuals consisting of franchisee representatives has control over all of the expenditures and operates the funds in accordance with franchise operating and other agreements. Advertising fund contributions are expensed when the contribution is made.

The Company's advertising costs are included in site operating expenses in the Consolidated Statement of Operations and consist of the following:

	Fiscal Years		
	2020	2019	2018
	(Dollars in thousands)		
Corporate funded advertising costs	$ 13,210	$ 21,581	$ 19,803
Advertising fund contributions from company-owned salons	3,715	12,929	16,834
Advertising fund contributions from franchisees (1)	13,341	34,073	26,818
Total advertising costs	$ 30,266	$ 68,583	$ 63,455

(1) Includes the refunding of $14.9 million of previously collected cooperative fees to franchisees as a direct result of the COVID-19 pandemic.

The Company records all advertising funds as assets and liabilities within the Company's Consolidated Balance Sheet. As of June 30, 2020 and 2019, approximately $4.3 and $23.6 million, respectively, representing the advertising funds' assets and liabilities were recorded within total assets and total liabilities in the Company's Consolidated Balance Sheet.

Stock-Based Employee Compensation Plans:

The Company recognizes stock-based compensation expense based on the fair value of the awards at the grant date. Compensation expense is recognized on a straight-line basis over the requisite service period of the award (or to the date a participant becomes eligible for retirement, if earlier). The Company uses fair-value methods that require the input of subjective assumptions, including the expected term, expected volatility, dividend yield and risk-free interest rate.

The Company estimates the likelihood and the rate of achievement for performance sensitive stock-based awards at the end of each reporting period. Changes in the estimated rate of achievement can have a significant effect on the recorded stock-based compensation expense as the effect of a change in the estimated achievement level is recognized in the period the change occurs.

Sales Taxes:

Sales taxes are recorded on a net basis (rather than as both revenue and an expense) within the Company's Consolidated Statement of Operations.

Income Taxes:

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or income tax returns. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse.

We recognize deferred tax assets to the extent that we believe these assets are more likely than not to be realized. The Company evaluates all evidence, including recent financial performance, the existence of cumulative year losses and our forecast of future taxable income, to assess the need for a valuation allowance against our deferred tax assets. While the determination of whether or not to record a valuation allowance is not fully governed by a specific objective test, accounting guidance places significant weight on recent financial performance.

The Company has a valuation allowance on its deferred tax assets of $122.4 and $70.7 million at June 30, 2020 and 2019, respectively. If we determine that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, we would make necessary adjustments to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

Significant components of the valuation allowance which occurred during fiscal year 2020 are as follows:

- In connection with the Coronavirus Aid, Relief and Economic Security Act (CARES Act), NOLs resulting from accounting periods which straddled December 31, 2017 are now considered definite-lived NOLs. Therefore, the Company established a valuation allowance against the U.S. NOLs generated during its fiscal year 2018 and recorded a net tax expense of $14.7 million.
- The Company determined that it no longer had sufficient U.S. indefinite-lived taxable temporary differences to support realization of its U.S. indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate indefinite-lived NOLs. As a result, the Company recorded an additional $17.0 million valuation allowance on its U.S. federal indefinite-lived deferred tax assets.
- The Company recognized a capital loss and established a corresponding valuation allowance of $14.9 million on investment outside basis previously impaired for financial accounting purposes.

The Company reserves for unrecognized tax benefits, interest and penalties related to anticipated tax audit positions in the U.S. and other tax jurisdictions based on an estimate of whether additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of these liabilities would result in tax benefits being recognized in the period in which it is determined that the liabilities are no longer necessary. If the estimate of unrecognized tax benefits, interest and penalties proves to be less than the ultimate assessment, additional expenses would result.

Inherent in the measurement of deferred balances are certain judgments and interpretations of tax laws and published guidance with respect to the Company's operations. Income tax expense is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities.

See Note 10 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K.

Net (Loss) Income Per Share:

The Company's basic earnings per share is calculated as net (loss) income divided by weighted average common shares outstanding, excluding unvested outstanding restricted stock awards and restricted stock units. The Company's dilutive earnings per share is calculated as net (loss) income divided by weighted average common shares and common share equivalents outstanding, which includes shares issuable under the Company's stock option plan and long-term incentive plan and dilutive securities. Stock-based awards with exercise prices greater than the average market value of the Company's common stock are excluded from the computation of diluted earnings per share.

Comprehensive (Loss) Income:

Components of comprehensive (loss) income include net (loss) income, foreign currency translation adjustments and recognition of deferred compensation, net of tax within shareholders' equity.

Foreign Currency Translation:

The Consolidated Balance Sheet, Consolidated Statement of Operations and Consolidated Statement of Cash Flows of the Company's international operations are measured using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at each Balance Sheet date. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income within shareholders' equity. Statement of Operations accounts are translated at the average rates of exchange prevailing during the year. During fiscal years 2020, 2019 and 2018, the foreign currency (loss) gain included in (loss) income from continuing operations was $(0.1), $0.1 and $(0.1) million, respectively. During fiscal year 2018, the Company recognized within discontinued operations a $6.2 million foreign currency translation loss in connection with the Company's liquidation of substantially all foreign entities with British pound denominated currencies.

Accounting Standards Recently Adopted by the Company:

Simplifying the Test for Goodwill Impairment

In fiscal year 2020, the Company adopted ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350)" for the interim impairment test performed due to the triggering event noted above, for the quarter ended March 31, 2020. Under this accounting standard, the Company performed its interim impairment test and annual impairment tests by comparing the fair value of a reporting unit to its carrying amount. The Company then records an impairment charge for the amount that the carrying amount exceeds the fair value. This eliminates Step 2 from the goodwill impairment test to simplify the subsequent measure of goodwill.

Leases

In February 2016, the FASB issued updated guidance requiring organizations that lease assets to recognize the rights and obligations created by those leases on the Consolidated Balance Sheet. The Company adopted ASU 2016-02, "Leases (Topic 842)" and all subsequent ASUs that modified Topic 842 as of July 1, 2019 using the modified retrospective method and elected the option to not restate comparative periods in the year of adoption. The Company also elected the package of practical expedients that do not require reassessment of whether existing contracts are or contain leases, lease classification or initial direct costs. The Company has also made an accounting policy election to keep leases with an initial term of 12 months or less off of the Consolidated Balance Sheet.

Under adoption of Topic 842, the Company recorded a right of use asset and lease liability of $980.8 and $993.7 million, respectively. The difference between the assets and liabilities are attributable to the reclassification of certain existing lease-related assets and liabilities as an adjustment to the right of use assets. The decrease in the right of use asset and lease liability from July 1, 2019 to June 30, 2020 was due to lease modifications and salon closures. Additionally, the right of use asset was impaired in the fourth fiscal quarter.

The Lease Liability reflects a present value of the Company's current minimum lease payments for existing operating leases primarily relating to real estate leases, over a lease term which includes one option, as options are reasonably assured of being exercised, discounted using a collateralized incremental borrowing rate. The Company will use the portfolio approach in applying the discount rate.

The accounting guidance for lessors remained largely unchanged from previous guidance, with the exception of the presentation of rent payments that the Company passes through to franchisees (lessees). These costs are generally paid by the Company and reimbursed by the franchisee. Historically, these costs have been recorded on a net basis within rent expense in the Consolidated Statements of Operations, but are now presented on a gross basis upon adoption of the new guidance. The adoption of the new guidance resulted in the recognition of franchise rental income and franchise rent expense of $127.2 million during fiscal year 2020. See Note 6 for further information about our transition to Topic 842 and the newly required disclosures.

Accounting Standards Recently Issued But Not Yet Adopted by the Company:

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13 "Measurement of Credit Losses on Financial Instruments", which modifies the measurement of expected credit losses of certain financial instruments. The Company will adopt the standard in the first quarter of 2021, as required, and does not expect the standard to materially effect consolidated net earnings, financial position, or cash flows.

The Company does not expect that any other recently issued accounting pronouncements will have a material effect on our financial statements.

2. REVENUE RECOGNITION:

In May 2014, the FASB issued amended guidance for revenue recognition which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Company adopted the amended revenue recognition guidance, ASC Topic 606, on July 1, 2018 using the full retrospective transition method which required the adjustment of each prior reporting period presented. As a result of adopting this new standard, the Company is providing its updated revenue recognition policies.

Revenue Recognition and Deferred Revenue:

Revenue recognized at point of sale

Company-owned salon revenues are recognized at the time when the services are provided. Product revenues for company-owned salons are recognized when the guest receives and pays for the merchandise. Revenues from purchases made with gift cards are also recorded when the guest takes possession of the merchandise or services are provided. Gift cards issued by the Company are recorded as a liability (deferred revenue) upon sale and recognized as revenue upon redemption by the customer. Gift card breakage, the amount of gift cards which will not be redeemed, is recognized proportional to redemptions using estimates based on historical redemption patterns. Product sales by the Company to its franchisees are included within product revenues in the Consolidated Statement of Operations and recorded at the time product is delivered to the franchisee. Payment for franchisee product revenue is generally collected within 30 to 90 days of delivery.

Revenue recognized over time

Franchise revenues primarily include royalties, advertising fund cooperatives fees, franchise fees and other fees. Royalty and advertising fund revenues represent sales-based royalties that are recognized in the period in which the sales occur. Generally, royalty and advertising fund revenue is billed and collected monthly in arrears. Advertising fund revenues and expenditures, which must be spent on marketing and related activities per the franchise agreements, are recorded on a gross basis within the Consolidated Statement of Operations. This increases both the gross amount of reported franchise revenue and site operating expense and generally has no impact on operating income and net income. Franchise fees are billed and received upon the signing of the franchise agreement. Recognition of these fees is deferred until the salon opening and is then recognized over the term of the franchise agreement, typically ten years. Franchise rental income is a result of the Company signing leases on behalf of franchisees as the primary obligor and entering into a sublease arrangement with the franchise. The Company recognizes franchise rental income and expense when it is due to the landlord.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table disaggregates revenue by timing of revenue recognition and is reconciled to reportable segment revenues as follows:

	For the Year Ended June 30, 2020		For the Year Ended June 30, 2019	
	Franchise	Company-owned	Franchise	Company-owned
	(Dollars in thousands)			
Revenue recognized at a point in time:				
Service	$ —	$ 331,538	$ —	$ 749,660
Product	52,421	85,165	59,905	165,713
Total revenue recognized at a point in time	$ 52,421	$ 416,703	$ 59,905	$ 915,373
Revenue recognized over time:				
Royalty and other franchise fees	$ 60,061	$ —	$ 59,688	$ —
Advertising fund fees	13,341	—	34,073	—
Franchise rental income	127,203	—	—	—
Total revenue recognized over time	200,605	—	93,761	—
Total revenue	$ 253,026	$ 416,703	$ 153,666	$ 915,373

Information about receivables, broker fees and deferred revenue subject to the revenue recognition guidance is as follows:

	June 30, 2020	June 30, 2019	Balance Sheet Classification
	(Dollars in thousands)		
Receivables from contracts with customers, net	$ 22,991	$ 23,210	Accounts receivable, net
Broker fees	$ 20,516	$ 17,819	Other assets
Deferred revenue:			
Current			
Gift card liability	$ 2,543	$ 3,050	Accrued expenses
Deferred franchise fees unopened salons	77	193	Accrued expenses
Deferred franchise fees open salons	5,537	4,164	Accrued expenses
Total current deferred revenue	$ 8,157	$ 7,407	
Non-current			
Deferred franchise fees unopened salons	$ 11,855	$ 15,173	Other non-current liabilities
Deferred franchise fees open salons	33,623	24,194	Other non-current liabilities
Total non-current deferred revenue	$ 45,478	$ 39,367	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, franchise product sales and sales of salon services and product paid by credit card. The receivables balance is presented net of an allowance for expected losses (i.e., doubtful accounts), related to receivables from franchisees. As of June 30, 2020 and 2019, the balance in the allowance for doubtful accounts was $6.9 and $2.0 million, respectively. The increase is due to an increased risk in collecting franchise receivables due to decreased franchisee cash flows as a result of the government-mandated salon closures due to the COVID-19 pandemic. The following table is a rollforward of the allowance for doubtful accounts for the periods indicated (in thousands):

Balance as of June 30, 2019	$ 2,025
Provision for doubtful accounts	5,958
Write-offs	(1,084)
Balance as of June 30, 2020	$ 6,899

Broker fees are the costs associated with using external brokers to identify new franchisees. These fees are paid upon the signing of the franchise agreement and recognized as General and Administrative expense over the term of the agreement.

The following table is a rollforward of the broker fee balance for the periods indicated (in thousands):

Balance as of June 30, 2019	$	17,819
Additions		5,606
Amortization		(2,852)
Write-offs		(57)
Balance as of June 30, 2020	$	20,516

Deferred revenue includes the gift card liability and deferred franchise fees for unopened salons and open salons. Gift card revenue for the years ended June 30, 2020 and 2019 was $2.4 and $5.3 million, respectively. Deferred franchise fees related to open salons are generally recognized on a straight-line basis over the term of the franchise agreement. Franchise fee revenue for the twelve months ended June 30, 2020 and 2019 was $5.2 and $3.6 million, respectively. Estimated revenue expected to be recognized in the future related to deferred franchise fees for open salons as of June 30, 2020 is as follows (in thousands):

2021	$	5,471
2022		5,351
2023		5,174
2024		4,939
2025		4,577
Thereafter		13,648
Total	$	39,160

3. TBG DISCONTINUED OPERATIONS AND RESTRUCTURING

The Beautiful Group (TBG):

In October 2017, the Company sold substantially all of its mall-based salon business in North America, representing 858 salons, to The Beautiful Group (TBG), an affiliate of Regent, a private equity firm based in Los Angeles, California, who operated these locations as franchise locations until June 2019. In addition, the Company entered into a share purchase agreement for substantially all of its International segment, representing approximately 250 salons in the UK, with TBG operating these locations as franchise locations until they were transferred to another franchisee in fiscal year 2020. The Company classified the results of its mall-based business and its International segment as a discontinued operation for all periods presented in the Consolidated Statement of Operations.

In fiscal years 2018 and 2019, TBG salons were operating at a loss and TBG struggled to pay the Company for the receivables related to the original purchase agreements as well as royalty and product receivables. The Company reserved for $11.7 million of receivables in fiscal 2018 and an additional $20.7 million of receivables in fiscal 2019.

In the second quarter of fiscal year 2020, TBG transferred 207 of its North American mall-based salons to the Company. The 207 North American mall-based salons transferred were the salons that the Company was the guarantor of the lease obligation. The transfer of the 207 mall-based salons occurred on December 31, 2019, so the operational results of these mall-based salons are included in the Consolidated Statement of Operations beginning in the third quarter. The assets acquired and liabilities assumed were not material to the Consolidated Balance Sheet.

As of June 30, 2020, prior to any mitigation efforts which may be available, the Company remains liable for up to approximately $23 million related to its mall-based salon lease commitments on the 166 salons that remain open, a $18 million reduction from June 30, 2019. The commitments are included in our lease liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following summarizes the results of TBG related charges and TBG discontinued operations for the periods presented:

	Fiscal Years		
	2020	2019	2018
	(Dollars in thousands)		
Revenue	$ —	$ —	$ 101,140
TBG Mall Restructuring:			
Accounts and notes receivable reserves	—	20,711	—
Other charges (1)	2,333	1,105	—
Total TBG mall restructuring	$ 2,333	$ 21,816	$ —
TBG Discontinued Operations:			
Working capital and prepaid rent receivable reserve	—	—	11,697
Other charges (2) (3)	(1,063)	1,221	47,848
(Income) loss from TBG discontinued operations, before taxes	(1,063)	1,221	59,545
Income tax expense (benefit) on TBG discontinued operations (4)	231	(7,117)	(6,360)
(Income) loss from TBG discontinued operations, net of tax	$ (832)	$ (5,896)	$ 53,185

(1) In fiscal year 2020, the Company recorded professional fees associated with the transfer of the mall salons back to the Company as TBG mall restructuring charges.
(2) In fiscal years 2020 and 2019, the Company recorded professional fees related to the transaction, as well as insurance adjustments associated with the discontinued operations.
(3) In fiscal year 2018, the Company recorded $43.0 million of asset impairment charges, $6.2 million of cumulative foreign currency translation adjustment, $3.6 million of loss from operations and $6.8 million of professional fees.
(4) Income taxes have been allocated to continuing and discontinued operations based on the methodology required by accounting for income taxes guidance.

SmartStyle restructuring:

In January 2018, the Company closed 597 non-performing company-owned SmartStyle salons. The 597 non-performing salons generated negative cash flow of approximately $15 million during the twelve months ended September 30, 2017. The action delivers on the Company's commitment to restructure its salon portfolio to improve shareholder value and position the Company for long-term growth. A summary of costs associated with the SmartStyle salon restructuring for fiscal year 2018 is as follows:

	Financial Line Item	Fiscal Year 2018
		(Dollars in thousands)
Inventory reserves	Cost of Service	$ 656
Inventory reserves	Cost of Product	586
Severance	General and administrative	897
Long-lived fixed asset impairment	Depreciation and amortization	5,460
Asset retirement obligation	Depreciation and amortization	7,680
Lease termination and other related closure costs	Rent	27,290
Deferred rent	Rent	(3,291)
Total		$ 39,278

In addition, the Company recorded approximately $1.9 million of other related costs to the SmartStyle restructuring, primarily warehouse related costs. Substantially all related costs associated with the SmartStyle salon restructuring requiring cash outflow were complete as of June 30, 2018.

Foreign currency translation adjustment:

In fiscal year 2018, the Company incurred $6.2 million of cumulative foreign currency translation adjustment associated with the Company's liquidation of substantially all foreign entities with British pound denominated currencies.

4. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30,	
	2020	2019
	(Dollars in thousands)	
Other current assets:		
Prepaids	$ 5,165	$ 9,527
Restricted cash	9,213	22,238
Other	4,760	1,451
	$ 19,138	$ 33,216
Property and equipment:		
Buildings and improvements	36,379	29,165
Equipment, furniture and leasehold improvements	198,983	309,561
Internal use software	71,212	67,465
	306,574	406,191
Less accumulated depreciation and amortization	(249,398)	(328,101)
	$ 57,176	$ 78,090
Accrued expenses:		
Payroll and payroll related costs	$ 18,204	$ 34,909
Insurance	10,278	12,935
Rent and related real estate costs	4,179	6,332
Other	16,164	26,575
	$ 48,825	$ 80,751
Other non-current liabilities:		
Deferred income taxes	$ 13,916	$ 17,924
Deferred rent (1)	—	14,006
Insurance	20,301	23,565
Deferred benefits	11,106	12,457
Deferred franchise fees	45,478	39,367
Other	3,341	4,080
	$ 94,142	$ 111,399

(1) Upon adoption of ASC 842 in fiscal year 2020, the Company no longer reports deferred rent.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following provides additional information concerning other intangibles, net:

	June 30,							
	2020				2019			
	Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net	Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net
	(In years)	(Dollars in thousands)			(In years)	(Dollars in thousands)		
Brand assets and trade names	33	$ 6,494	$ (3,609)	$ 2,885	33	$ 6,909	$ (3,659)	$ 3,250
Franchise agreements	19	9,558	(8,194)	1,364	19	9,783	(8,057)	1,726
Lease intangibles (3)	0	—	—	—	20	13,490	(10,065)	3,425
Other	20	874	(544)	330	20	883	(523)	360
Total	24	$ 16,926	$ (12,347)	$ 4,579	22	$ 31,065	$ (22,304)	$ 8,761

(1) All intangible assets have been assigned an estimated finite useful life and are amortized on a straight-line basis over the number of years that approximate their expected period of benefit (ranging from three to 40 years).
(2) The change in the gross carrying value and accumulated amortization of other intangible assets is impacted by foreign currency.
(3) A $2.5 million lease intangible impairment was recorded in the fourth fiscal quarter as a result of the COVID-19 triggering event.

Total amortization expense related to intangible assets during fiscal years 2020, 2019 and 2018 was approximately $1/3 million in each year. As of June 30, 2020, future estimated amortization expense related to intangible assets is estimated as follows (in thousands):

2021	$ 467
2022	438
2023	425
2024	363
2025	366
Thereafter	2,520
Total	$ 4,579

The following provides supplemental disclosures of cash flow activity:

	Fiscal Years		
	2020	2019	2018
	(Dollars in thousands)		
Cash paid for:			
Interest	$ 7,390	$ 4,408	$ 7,022
Taxes and penalties, net	2,150	2,096	2,397
Non-cash investing activities:			
Unpaid capital expenditures	2,569	3,873	9,209

5. GOODWILL

The table below contains details related to the Company's goodwill:

	June 30,					
	2020			2019		
	Gross Carrying Value (1)	Accumulated Impairment (3)	Net	Gross Carrying Value (1)	Accumulated Impairment (2)	Net
	(Dollars in thousands)					
Goodwill	$ 341,721	$ (114,264)	$ 227,457	$ 419,818	$ (74,100)	$ 345,718

(1) The change in the gross carrying value of goodwill relates to goodwill derecognized for salons sold to franchisees and foreign currency translation adjustments.
(2) In fiscal year 2011, the Company realized a $74.1 million goodwill impairment loss associated with the Company-owned reporting unit (the previous North American Value reporting unit).
(3) In fiscal year 2020, the Company realized a $40.2 million goodwill impairment associated with the Company-owned reporting unit. Prior to the COVID-19 pandemic, the Company had been derecognizing Company-owned goodwill as part of the calculation of gain or loss on the sale of salons to franchisees. Following the goodwill impairment in fiscal year 2020, the Company-owned reporting unit has no remaining goodwill, so there will be no further derecognition of Company-owned goodwill.

The table below contains details related to the Company's goodwill:

	Franchise	Company-owned	Consolidated
		(Dollars in thousands)	
Goodwill, net at June 30, 2019	$ 227,928	$ 117,790	$ 345,718
Translation rate adjustments	(471)	(660)	(1,131)
Derecognition related to sale of salon assets to franchisees (1)	—	(76,966)	(76,966)
Goodwill impairment	—	(40,164)	(40,164)
Goodwill, net at June 30, 2020	$ 227,457	$ —	$ 227,457

(1) Prior to the impairment charge, goodwill was derecognized for salons sold to franchisees with positive cash flows. The amount of goodwill derecognized was determined by a fraction (the numerator of which is the trailing-twelve months EBITDA of the salon being sold and the denominator of which is the estimated annualized EBITDA of the Company-owned reporting unit) that is applied to the goodwill balance of the Company-owned reporting unit at the time of sale. This methodology utilizing the trailing-twelve months of EBITDA as the unit of account is most representative of fair value for the derecognition calculation due to vendition strategies that may cause proceeds to not be representative of a market participant value.

6. LEASES

At contract inception, the Company determines whether a contract is, or contains, a lease by determining whether it conveys the right to control the use of the identified asset for a period of time. If the contract provides the Company the right to substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset, the Company considers it to be, or contain, a lease. The Company leases its company-owned salons and some of its corporate facilities under operating leases. The original terms of the salon leases range from 1 to 20 years with many leases renewable for additional 5 to 10 year terms at the option of the Company. In addition to the obligation to make fixed rental payments for use of the salons, the Company also has variable lease payments that are based on sales levels. For most leases, the Company is required to pay real estate taxes and other occupancy expenses. Total rent expense includes the following:

	June 30,		
	2020	2019	2018
		(Dollars in thousands)	
Minimum rent (1)	$ 60,703	$ 108,892	$ 157,828
Percentage rent based on sales	2,043	4,754	4,324
Real estate taxes and other expenses	13,636	18,170	20,944
Total	$ 76,382	$ 131,816	$ 183,096

(1) Pursuant to ASC 420, fiscal year 2018 includes lease termination and other related closure costs of $27.3 million and a deferred rent benefit of $3.3 million related to restructuring of the company-owned SmartStyle portfolio that occurred in January 2018.

The Company also leases the premises in which the majority of its franchisees operate, where the Company retains the head lease primary obligation, and has entered into corresponding sublease arrangements with franchisees. These leases, generally with terms of approximately 5 years, are expected to be renewed on expiration. All lease related costs are passed through to the franchisees. The Company retains the primary obligation for the head lease and upon adopting Topic 842 the Company records the rental payments due from franchisees as franchise rental income and the corresponding amounts owed to landlords as franchise rent expense on the Consolidated Statement of Operations. In fiscal year 2020, franchise rental income and franchise rent expense were $127.2 million.

In April 2020, the FASB issued a question and answer document focused on the application of lease accounting guidance to lease concessions provided as a result of COVID-19 (the "Lease Modification Q&A"). The Lease Modification Q&A provides entities with the option to elect to account for lease concessions as though the enforceable rights and obligations existed in the original lease when the total cash flows resulting from the modified lease are substantially similar to the cash flows in the original lease. The Company elected this FASB relief for COVID-19-related rent concessions for the Walmart rent abatement received in April and May 2020 and has elected not to remeasure the related lease liability and right of use asset for Walmart leases. The Walmart rent abatement was recognized as a reduction of variable rent expense of $2.7 million in the fourth fiscal quarter of 2020. Additionally, included in accounts payable as of June 30, 2020 is approximately $20 million of rental payments that were due but the Company had not paid. The Company has elected to account for these rent deferrals as if no changes to the lease contract were made and, as noted above, has increased its accounts payable as the lease payments accrue.

For franchise and company-owned salon operating leases, the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. The Right of Use (ROU) asset is initially measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, less any accrued lease payments and unamortized lease incentives received, if any. The Company's consolidated Right of Use Asset (ROU A) balance was $786.2 million as of June 30, 2020. For leases classified as operating leases, expense for lease payments is recognized on a straight-line basis over the lease term. Generally, the non-lease components such as real estate taxes and other occupancy expenses are separate from rent expense within the lease and are not included in the measurement of the lease liability because these charges are variable.

The discount rate used to determine the present value of the lease payments is the Company's estimated collateralized incremental borrowing rate, based on the yield curve for the respective lease terms, as the interest rate implicit in the lease cannot generally be determined. The Company uses the portfolio approach in applying the discount rate based on original lease term. The weighted average remaining lease term was 6.87 years and the weighted-average discount rate was 3.95% for all salon operating leases as of June 30, 2020.

A lessee's right of use asset is subject to the same asset impairment guidance in ASC 360, Property, Plant, and Equipment, applied to other elements of property, plant, and equipment. The Company has identified its asset groups at the individual salon level as this represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. As a result of COVID-19 and the related store closures that occurred during the fourth fiscal quarter of 2020, the Company determined that a triggering event had occurred pursuant to ASC 360-10-35-21 given that there had been a significant adverse change in the business climate that could affect the value of its salon long-lived asset groups combined with a significant adverse change in the extent or manner in which the salon long-lived groups were being used. As a result, management assessed all of its salon asset groups, which included the related ROU assets, for impairment in accordance with ASC 360.

The first step in the impairment test under ASC 360 is to determine whether the long-lived assets are recoverable, which is determined by comparing the net carrying value of the salon asset group to the undiscounted net cash flows to be generated from the use and eventual disposition of that asset group. Estimating cash flows for purposes of the recoverability test is subjective and requires significant judgment. Estimated future cash flows used for the purposes of the recoverability test were based upon historical cash flows for the salons, adjusted for expected changes in future market conditions related to COVID-19 and other factors. The period of time used to determine the estimates of the future cash flows for the recoverability test was based on the remaining useful life of the primary asset of the group, which was the ROU asset in all cases.

Step two of the long-lived asset impairment test requires that the fair value of the asset group be determined when calculating the amount of any impairment loss. For the salon asset groups that failed the recoverability test, an impairment loss was measured as the amount by which the carrying amount of the asset group exceeds its fair value. The Company applied the fair value guidance within ASC 820-10 to determine the fair value of the asset group from the perspective of a market-participant considering, among other things, appropriate discount rates, multiple valuation techniques, the most advantageous market, and assumptions about the highest and best use of the asset group. To determine the fair value of the salon asset groups, the Company utilized market-participant assumptions, rather than the Company's own assumptions about how it intends to use the asset group.

The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available. The significant judgments and assumptions utilized to determine the fair value of the salon asset groups include: the market rent of comparable properties based on recently negotiated leases as applicable, the asset group's projected sales for fiscal years 2021 through 2023 for properties with no recently negotiated leases, and a discount rate. The Company engaged a third-party valuation specialist to assist with the research related to inputs used in their determination of the fair value of the ROU asset which included providing information related to significant inputs and assumptions utilized in the measurement of the impairment loss.

Of the total $22.6 million long-lived asset impairment charge in the Consolidated Statement of Operations, $17.4 million related to the right of use asset included in the salon asset groups. The impairment loss for each salon asset group that was recognized was allocated among the long-lived assets of the group on a pro rata basis using their relative carrying amounts. Additionally, the impairment losses did not reduce the carrying amount of an individual asset below its fair value, including for the ROU assets included in the salon asset groups. Assessing the long-lived assets for impairment requires management to make assumptions and to apply judgment which can be affected by economic conditions and other factors that can be difficult to predict. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it uses to calculate impairment losses for its long-lived asset, including its ROU assets. However, the ultimate severity and longevity of the COVID-19 pandemic is unknown therefore, if actual results are not consistent with the estimates and assumptions used in the calculations, the Company may be exposed to future impairment losses that could be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of June 30, 2020, future operating lease commitments to be paid and received by the Company were as follows:

Fiscal Year	Leases For Franchise Salons	Leases For Company-Owned Salons	Corporate Leases	Total Operating Lease Payments	Sublease Income To Be Received From Franchisees	Net Rent Commitments
2021	$ 121,149	$ 43,705	$ 1,781	$ 166,635	$ (121,149)	$ 45,486
2022	110,951	36,628	1,410	148,989	(110,951)	38,038
2023	100,640	31,943	1,447	134,030	(100,640)	33,390
2024	90,649	28,057	1,484	120,190	(90,649)	29,541
2025	79,398	23,746	1,522	104,666	(79,398)	25,268
Thereafter	190,793	59,994	7,818	258,605	(190,793)	67,812
Total future obligations	$ 693,580	$ 224,073	$ 15,462	$ 933,115	$ (693,580)	$ 239,535
Less amounts representing interest	85,432	27,193	2,765	115,390		
Present value of lease liabilities	$ 608,148	$ 196,880	$ 12,697	$ 817,725		
Less current lease liabilities	99,217	36,767	1,287	137,271		
Long-term lease liabilities	$ 508,931	$ 160,113	$ 11,410	$ 680,454		

7. FAIR VALUE MEASUREMENTS

Fair value measurements are categorized into one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs available at the measurement date, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

As of June 30, 2020 and 2019, the estimated fair value of the Company's cash, cash equivalents, restricted cash, receivables and accounts payable approximated their carrying values. As of June 30, 2020, the estimated fair value of the Company's debt was $177.5 million, which approximated its carrying value. As of June 30, 2020, the estimated fair value of the long-term financial liability was $28.0 million, which approximated its carrying value. The estimated fair value of the Company's debt and long-term financial liability are based on Level 2 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets, including the Company's equity method investments, tangible fixed and other assets and goodwill, at fair value on a nonrecurring basis when they are deemed to be other than temporarily impaired. The fair values of these assets are determined, when applicable, based on valuation techniques using the best information available, and may include quoted market prices, market comparables and discounted cash flow projections.

The following impairment charges were based on fair values using Level 3 inputs:

	Fiscal Year		
	2020	2019	2018
	(Dollars in thousands)		
Goodwill	$ 40,164	$ —	$ —
Salon asset impairments (1)	3,851	4,587	11,092
Long-lived assets impairment (1)	22,560	—	—

(1) See Note 1 in the Consolidated Financial Statements.

8. FINANCING ARRANGEMENTS

The Company's long-term debt consists of the following:

Revolving Credit Facility

	Maturity Date	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(Fiscal year)	(Interest rate %)		(Dollars in thousands)	
Revolving credit facility	2023	5.50%	3.65%	$ 177,500	$ 90,000

At June 30, 2020, cash, cash equivalents and marketable securities totaled $113.7 million. As of June 30, 2020, the Company had $177.5 million of outstanding borrowings under a $295.0 million revolving credit facility. At June 30, 2020, the Company had outstanding standby letters of credit under the revolving credit facility of $21.0 million, primarily related to the Company's self-insurance program. The unused available credit under the facility was $96.5 million at June 30, 2020. The Company increased its outstanding borrowings from June 30, 2019 to June 30, 2020 by making a draw on the credit facility of $183.0 million in March of 2020. The $183.0 million draw was done to increase the Company's cash position and preserve financial flexibility as the Company experienced significant business interruption due to the COVID-19 pandemic. In the fourth quarter of fiscal year 2020, the Company repaid $125.5 million. As of June 30, 2020, the Company had cash, cash equivalents and restricted cash of $122.9 million and current liabilities of $237.0 million.

In May of 2020, the Company amended its $295.0 million revolving credit facility that expires in March 2023. The amendment to the revolving credit facility provides relief for the maximum consolidated net leverage ratio covenant and the minimum fixed charge coverage ratio covenant. Without such amendment, the Company would have been in violation of the covenants as of March 31, 2020, which could have resulted in default. Under the new terms of the amendment, the Company is required to maintain a minimum liquidity of not less than $75.0 million, and provides the Company's lenders security in the Company's assets, adds additional guarantors and grants a first priority lien and security interest to the lenders in substantially all of the Company's and the guarantors' existing and future property. The amendment also increases the applicable interest rate margins and facility fees applicable to the loans and inserts a 1.25% LIBOR floor. The applicable margin for loans bearing interest at LIBOR ranges from 3.75%-4.25%, the applicable margin for loans bearing interest at the base rate ranges from 2.75%-3.25% and the facility fee ranges from 0.5%-0.75%, each depending on average utilization of the revolving line of credit. This amendment gives the Company flexibility throughout the uncertainty generated by the business disruption caused by the COVID-19 pandemic, as well as the Company's navigation through its strategic transformation. The Company was in compliance with all covenants and other requirements of the financing arrangements as of June 30, 2020 and believes it will continue to be in compliance for at least one year from our filing date.

Senior Term Notes

In fiscal year 2018, the Company redeemed all of its 5.5% senior term notes that were due December 2019 (Senior Term Notes) for $124.2 million, which included a $1.2 million premium. The Company utilized $90.0 million under the revolving credit facility and cash on hand of $34.2 million to repay the Senior Term Notes. As a result of redeeming the Senior Term Notes, the Company recorded $1.7 million of additional interest expense related to the unamortized debt discount and debt issuance costs during the fiscal year 2018.

Sale and Leaseback Transactions

The Company's long-term lease liability consists of the following:

	Maturity Date	Interest Rate	June 30, 2020	June 30, 2019
	(Fiscal year)		(Dollars in thousands)	
Financial liability - Salt Lake City Distribution Center	2034	3.30%	$ 16,773	$ 17,354
Financial liability - Chattanooga Distribution Center	2034	3.70%	11,208	11,556
Long-term financing liabilities			$ 27,981	$ 28,910

In fiscal year 2019, the Company sold its Salt Lake City and Chattanooga Distribution Centers to an unrelated party. The Company is leasing the properties back for 15 years with the option to renew. As the Company plans to lease the property for more than 75% of its economic life, the sales proceeds received from the buyer-lessor are recognized as a financial liability.

This financial liability is reduced based on the rental payments made under the lease that are allocated between principal and interest. As of June 30, 2020, the current portion of the Company's lease liabilities was $0.9 million, which was recorded in accrued expenses on the Consolidated Balance Sheet. The weighted average remaining lease term was 13.6 years and the weighted-average discount rate was 3.46% for financing leases as of June 30, 2020.

As of June 30, 2020, future lease payments due are as follows:

Fiscal year	Salt Lake City Distribution Center	Chattanooga Distribution Center
	(Dollars in thousands)	
2021	$ 1,157	$ 817
2022	1,171	829
2023	1,186	842
2024	1,200	854
2025	1,215	867
Thereafter	10,683	8,414
Total	$ 16,612	$ 12,623

These lease payments were not impacted by the adoption of ASC 842. The financing lease liability does not include interest. Future lease payments above are due per the lease agreement and include embedded interest. Therefore, the total payments do not equal the liability. Total interest expense for the financing leases was $0.7 million for the year ended June 30, 2020, including a one-time $0.4 million credit to interest related to 75% of the April and May rent being waived due to the COVID-19 pandemic.

9. COMMITMENTS AND CONTINGENCIES

Contingencies:

The Company is self-insured for most workers' compensation, employment practice liability and general liability. Workers' compensation and general liability losses are subject to per occurrence and aggregate annual liability limitations. The Company is insured for losses in excess of these limitations. The Company is also self-insured for health care claims for eligible participating employees subject to certain deductibles and limitations. The Company determines its liability for claims incurred but not reported on an actuarial basis.

Litigation and Settlements:

The Company is a defendant in various lawsuits and claims arising out of the normal course of business. Like certain other large retail employers, the Company has been faced with allegations of purported class-wide consumer and wage and hour violations. Litigation is inherently unpredictable and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could in the future incur judgments or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period. The Company is a defendant in two wage and hour lawsuits in California. The first, a class action in U.S. District Court, alleges various violations of the California Labor Code, including but not limited to failure to pay wages, failure to permit rest breaks, failure to pay all wages due on termination of employment, waiting time penalties, failure to provide accurate wage statements and violation of the business and professions code. This case has preliminarily settled, pending approval of the court and class, for $2.1 million. The second, a class action filed in California Superior Court, alleges various violations of the California Labor Code as well as PAGA penalties. Barring successful objection from plaintiffs' attorneys to the first class action, the second case will be subsumed into the first case's settlement. As of June 30, 2019 and 2020, $1.5 and $2.1 million, respectively, was included within accrued expenses on the Condensed Consolidated Balance Sheet related to these class action lawsuits.

10. INCOME TAXES

The components of loss from continuing operations before income taxes are as follows:

	Fiscal Years		
	2020	2019	2018
	(Dollars in thousands)		
Loss before income taxes			
U.S.	$ (165,260)	$ (17,513)	$ (16,604)
International	(11,553)	(4,754)	6,413
	$ (176,813)	$ (22,267)	$ (10,191)

The benefit for income taxes consists of:

	Fiscal Years		
	2020	2019	2018
	(Dollars in thousands)		
Current:			
U.S.	$ (925)	$ (519)	$ 2,151
International	238	1,069	1,894
Deferred:			
U.S.	(3,353)	(2,303)	(73,728)
International	(579)	(392)	(129)
	$ (4,619)	$ (2,145)	$ (69,812)

The benefit for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory rate to earnings (loss) before income taxes, as a result of the following:

	Fiscal Years		
	2020	2019	2018
U.S. statutory rate	21.0 %	21.0 %	28.0 %
State income taxes, net of federal income tax benefit	4.0	0.5	14.8
Valuation allowance (1)	(29.4)	(14.5)	560.8
Foreign income taxes at other than U.S. rates	(0.6)	0.9	(0.5)
Work opportunity tax credits	0.4	7.2	15.2
Deferred tax rate remeasurement	—	—	99.0
Uncertain tax positions	(6.2)	1.0	(15.9)
Stock-based compensation	0.1	2.2	(15.8)
Capital loss	15.0	—	—
Other, net (2)	(1.7)	(8.7)	(0.6)
	2.6 %	9.6 %	685.0 %

(1) See Note 1 to the Consolidated Financial Statements.

(2) The (1.7)% of Other, net in fiscal year 2020 includes the rate impact of goodwill derecognition and impairment and miscellaneous items of (1.2)% and (0.6)%, respectively. Miscellaneous items do not include the rate impact of any items in excess of 5% of computed tax. The (8.7)% of Other, net in fiscal year 2019 includes the rate impact of goodwill derecognition and miscellaneous items of (5.9)% and (2.8)%, respectively. Miscellaneous items do not include any items in excess of 5% of computed tax. The (0.6)% of Other, net in fiscal year 2018 does not include the rate impact of any items in excess of 5% of computed tax.

The components of the net deferred tax assets and liabilities are as follows:

	June 30,	
	2020	2019
	(Dollars in thousands)	
Deferred tax assets:		
Deferred rent	$ —	$ 3,816
Payroll and payroll related costs	9,903	11,696
Net operating loss carryforwards	64,402	48,208
Tax credit carryforwards	37,072	36,966
Capital loss carryforwards	14,978	—
Deferred franchise fees	9,342	7,508
Operating lease liabilities	202,940	—
Financing lease liabilities	7,157	7,387
Other	8,214	8,709
Subtotal	$ 354,008	$ 124,290
Valuation allowance	(122,447)	(70,707)
Total deferred tax assets	$ 231,561	$ 53,583
Deferred tax liabilities:		
Goodwill and intangibles	$ (40,904)	$ (62,378)
Operating lease assets	(197,304)	—
Other	(7,269)	(9,129)
Total deferred tax liabilities	$ (245,477)	$ (71,507)
Net deferred tax liability	$ (13,916)	$ (17,924)

Significant components of the valuation allowance which occurred during fiscal year 2020 are as follows:

- On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 pandemic. The CARES Act included several significant business tax provisions that, among other items, eliminated the taxable income limit and granted business a five-year carryback for certain net operating losses (NOLs), accelerated refunds of previously generated corporate alternative minimum tax (AMT) credits, temporarily loosened the business interest limitation under section 163(j) and corrected certain provisions under the Tax Cuts and Jobs Act (TCJA).

  In connection with the CARES Act, NOLs resulting from accounting periods which straddled December 31, 2017 are now considered definite-lived NOLs. Therefore, the Company established a U.S. valuation allowance against the NOLs generated during its fiscal year 2018 and recorded a net tax expense of $14.7 million in continuing operations.

- The Company determined that it no longer had sufficient U.S. indefinite-lived taxable temporary differences to support realization of its U.S. indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate indefinite-lived NOLs. As a result, the Company recorded an additional $17.0 million valuation allowance on its U.S. federal indefinite-lived deferred tax assets.

- The Company further recognized a capital loss and established a corresponding valuation allowance of $14.9 million on investment outside basis previously impaired for financial accounting purposes.

The Company also expects to receive a refund of approximately $1.4 million due to accelerated refunds of AMT credits as a result of the CARES Act.

At June 30, 2020, the Company has tax effected federal, state, Canada, and U.K. net operating loss carryforwards of approximately $43.6, $16.7, $3.8 and $0.3 million, respectively. The Company's federal loss carryforward consists of $27.3 million that will expire from fiscal years 2034 to 2038 and $16.3 million that has no expiration. The state loss carryforwards consist of $15.7 million that will expire from fiscal years 2021 to 2040 and $1.0 million that has no expiration. The Canada loss carryforward will expire from fiscal years 2036 to 2040. The U.K. loss carryforward has no expiration.

The Company's tax credit carryforward of $37.1 million primarily consist of Work Opportunity Tax Credits that will expire from fiscal years 2031 to 2040.

The Company's capital loss carryforward of $14.9 million will expire in fiscal year 2025.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States. Accordingly, we have not recorded deferred taxes related to the U.S. federal and state income taxes and foreign withholding taxes on approximately $30.3 million of undistributed earnings of foreign subsidiaries which have been reinvested outside the United States. As a result of the Tax Cuts and Jobs Act of 2017, taxes payable on the remittance of such earnings is expected to be minimal.

The Company files tax returns and pays tax primarily in the U.S., Canada, the U.K. and Luxembourg as well as states, cities, and provinces within these jurisdictions. The Company is no longer subject to IRS examinations for years before 2014. With limited exceptions, the Company is no longer subject to state and international income tax examination by tax authorities for years before 2012.

A rollforward of the unrecognized tax benefits is as follows:

	Fiscal Years		
	2020	2019	2018
	(Dollars in thousands)		
Balance at beginning of period	$ 2,763	$ 3,027	$ 1,388
Additions based on tax positions related to the current year, primarily salon vendition activity and tax positions related to a capital loss	11,985	287	555
(Reductions)/additions based on tax positions of prior years	(223)	(154)	1,608
Reductions on tax positions related to the expiration of the statute of limitations	(480)	(397)	(177)
Settlements	—	—	(345)
Balance at end of period	$ 14,045	$ 2,763	$ 3,027

If the Company were to prevail on all unrecognized tax benefits recorded, a net benefit of approximately $1.3 million would be recorded in the effective tax rate. Interest and penalties associated with unrecognized tax benefits are recorded within income tax expense. During each of the fiscal years 2020, 2019 and 2018, the Company recorded interest and penalties of approximately $0.1 million as additions to the accrual, net of the respective reversal of previously accrued interest and penalties. As of June 30, 2020, the Company had accrued interest and penalties related to unrecognized tax benefits of $1.1 million. This amount is not included in the gross unrecognized tax benefits noted above.

It is reasonably possible the amount of the unrecognized tax benefit with respect to certain of our unrecognized tax positions will increase or decrease during the next fiscal year. However, an estimate of the amount or range of the change cannot be made at this time.

11. BENEFIT PLANS

Regis Retirement Savings Plan:

The Company maintains a defined contribution 401(k) plan, the Regis Retirement Savings Plan (RRSP). The RRSP is a defined contribution profit sharing plan with a 401(k) feature that is intended to qualify under Section 401(a) of the Internal Revenue Code (the Code) and is subject to the Employee Retirement Income Security Act of 1974 (ERISA).

The 401(k) portion of the RRSP is a cash or deferred arrangement intended to qualify under section 401(k) of the Code and under which eligible employees may elect to contribute a percentage of their eligible compensation. Employees who are 18 years of age or older and who were not highly compensated employees as defined by the Code during the preceding RRSP year are eligible to participate in the RRSP commencing with the first day of the month following their completion of one month of service.

The discretionary employer contribution profit sharing portion of the RRSP is a noncontributory defined contribution component covering full-time and part-time employees of the Company who have at least one year of eligible service, defined as 1,000 hours of service during the RRSP year, are employed by the Company on the last day of the RRSP year and are employed at Salon Support, distribution centers, as field leaders, artistic directors or consultants; and that are not highly compensated employees as defined by the Code. Participants' interest in the noncontributory defined contribution component become 20.0% vested after completing two years of service with vesting increasing 20.0% for each additional year of service, and with participants becoming fully vested after six full years of service.

Nonqualified Deferred Salary Plan:

The Company maintains a Nonqualified Deferred Salary Plan (Executive Plan), which covers Company officers and all other employees who are highly compensated as defined by the Code. The discretionary employer contribution portion of the Executive Plan is a profit sharing component in which a participant's interest becomes 20.0% vested after completing two years of service with vesting increasing 20.0% for each additional year of service; and with participants becoming fully vested after six full years of service. Certain participants within the Executive Plan also receive a matching contribution from the Company.

Regis Individual Secured Retirement Plan (RiSRP):

The Company maintains a Regis Individual Secured Retirement Plan (RiSRP), pursuant to which eligible employees may use post-tax dollars to purchase life insurance benefits. Salon Support employees at the director level and above, as well as regional vice presidents, are eligible to participate. The Company may make discretionary contributions on behalf of participants within the RiSRP, which may be calculated as a matching contribution. The participant is the owner of the life insurance policy under the RiSRP.

Stock Purchase Plan:

The Company has an employee stock purchase plan (ESPP) available to qualifying employees. Under the terms of the ESPP, eligible employees may purchase the Company's common stock through payroll deductions. The Company contributes an amount equal to 15.0% of the purchase price of the stock to be purchased on the open market and pays all expenses of the ESPP and its administration, not to exceed an aggregate contribution of $11.8 million. As of June 30, 2020, the Company's cumulative contributions to the ESPP totaled $11.1 million.

Deferred Compensation Contracts:

The Company has unfunded deferred compensation contracts covering certain current and former key executives. Effective June 30, 2012, these contracts were amended and the benefits were frozen.

Expense associated with the deferred compensation contracts included in general and administrative expenses on the Consolidated Statement of Operations totaled zero for fiscal years 2020 and 2019, and $0.2 million for fiscal year 2018.

The table below presents the projected benefit obligation of these deferred compensation contracts in the Consolidated Balance Sheet:

	June 30,	
	2020	2019
	(Dollars in thousands)	
Current portion (included in accrued liabilities)	$ 302	$ 1,183
Long-term portion (included in other non-current liabilities)	4,637	4,416
	$ 4,939	$ 5,599

The accumulated other comprehensive (loss) income for the deferred compensation contracts, consisting of primarily unrecognized actuarial income, was $0.1 and $0.5 million at June 30, 2020 and 2019, respectively.

The Company had previously agreed to pay the former Vice Chairman and his spouse an annual benefit for life. Costs associated with this benefit included in general and administrative expenses on the Consolidated Statement of Operations totaled $0.4, $0.4 and $0.3 million for fiscal years 2020, 2019 and 2018, respectively. Related obligations totaled $2.4 million at June 30, 2020 and 2019, with $0.5 million within accrued expenses at June 30, 2020 and 2019, and the remainder included in other non-current liabilities in the Consolidated Balance Sheet.

In connection with the passing of former employees, the Company received zero life insurance proceeds in fiscal year 2020, and the Company received $24.6 and $18.1 million in fiscal years 2019 and 2018, respectively, in life insurance proceeds. The Company recorded gains of zero in fiscal years 2020 and 2019 and $8.0 million in fiscal year 2018 in general and administrative in the Consolidated Statement of Operations associated with the proceeds.

12. EARNINGS PER SHARE

The Company's basic earnings per share is calculated as net (loss) income divided by weighted average common shares outstanding, excluding unvested outstanding restricted stock awards (RSAs), restricted stock units (RSUs) and stock-settled performance units (PSUs). The Company's diluted earnings per share is calculated as net (loss) income divided by weighted average common shares and common share equivalents outstanding, which includes shares issued under the Company's stock-based compensation plans. Stock-based awards with exercise prices greater than the average market price of the Company's common stock are excluded from the computation of diluted earnings per share.

For fiscal years 2020 and 2019, 963,456 and 1,341,421 of common stock equivalents of dilutive common stock, respectively, were excluded from the diluted earnings per share calculation due to net loss from continuing operations. For fiscal year 2018, 518,236 common stock equivalents of dilutive common stock were included in the diluted earnings per share calculation due to net income from continuing operations.

The computation of weighted average shares outstanding, assuming dilution, excluded the following stock-based awards as they were not dilutive under the treasury stock method:

	Fiscal Year		
	2020	2019	2018
Equity-based compensation awards	315,312	118,246	634,292

13. STOCK-BASED COMPENSATION

The Company grants long-term equity-based awards under the 2018 Long Term Incentive Plan (the 2018 Plan). The 2018 Plan, which was approved by the Company's shareholders at its 2018 Annual Meeting, provides for the granting of nonqualified stock options, equity-based stock appreciation rights (SARs), RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company. Under the 2018 Plan, a maximum of 3,818,895 shares are approved for issuance. The 2018 Plan incorporates a fungible share design, under which full value awards (such as RSUs and PSUs) count against the shares reserved for issuance at a rate 2.0 times higher than appreciation awards (such as SARs and stock options). As of June 30, 2020, a maximum of 3,774,266 shares were available for grant under the 2018 Plan. All unvested awards are subject to forfeiture in event of termination of employment, unless accelerated. SAR and RSU awards granted under the 2018

Plan generally include various acceleration terms, including upon retirement for participants aged sixty-two years or older or who are aged fifty-five or older and have 15 years of continuous service.

The Company also has outstanding awards under the 2016 Long-Term Incentive Plan (the 2016 Plan), although the 2016 Plan terminated in October 2018 and no additional awards have since been or will be made under the 2016 Plan. The 2016 Plan provided for the granting of SARs, RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company.

The Company also has outstanding awards under the Amended and Restated 2004 Long-Term Incentive Plan (the 2004 Plan), although the 2004 Plan terminated in October 2016 and no additional awards have since been or will be made under the 2004 Plan. The 2004 Plan provided for the granting of nonqualified stock options, SARs, RSAs, RSUs and PSUs, as well as cash-based performance grants, to employees and non-employee directors of the Company.

Under the 2018 Plan, 2016 Plan and the 2004 Plan, stock-based awards are granted at an exercise price or initial value equal to the fair market value on the date of grant. There were no SARs granted in fiscal year 2020.

Using the fair value of each grant on the date of grant, the weighted average fair values per stock-based compensation award granted during fiscal years 2020, 2019 and 2018 were as follows:

	Fiscal Years		
	2020	2019	2018
RSUs (1)	$ 16.48	$ 21.12	$ 13.43
PSUs (1)	12.09	14.05	15.74

(1) The fair value of market-based RSUs and PSUs granted are estimated on the date of grant using a Monte Carlo valuation model. The significant assumptions used in determining the estimated fair value of the market-based awards granted during fiscal years 2020, 2019 and 2018 were as follows:

	Fiscal Years		
	2020	2019	2018
Risk-free interest rate	1.43 %	2.31 - 2.68%	1.66 - 2.59%
Expected volatility	33.9 %	34.2 - 34.6%	33.4 - 37.1%
Expected dividend yield	— %	— %	— %

The risk free interest rate is determined based on the U.S. Treasury rates approximating the expected life of the market-based RSUs and PSUs granted. Expected volatility is established based on historical volatility of the Company's stock price. The Company uses historical data to estimate pre-vesting forfeiture rates.

Stock-based compensation expense was as follows:

	Fiscal Years		
	2020	2019	2018
		(Dollars in thousands)	
SARs	$ —	$ 1,497	$ 2,252
RSAs, RSUs, & PSUs	3,275	7,506	6,017
Total stock-based compensation expense (recorded in G&A)	3,275	9,003	8,269
Less: Income tax benefit (1)	(688)	(1,891)	(1,736)
Total stock-based compensation expense, net of tax	$ 2,587	$ 7,112	$ 6,533

(1) Federal statutory income tax rate of 21% utilized in fiscal years 2020, 2019 and 2018.

The Company recorded a stock compensation benefit of $1.6 million in fiscal year 2020 related to performance awards that did not meet the vesting requirements.

Stock Appreciation Rights & Stock Options:

SARs and stock options granted under the 2018 Plan, 2016 Plan and the 2004 Plan generally vest ratably over a three to five year period on each of the annual grant date anniversaries and expire ten years from the grant date. SARs granted subsequent to fiscal year 2012 vest ratably over a three year period with the exception of the April 2017 grant to the Chief Executive Officer, which vested in full after two years.

Activity for all the Company's outstanding SARs and stock options is as follows:

	Shares (in thousands)		Weighted Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
	SARs	Stock Options			
Outstanding balance at June 30, 2019	1,321	10	$ 11.97		
Granted	—	—	—		
Forfeited/Expired	(36)	(9)	16.69		
Exercised	—	(1)	18.61		
Outstanding balance at June 30, 2020	1,285	—	$ 11.79	6.08	$ (4,639)
Exercisable at June 30, 2020	1,285	—	$ 11.79	6.08	$ (4,639)
Unvested awards, net of estimated forfeitures	—	—	$ —	—	$ —

Restricted Stock Units:

RSUs granted to employees under the 2018 Plan, 2016 Plan and 2004 Plan generally vest ratably over a three to five year period on each of the annual grant date anniversaries or vest entirely after a three or five year period. RSUs granted to non-employee directors under the 2018 Plan, 2016 Plan and 2004 Plan generally vest in equal monthly amounts over a one year period from the Company's previous annual shareholder meeting date and distributions are deferred until the director's board service ends.

Activity for all the Company's RSUs is as follows:

	Shares/Units (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
	RSUs		
Outstanding balance at June 30, 2019	850	$ 16.42	
Granted	257	16.48	
Forfeited	(166)	17.29	
Vested	(235)	11.88	
Outstanding balance at June 30, 2020	706	$ 17.72	$ 5,775
Vested at June 30, 2020	263	$ 15.94	$ 2,151
Unvested awards, net of estimated forfeitures	381	$ 18.68	$ 3,117

As of June 30, 2020, there was $3.8 million of unrecognized expense related to RSUs that is expected to be recognized over a weighted-average period of 1.75 years.

Performance Share Units:

PSUs are grants of restricted stock units which are earned based on the achievement of performance goals established by the Compensation Committee over a performance period.

Activity for all of the Company's PSUs is as follows:

	Shares/Units (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands) (1)
	PSUs		
Outstanding balance at June 30, 2019	980	$ 14.10	
Granted	74	12.09	
Forfeited	(165)	14.57	
Vested	(179)	12.93	
Outstanding balance at June 30, 2020	710	$ 13.90	$ 5,808
Vested at June 30, 2020	—	$ —	$ —
Unvested awards, net of estimated forfeitures	396	$ 13.34	$ 3,239

(1) Includes actual or expected payout rates as set forth in the performance criteria.

In connection with the termination of former executive officers, the Company settled certain PSUs for cash of $0.8 million during fiscal year 2018.

PSUs granted in fiscal year 2020 have a performance period of three years, after which they will vest to the extent earned. There was $0.3 million of total unrecognized compensation expense related to the unvested awards to be recognized over 2.2 years.

PSUs granted in fiscal year 2019 have a performance period of three years, after which they will vest to the extent earned. There was $3.3 million of total unrecognized compensation expense related to the unvested awards to be recognized over 1.2 years.

PSUs granted in fiscal year 2018 have a performance period of three years, ending June 30, 2020. As of June 30, 2020, these awards have not been earned and will not vest to the extent earned. As a result, the Company recorded a benefit of $1.6 million in fiscal year 2020.

14. SHAREHOLDERS' EQUITY

Authorized Shares and Designation of Preferred Class:

The Company has 100.0 million shares of capital stock authorized, par value $0.05, of which all outstanding shares, and shares available under the Stock Option Plans, have been designated as common.

Shareholders' Rights Plan:

The Company previously had a shareholders' rights plan, which expired by its terms in December 2016.

Share Repurchase Program:

In May 2000, the Company's Board approved a stock repurchase program with no stated expiration date. Originally, the program authorized up to $50.0 million to be expended for the repurchase of the Company's stock. The Board elected to increase this maximum to $100.0 million in August 2003, to $200.0 million in May 2005, to $300.0 million in April 2007, to $350.0 million in April 2015, to $400.0 million in September 2015, to $450.0 million in January 2016, and to $650.0 million in August 2018. All repurchased shares become authorized but unissued shares of the Company. The timing and amounts of any repurchases depends on many factors, including the market price of the common stock and overall market conditions. As of June 30, 2020, 30.0 million shares have been cumulatively repurchased for $595.4 million, and $54.6 million remained outstanding under the approved stock repurchase program.

Accumulated Other Comprehensive Income:

The components of accumulated other comprehensive income are as follows:

	June 30,		
	2020	2019	2018
	(Dollars in thousands)		
Foreign currency translation	$ 7,391	$ 8,853	$ 8,668
Unrealized gain on deferred compensation contracts	58	489	988
Accumulated other comprehensive income	$ 7,449	$ 9,342	$ 9,656

15. SEGMENT INFORMATION

Segment information is prepared on the same basis the chief operating decision maker reviews financial information for operational decision-making purposes. During the first quarter of fiscal year 2018, the Company redefined its operating segments to reflect how the chief operating decision maker evaluates the business as a result of the sale of the mall-based business and International segment sale. See Note 1 to the Consolidated Financial Statements. The Company now reports its operations in two operating segments: Franchise salons and Company-owned salons. The Company's operating segments are its reportable operating segments. Prior to this change, the Company had four operating segments: North American Value, North American Premium, North American Franchise, and International. The Company did not operate under the realigned operating segment structure prior to the first quarter of fiscal year 2018.

The Franchise salons reportable operating segment is comprised of 5,209 franchised salons located mainly in strip center locations and Walmart Supercenters. Franchise salons offer high quality, convenient and value priced hair care and beauty services and retail products. This segment operates primarily in the United States and Canada and primarily includes the Supercuts, SmartStyle, Cost Cutters, First Choice Haircutters, Roosters and Magicuts concepts.

The Company-owned salons reportable operating segment is comprised of 1,632 company-owned salons located mainly in strip center locations and Walmart Supercenters. Company-owned salons offer high quality, convenient and value priced hair care and beauty services and retail products. SmartStyle, Supercuts, Cost Cutters and other regional trade names operating in the United States, Canada, and Puerto Rico are generally within the Company-owned salons segment.

Financial information concerning the Company's reportable operating segments is shown in the following table:

	For the Year Ended June 30, 2020			
	Franchise	Company-owned	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ —	$ 331,538	$ —	$ 331,538
Product	52,421	85,165	—	137,586
Royalties and fees	73,402	—	—	73,402
Franchise rental income	127,203	—	—	127,203
	253,026	416,703	—	669,729
Operating expenses:				
Cost of service	—	222,279	—	222,279
Cost of product	40,032	44,666	—	84,698
Site operating expenses	13,341	58,202	—	71,543
General and administrative	33,725	24,638	72,590	130,953
Rent	872	72,921	2,589	76,382
Franchise rent expense	127,203	—	—	127,203
Depreciation and amortization	922	29,113	6,917	36,952
Long-lived asset impairment	1,712	20,848	—	22,560
TBG restructuring	2,333	—	—	2,333
Goodwill impairment	—	40,164	—	40,164
Total operating expenses	220,140	512,831	82,096	815,067
Operating income (loss)	32,886	(96,128)	(82,096)	(145,338)
Other (expense) income:				
Interest expense	—	—	(7,522)	(7,522)
Gain from sale of salon assets to franchisees, net	—	—	(27,306)	(27,306)
Interest income and other, net	—	—	3,353	3,353
Income (loss) from continuing operations before income taxes	$ 32,886	$ (96,128)	$ (113,571)	$ (176,813)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Year Ended June 30, 2019			
	Franchise	Company-owned	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ —	$ 749,660	$ —	$ 749,660
Product	59,905	165,713	—	225,618
Royalties and fees	93,761	—	—	93,761
	153,666	915,373	—	1,069,039
Operating expenses:				
Cost of service	—	452,827	—	452,827
Cost of product	47,219	81,597	—	128,816
Site operating expenses	34,099	106,932	—	141,031
General and administrative	32,888	57,219	86,897	177,004
Rent	740	130,214	862	131,816
Depreciation and amortization	762	28,263	8,823	37,848
TBG restructuring	21,816	—	—	21,816
Total operating expenses	137,524	857,052	96,582	1,091,158
Operating income (loss)	16,142	58,321	(96,582)	(22,119)
Other (expense) income:				
Interest expense	—	—	(4,795)	(4,795)
Gain from sale of salon assets to franchisees, net	—	—	2,918	2,918
Interest income and other, net	—	—	1,729	1,729
Income (loss) from continuing operations before income taxes	$ 16,142	$ 58,321	$ (96,730)	$ (22,267)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	For the Year Ended June 30, 2018			
	Franchise	Company-owned	Corporate[1]	Consolidated
	(Dollars in thousands)			
Revenues:				
Service	$ —	$ 899,345	$ —	$ 899,345
Product	53,703	205,037	—	258,740
Royalties and fees	77,394	—	—	77,394
	131,097	1,104,382	—	1,235,479
Operating expenses:				
Cost of service	—	530,582	—	530,582
Cost of product	42,128	98,495	—	140,623
Site operating expenses	26,818	127,249	—	154,067
General and administrative	25,880	67,163	81,002	174,045
Rent	269	181,869	958	183,096
Depreciation and amortization	365	48,508	9,332	58,205
Total operating expenses	95,460	1,053,866	91,292	1,240,618
Operating income (loss)	35,637	50,516	(91,292)	(5,139)
Other (expense) income:				
Interest expense	—	—	(10,492)	(10,492)
Gain from sale of salon assets to franchisees, net	—	—	241	241
Interest income and other, net	—	—	5,199	5,199
Income (loss) from continuing operations before income taxes	$ 35,637	$ 50,516	$ (96,344)	$ (10,191)

(1) Corporate consists primarily of unallocated general and administrative expenses, including expenses associated with salon support, depreciation and amortization related to our corporate headquarters and unallocated insurance, benefit and compensation programs, including stock-based compensation.

The Company's chief operating decision maker does not evaluate reportable segments using assets and capital expenditure information.

Total revenues and property and equipment, net associated with business operations in the U.S. and all other countries in aggregate were as follows:

	June 30,					
	2020		2019		2018	
	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net
	(Dollars in thousands)					
U.S.	$ 613,652	$ 56,532	$ 972,994	$ 75,789	$ 1,132,041	$ 95,956
Other countries	56,077	644	96,045	2,301	103,438	3,332
Total	$ 669,729	$ 57,176	$ 1,069,039	$ 78,090	$ 1,235,479	$ 99,288

16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly data for fiscal years 2020 and 2019 follows:

	Quarter Ended				
	September 30	December 31	March 31 (1)	June 30 (2)	Year Ended
	(Dollars in thousands, except per share amounts)				
2020					
Revenues	$ 247,038	$ 208,765	$ 153,783	$ 60,143	$ 669,729
Cost of service and product revenues, excluding depreciation and amortization	116,809	94,616	76,496	19,056	306,977
Operating loss	(9,906)	(7,466)	(59,399)	(68,567)	(145,338)
Loss from continuing operations	(14,178)	(16,520)	(67,842)	(73,654)	(172,194)
Income from discontinued operations	373	79	301	79	832
Net loss	(13,805)	(16,441)	(67,541)	(73,575)	(171,362)
Loss from continuing operations per share, basic (4)	(0.39)	(0.46)	(1.89)	(2.05)	(4.79)
Income from discontinued operations per share, basic (4)	0.01	—	0.01	—	0.02
Net loss per share, basic (4)	(0.38)	(0.46)	(1.88)	(2.05)	(4.77)
Loss from continuing operations per share, diluted (4)	(0.39)	(0.46)	(1.89)	(2.05)	(4.79)
Income from discontinued operations per share, diluted (4)	0.01	—	0.01	—	0.02
Net loss per share, diluted (4)	(0.38)	(0.46)	(1.88)	(2.05)	(4.77)

	Quarter Ended				
	September 30	December 31	March 31 (3)	June 30	Year Ended
	(Dollars in thousands, except per share amounts)				
2019					
Revenues	$ 287,835	$ 274,671	$ 258,343	$ 248,190	$ 1,069,039
Cost of service and product revenues, excluding depreciation and amortization	153,678	151,281	142,799	133,885	581,643
Operating income (loss)	3,429	(1,551)	(22,162)	(1,835)	(22,119)
(Loss) income from continuing operations	(463)	417	(14,811)	(5,265)	(20,122)
(Loss) income from discontinued operations	(264)	6,113	178	(131)	5,896
Net (loss) income	(727)	6,530	(14,633)	(5,396)	(14,226)
(Loss) income from continuing operations per share, basic (4)	(0.01)	0.01	(0.37)	(0.14)	(0.48)
(Loss) income from discontinued operations per share, basic (4)	(0.01)	0.14	—	—	0.14
Net (loss) income per share, basic (4)	(0.02)	0.15	(0.36)	(0.14)	(0.34)
(Loss) income from continuing operations per share, diluted (4)	(0.01)	0.01	(0.37)	(0.14)	(0.48)
(Loss) income from discontinued operations per share, diluted (4)	(0.01)	0.14	—	—	0.14
Net (loss) income per share, diluted (4)	(0.02)	0.15	(0.36)	(0.14)	(0.34)

(1) During the third quarter of fiscal year 2020, the Company recorded a $40.2 million goodwill impairment charge related to the Company-owned reporting unit (see revision explanation below).
(2) During the fourth quarter of fiscal year 2020, government-mandated salon closures in response to the COVID-19 pandemic significantly reduced operating income. Additionally, the economic disruption caused by COVID-19 triggered a $22.6 million long-lived asset impairment charge.
(3) During the third quarter of fiscal year 2019, the Company recorded a $20.7 million restructuring charge related to TBG mall locations. The reserve was a non-cash charge to reserve for notes and receivables due from TBG.
(4) Total is an annual recalculation; line items calculated quarterly may not sum to total. Line items may not sum due to rounding.

Revision of Second and Third Quarter 2020 Unaudited Results:

During the fourth quarter of 2020, the Company identified an error in the calculation of the goodwill derecognition associated with the sale of salons to franchisees in the second quarter and third quarter. In the second quarter, goodwill derecognition was understated by $6.7 million, resulting in the loss from the sale of salons to franchisees and net loss being understated and goodwill being overstated by $6.7 million. During the third quarter, goodwill derecognition was overstated by $2.35 million. As of March 31, 2020, the Company fully impaired its remaining Company-owned goodwill with the amount of goodwill impairment being overstated by $4.4 million in the third quarter. The Company assessed the applicable guidance issued by the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB) and concluded these misstatements were not material, individually or in the aggregate, to the Company's Unaudited Condensed Consolidated Financial Statements for the aforementioned interim periods. However, to facilitate comparisons among periods, the company has decided to revise its previously issued second and third quarter unaudited condensed consolidated financial information:

	Three months ended December 31, 2019		
	As Previously Reported	Adjustments (1)	As Revised
	(Dollars in thousands, except per share amounts)		
Loss from sale of salon assets to franchisees, net (a)	$ (5,692)	$ (6,715)	$ (12,407)
Interest income and other, net (b)	4,346	(1,477)	2,869
Loss from continuing operations before income taxes	(10,276)	(8,192)	(18,468)
Income tax benefit	795	1,153	1,948
Net loss	(9,402)	(7,039)	(16,441)
Net loss per share	(0.26)	(0.20)	(0.46)
Comprehensive loss	(8,861)	(7,039)	(15,900)
Goodwill as of December 31, 2019	293,019	(6,715)	286,304
Other assets as of December 31, 2019	38,144	1,477	36,667
Other non-current liabilities as of December 31, 2019	95,979	(1,153)	94,826

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three months ended March 31, 2020		
	As Previously Reported	Adjustments (2)	As Revised
	(Dollars in thousands, except per share amounts)		
Rent expense (d)	$ 19,243	$ (578)	$ 18,665
Goodwill impairment (c)	44,529	(4,365)	40,164
Operating loss	(64,342)	4,943	(59,399)
Loss from sale of salon assets to franchisees, net	(10,208)	2,350	(7,858)
Interest income and other, net	(1,329)	1,477	148
Loss from continuing operations before income taxes	(77,591)	8,770	(68,821)
Income tax benefit	2,253	(1,274)	979
Net loss	(75,037)	7,496	(67,541)
Net loss per share	(2.10)	0.22	(1.88)
Comprehensive loss	(77,519)	7,496	(70,023)
Short term lease liability as of March 31, 2020	149,482	(578)	148,904
Other non-current liabilities as of March 31, 2020	92,698	121	92,819

	Six months ended December 31, 2019		
	As Previously Reported	Adjustments (1)	As Revised
	(Dollars in thousands, except per share amounts)		
Loss from sale of salon assets to franchisees, net	$ (11,552)	$ (6,715)	$ (18,267)
Interest income and other, net	4,517	(1,477)	3,040
Loss from continuing operations before income taxes	(27,310)	(8,192)	(35,502)
Income tax benefit	3,651	1,153	4,804
Net loss	(23,207)	(7,039)	(30,246)
Net loss per share	(0.64)	(0.20)	(0.84)
Comprehensive loss	(23,069)	(7,039)	(30,108)

	Nine months ended March 31, 2020		
	As Previously Reported	Adjustments (2)	As Revised
	(Dollars in thousands, except per share amounts)		
Rent expense	$ 64,002	$ (578)	$ 63,424
Goodwill impairment	44,529	(4,365)	40,164
Operating loss	(81,714)	4,943	(76,771)
Loss from sale of salon assets to franchisees, net	(21,760)	(4,365)	(26,125)
Interest income and other, net	3,188	—	3,188
Loss from continuing operations before income taxes	(104,901)	578	(104,323)
Income tax benefit	5,904	(121)	5,783
Net loss	(98,244)	457	(97,787)
Net loss per share	(2.73)	0.01	(2.72)
Comprehensive loss	(100,588)	457	(100,131)

(1) The Company revised the amounts originally reported for the second quarter of fiscal year 2020 for the following items:

(a) Recorded an additional $6.7 million loss from the sale of salons to franchisees, net that should have been recorded in the second quarter. The error in the Company's goodwill derecognition estimation calculation was identified in the fourth quarter. The goodwill derecognition was understated which understated the loss of the sale of salons to franchisees, net. The error impacted the three and six months ended December 31, 2019.

(b) Recorded a reduction to the gain on the sale of a building, included in interest income and other, net related to the sale of the Company's headquarters which occurred in the second quarter. Previously, the Company identified this error during the third quarter and recorded and disclosed the correction in the third quarter as an out-of-period adjustment. The correction applies to the three and six months ended December 31, 2019.

(2) The Company revised the amounts originally reported for the third quarter of fiscal year 2020 for the following items:

(c) During the third quarter goodwill derecognition was overstated by $2.4 million. As of March 31, 2020 the Company impaired its remaining Company-owned goodwill, with the amount of goodwill impairment being overstated by $4.4 million. As the second quarter error which understated goodwill derecognition was not identified until the fourth quarter, goodwill impairment and loss from the sale of salons to franchisees, net were misstated in the third quarter. The Company recorded a $4.4 million decrease to goodwill impairment and a $2.4 million decrease to loss from the sale of salon assets to franchisees, net to correct the error. Net loss for the nine months ended March 31, 2020 was not misstated. However, goodwill impairment and the loss from the sales of salons to franchisees, net were misstated in the nine months ended March 31, 2020 with goodwill impairment overstated by $4.4 million and loss from the sale of salons to franchisees, net understated by $4.4 million.

(d) Adjusted third quarter rent expense to include a $0.6 million benefit to rent expense that related to leases signed in the third quarter, but not identified until the fourth quarter. The net loss for the three and nine months were both impacted by the misstatement.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As described in Note 16 to the Consolidated Financial Statements in Part II, Item 8, of this Form 10-K, the Company identified an error in the quarterly financial statements related to the derecognition of goodwill associated with company-owned salons that were sold in the three months ended December 31, 2020. As a result, the Company identified a material weakness in internal control over financial reporting as we did not maintain effective controls over the derecognition calculation of the company-owned stores goodwill reporting unit. This material weakness existed until the end of the quarter ended March 31, 2020 when the remaining goodwill associated with the Company-owned reporting unit was fully impaired and, as a result, there was no longer a need for the derecognition of goodwill in conjunction with the sale of company-owned salons. At that point, because the conditions causing the material weakness no longer existed, and are not expected to exist, we determined the material weakness had been remediated.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure. Management, with the participation of the CEO and CFO, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at the end of the period. Based on their evaluation, our CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the CEO and the CFO, we carried out an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2020 using the criteria established in "Internal Control-Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, management concluded the Company's internal controls over financial reporting were effective as of June 30, 2020 based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of June 30, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm as stated in its report, which appears in Item 8.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding the Directors of the Company will be set forth in the sections titled "Item 1—Election of Directors" of the Company's 2020 Proxy Statement and is incorporated herein by reference. The information required by Item 401 of Regulation S-K regarding the Company's executive officers is included under "Information About Our Executive Officers" in Item 1 of this Annual Report on Form 10-K. Additionally, information regarding the Company's audit committee and audit committee financial expert, as well nominating committee functions, will be set forth in the section titled "Our Board's Committees" and shareholder communications with directors will be set forth in the section titled "Communications with the Board" of the Company's 2020 Proxy Statement, and are incorporated herein by reference.

The Company has adopted a code of ethics, known as the Code of Business Conduct & Ethics that applies to all employees, including the Company's chief executive officer, chief financial officer, directors and executive officers. The Code of Business Conduct & Ethics is available on the Company's website at *www.regiscorp.com*, under the heading "Corporate Governance - Policies and Disclosures" (within the "Investor Relations" section). The Company intends to disclose any substantive amendments to, or waivers from, its Code of Business Conduct & Ethics on its website or in a report on Form 8-K. In addition, the charters of the Company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee and the Company's Corporate Governance Guidelines may be found in the same section of the Company's website. Copies of any of these documents are available upon request to any shareholder of the Company by writing to the Company's Corporate Secretary at Regis Corporation, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

Item 11. Executive Compensation

Information about executive and director compensation will be set forth in the sections titled "Executive Compensation," "How Our Directors Are Paid," "Fiscal 2020 Director Compensation Table," and "CEO Pay Ratio" of the Company's 2020 Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding the Company's equity compensation plans will be set forth in the section titled "Equity Compensation Plan Information" and information regarding the beneficial ownership of the Company will be set forth in the section titled "Security Ownership of Certain Beneficial Holders and Management" of the Company's 2020 Proxy Statement, and are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions will be set forth in the section titled "Certain Relationships and Related Transactions" of the Company's 2020 Proxy Statement and is incorporated herein by reference. Information regarding director independence will be set forth in the section titled "How We Govern the Company" of the Company's 2020 Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

A description of the fees paid to the independent registered public accounting firm will be set forth in the section titled "Item 3—Ratification of Appointment of Independent Registered Public Accounting Firm" of the Company's 2020 Proxy Statement and is incorporated herein by reference.

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT D: FRANCHISE AGREEMENT

COST CUTTERS®

FRANCHISE AGREEMENT

BETWEEN

THE BARBERS, HAIRSTYLING FOR MEN & WOMEN, INC.
3701 Wayzata Boulevard, Suite 500
Minneapolis, Minnesota 55416
(952) 947-7777
Fax: (952) 947-7900

AND

_____

_____

_____

_____

Name(s) of **FRANCHISEE**

_____
Street

_____
City State Zip Code

( )_____
Area Code Telephone

FRANCHISED LOCATION:

_____
Street

_____
City State Zip Code

( )_____
Area Code Telephone

DATE OF FRANCHISE AGREEMENT:

_____, _____

COST CUTTERS®

FRANCHISE AGREEMENT

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PERSONAL GUARANTY

EXHIBITS:

A. CONFIDENTIALITY AGREEMENT
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COST CUTTERS®

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") made, entered into and effective this _____ day of _____, _____, by and between The Barbers, Hairstyling for Men & Women, Inc., a Minnesota corporation ("COST CUTTERS"), and _____ _____ (the "FRANCHISEE");

WITNESSETH:

WHEREAS, COST CUTTERS has developed and owns a distinctive business system for operating hairstyling businesses of a distinctive character with the name "Cost Cutters®" (the "Business System" or the "Cost Cutters Business System") and has publicized the name "Cost Cutters®", and other trademarks, trade names, service marks and commercial symbols to the public as an organization of hairstyling businesses operating under the Cost Cutters Business System; and

WHEREAS, COST CUTTERS represents that it has the right and authority to franchise the use of the names "Cost Cutters®", Cost Cutters Family Hair Salon®" and certain other trademarks, trade names, service marks, logos and commercial symbols (the "Marks") for use in connection with hairstyling businesses operated in conformity with the Business System to selected persons or entities who will comply with COST CUTTERS' uniformity requirements and quality standards; and

WHEREAS, the FRANCHISEE desires to operate a Cost Cutters hairstyling business at the location designated in Article 1 of this Agreement which will conform to the uniformity requirements and quality standards established and promulgated from time to time by COST CUTTERS; and

WHEREAS, COST CUTTERS is willing to provide the FRANCHISEE with marketing, advertising, technology, operational and other business information, experience and "know how" about the Cost Cutters business that has been developed over time by COST CUTTERS at significant cost and expense; and

WHEREAS, the FRANCHISEE acknowledges that it would take substantial capital and human resources to develop a business similar to the Cost Cutters business and, as a consequence, the FRANCHISEE desires to acquire the right to use the Marks and the Business System and to own and operate a Cost Cutters business subject to and under the terms and conditions set forth in this Agreement; and

WHEREAS, the FRANCHISEE acknowledges that COST CUTTERS would not provide the FRANCHISEE with any business information or "know how" about the Cost Cutters Business System unless the FRANCHISEE agreed to comply with all of the terms and conditions of this Agreement and to pay the Initial Fee, the Continuing Fees, and the Advertising Fees specified in this Agreement; and

WHEREAS, the FRANCHISEE has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by legal counsel or another adviser, and has had sufficient time to evaluate and investigate the Cost Cutters Business System, the financial investment requirements, and the business risks associated with owning and operating a Cost Cutters business;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby contract as follows:

ARTICLE 1
FRANCHISED LOCATION; GRANT OF FRANCHISE

1.1 FRANCHISED LOCATION. COST CUTTERS grants to the FRANCHISEE a nonexclusive personal right to operate one Cost Cutters business in conformity with the Cost Cutters Business System (the "Cost Cutters Business" or the "Business") and further grants the FRANCHISEE a nonexclusive personal right to operate the Business using the name Cost Cutters® at the following single location:

_____

_____

(the "Franchised Location"). This Agreement does not grant any exclusive territorial rights to the FRANCHISEE, and COST CUTTERS will have the right to open and operate, and to grant to other franchisees the right to open and operate, Cost Cutters businesses in conformity with the Business System using the Marks at locations anywhere and over the internet.

1.2 FRANCHISED LOCATION NOT DETERMINED. In the event the Franchised Location has not yet been determined as of the date of this Agreement, then the geographical area in which the FRANCHISEE'S Cost Cutters Business is to be located will be described or defined in an exhibit signed by the parties and attached to this Agreement. At such time as the address of the Franchised Location is determined, then the address will be inserted into Article 1.1 of this Agreement.

1.3 RELOCATION. Notwithstanding any provisions of this Agreement to the contrary, the FRANCHISEE may, with the prior written approval of COST CUTTERS, relocate the Franchised Location to another location during the term of this Agreement if the proposed new location does not compete with any Cost Cutters business operated by COST CUTTERS or COST CUTTERS' Franchisees and the proposed new location is located within two (2) miles of the Franchised Location. The failure of the FRANCHISEE to obtain the written consent of COST CUTTERS prior to the relocation of the Franchised Location, or the failure to have the new location open for business within one year after the Franchised Location is closed, will be a material breach of this Agreement. In the event the Franchised Location is relocated pursuant to this provision, the "new" location, including the real estate and the building, must comply with all applicable provisions of this Agreement and with COST CUTTERS' then-current specifications.

1.4 DESTRUCTION OF FRANCHISED LOCATION. In the event the Franchised Location is destroyed or rendered untenantable by fire, flood or other casualty, the term of this Agreement will be extended for a period of time equal to the period of time that the FRANCHISEE is unable to operate its Cost Cutters Business. If the Franchised Location is rebuilt, repaired or restored to tenantable condition by the owner of the premises, then the FRANCHISEE must resume business operations within twelve (12) months of the date that the premises are restored to tenantable condition by the owner. The FRANCHISEE'S failure to resume business operations within such twelve (12) month period will constitute abandonment of the Business. If the premises are not restored by the owner, then the FRANCHISEE must relocate the Franchised Location pursuant to Article 1.3.

1.5 CONDITIONS TO FRANCHISE. The FRANCHISEE undertakes the obligation to operate a Cost Cutters hairstyling Business at the Franchised Location under the Cost Cutters Business System using the name Cost Cutters® in strict compliance with the terms and conditions of this Agreement for the entire term of this Agreement. The rights and privileges granted to the FRANCHISEE by COST CUTTERS under this Agreement are applicable only to the Franchised Location, are personal in nature, and may not be used elsewhere or at any other location by the FRANCHISEE.

1.6 PERSONAL LICENSE. The FRANCHISEE will not have the right to franchise, subfranchise, license or sublicense its rights under this Agreement. The FRANCHISEE will not assign or transfer its rights under this Agreement, except as specifically provided for in this Agreement.

ARTICLE 2
TERM; FRANCHISEE'S OPTION TO REACQUIRE FRANCHISE

2.1 TERM. The term of this Agreement will commence on the date set forth on Page F-1 of this Agreement and shall continue until the expiration of fifteen (15) years from the date FRANCHISEE'S Cost Cutters Business granted hereunder opens and commences operation. This Agreement will not be considered executed and will not be enforceable until: (A) it has been signed by COST CUTTERS and the FRANCHISEE, and, if the FRANCHISEE is a corporation or partnership, the personal guarantors; and (B) the signed Agreement has been delivered to the FRANCHISEE.

2.2 RIGHTS UPON EXPIRATION. At the expiration of the term of this Agreement, the FRANCHISEE will have the option to reacquire the franchise for the Franchised Location pursuant to Article 2.3 of this Agreement.

2.3 CONDITIONS TO OPTION. At the end of the term of this Agreement, the FRANCHISEE will have the option to reacquire the franchise for the Franchised Location provided that the following conditions have been met: (A) the FRANCHISEE has given COST CUTTERS written notice at least one hundred eighty (180) days prior to the end of the term of this Agreement of its commitment to reacquire the franchise for the Franchised Location; (B) during the term of this Agreement, the FRANCHISEE has complied with all of the material terms and conditions of this Agreement and has complied with COST CUTTERS' material operating and quality standards and procedures; (C) all monetary obligations owed by the FRANCHISEE to COST CUTTERS have been paid or satisfied prior to the end of the term of this Agreement, and have been timely met throughout the term of this Agreement; (D) the FRANCHISEE has agreed, in writing, to make the reasonable capital expenditures necessary to remodel, modernize, upgrade and redecorate the Franchised Location and to replace and update the furniture, fixtures, supplies, equipment and techniques used in the FRANCHISEE'S Cost Cutters Business so that the FRANCHISEE'S Business will reflect the image portrayed by COST CUTTERS' then-current decor and specifications; (E) the FRANCHISEE agrees to execute and comply with the then-current standard Franchise Agreement then being offered to new Franchisees by COST CUTTERS subject further to the provisions of Article 2.4 of this Agreement; and (F) as of the date the FRANCHISEE exercises its option to reacquire the franchise for the Franchised Location, the FRANCHISEE either owns the Franchised Location or occupies it or a new location as set forth in Article 1.3 for a term of at least three (3) years pursuant to a Lease (or, if required by COST CUTTERS, a sublease from COST CUTTERS or an affiliate.)

2.4 TERMS OF OPTION. The FRANCHISEE will have the option to reacquire the franchise for the Franchised Location under the same terms and conditions then being offered to other Franchisees by COST CUTTERS under COST CUTTERS' then-current standard Franchise Agreement. If the FRANCHISEE exercises its right to reacquire the franchise for the Franchised Location and executes the then-current standard Franchise Agreement, the FRANCHISEE will not be required to pay the Initial Fee, if any, specified in the then-current standard Franchise Agreement. However, the FRANCHISEE will be required to pay the Continuing Fees, Advertising Fees and any other fees or charges at the rates specified in the then-current standard Franchise Agreement, and must comply with all other terms and conditions of COST CUTTERS' then-current standard Franchise Agreement. The FRANCHISEE acknowledges that the terms, conditions and economics of the then-current standard Franchise Agreement of COST

CUTTERS may, at that time, vary in substance and form from the terms, conditions and economics of this Agreement.

ARTICLE 3
COST CUTTERS' RIGHT TO LICENSE MARKS

3.1 LICENSE OF MARKS. COST CUTTERS warrants that, except as provided for herein, it has the right to license the name Cost Cutters® and the other Marks and the Business System to the FRANCHISEE. Any and all improvements made by the FRANCHISEE relating to the Marks or the Business System will become the sole and absolute property of COST CUTTERS who will have the sole and exclusive right to register and protect all such improvements in its name in accordance with applicable law. The FRANCHISEE'S right to use and identify with the Marks and the Business System will exist concurrently with the term of this Agreement and such use by the FRANCHISEE will inure exclusively to the benefit of COST CUTTERS.

3.2 CONDITIONS TO LICENSE OF MARKS. The FRANCHISEE agrees that its nonexclusive personal right to use the name Cost Cutters® as the name of the FRANCHISEE'S Business, and its right to use the Marks and the Business System, apply only to the Cost Cutters Business operated at the Franchised Location and only so long as the FRANCHISEE will fully perform and comply with all of the conditions, terms and covenants of this Agreement. The FRANCHISEE will not have or acquire any rights in any of the Marks or the Business System other than the right of use as provided herein. The FRANCHISEE will have the right to use the Marks and the Business System only in the manner prescribed, directed and approved by COST CUTTERS in writing and will not have the right to use the Marks in connection with the sale of any products or services other than those prescribed or approved by COST CUTTERS. If, in the judgment of COST CUTTERS, the acts of the FRANCHISEE infringe upon or demean the goodwill, standards of uniformity or quality, or business image associated with the Marks or the Business System, then the FRANCHISEE will, upon written notice from COST CUTTERS, immediately modify its use of the Marks and the Business System in the manner prescribed by COST CUTTERS in writing. Any and all goodwill associated with the Marks and the Business System will inure exclusively to COST CUTTERS' benefit and, upon the expiration or termination of this Agreement, no monetary amount will be assigned as attributable to any goodwill associated with the FRANCHISEE'S use of the Marks or the Business System. The FRANCHISEE will at no time take any action whatsoever to contest the validity or ownership of the Marks and the goodwill associated therewith and will not allege any ownership in the Marks.

3.3 ADVERSE CLAIMS. If there is a claim by any party that its rights to the Marks are superior to those of COST CUTTERS and if COST CUTTERS' legal counsel opines that such claim is legally meritorious, or if there is an adjudication by a Court of competent jurisdiction that any party's rights to the Marks are superior to those of COST CUTTERS, then upon receiving written notice from COST CUTTERS, the FRANCHISEE will, at its expense, immediately make all changes and amendments to the Marks as may be specified by COST CUTTERS. If so specified, the FRANCHISEE will immediately cease using the Marks, and will, as soon as reasonably possible, commence using the new trademarks, trade names, service marks, logos and commercial symbols designated by COST CUTTERS in writing. The FRANCHISEE will not make any changes or amendments whatsoever to the Marks or the Business System unless approved or specified in advance by COST CUTTERS in writing.

3.4 DEFENSE OR ENFORCEMENT OF RIGHTS TO MARKS. The FRANCHISEE will have no right to and will not defend or enforce any rights associated with the licensed Marks or the Business System in any Court or other proceedings for or against imitation, infringement, prior use, or for any other claim or allegation. The FRANCHISEE will give COST CUTTERS immediate written notice of any and all claims or complaints made against or associated with the licensed Marks or the Business System and

will, without compensation for its time and at its expense, cooperate in all respects with COST CUTTERS in any lawsuits or other proceedings involving the Marks or the Business System. COST CUTTERS will have the sole and absolute right to determine whether it will commence or defend any litigation involving the Marks or the Business System, and the cost and expense of all litigation incurred by COST CUTTERS, including attorneys' fees, specifically relating to the Marks or the Business System will be paid by COST CUTTERS.

3.5 FRANCHISEE'S RIGHT TO PARTICIPATE IN LITIGATION. The FRANCHISEE may, at its expense, retain an attorney to represent it individually in all litigation and Court proceedings involving the Marks or the Business System, and will do so with respect to matters involving only the FRANCHISEE; however, COST CUTTERS and its legal counsel will control and conduct all litigation involving the Marks, the Business System and the rights of COST CUTTERS. Except as expressly provided for herein, COST CUTTERS will have no liability to the FRANCHISEE for any costs that the FRANCHISEE may incur in any litigation, and the FRANCHISEE will pay for all costs, including attorneys' fees, that it may incur in any litigation or proceeding arising as a result of the matters referred to under this Article, unless it tenders the defense to COST CUTTERS in a timely manner pursuant to and in accordance with Article 3.6.

3.6 TENDER OF DEFENSE BY FRANCHISEE. If the FRANCHISEE is named as a defendant or party in any action involving the Marks or the Business System and if the FRANCHISEE is named as a defendant or party solely because the plaintiff is alleging that the FRANCHISEE does not have the right to use the Marks or the Business System licensed by COST CUTTERS to the FRANCHISEE at the Franchised Location pursuant to this Agreement, then the FRANCHISEE will have the right to tender the defense of the action to COST CUTTERS and COST CUTTERS will, at its expense, defend the FRANCHISEE in the action provided that the FRANCHISEE has tendered the defense of the action to COST CUTTERS within seven (7) days after receiving service of the pleadings or Summons and Complaint relating to the action. COST CUTTERS will indemnify and hold the FRANCHISEE harmless from any damages assessed against the FRANCHISEE in any actions resulting solely from the FRANCHISEE'S use of the Marks and the Business System at the Franchised Location if the FRANCHISEE has timely tendered the defense of the action to COST CUTTERS.

ARTICLE 4
INITIAL FEE; APPROVAL OF FRANCHISEE

4.1 AMOUNT OF INITIAL FEE. The FRANCHISEE will pay COST CUTTERS an Initial Fee of _____ Dollars ($_____), to be paid as indicated below (select one):

_____ A. _____ Dollars ($_____) of the Initial Fee will be due and payable on the date this Agreement is executed by the FRANCHISEE, and the remaining balance of the Initial Fee will be due and payable on the earlier of: (i) ten (10) days prior to the date the FRANCHISEE commences initial business operations at its Cost Cutters Business; or (ii) on the date the FRANCHISEE'S furniture, fixtures and equipment are shipped to the FRANCHISEE.

_____ B. The entire amount of the Initial Fee will be due and payable on the date this Agreement is executed by the FRANCHISEE.

_____ C. No Initial Fee is due under the terms of a Development Agreement between COST CUTTERS and FRANCHISEE.

The Initial Fee payable by the FRANCHISEE is payment to COST CUTTERS for costs incurred by COST CUTTERS in operating its business, including general sales and administrative costs, business overhead costs, travel costs, long distance telephone calls, training, public relations, advertising, marketing and promotion, legal and accounting fees, compliance with federal and state franchising and other laws, and for the initial services and opening assistance rendered to the FRANCHISEE described in this Agreement.

4.2 COST CUTTERS' RIGHT TO REJECT FRANCHISEE. COST CUTTERS will have the absolute, sole and unilateral right to reject this Agreement or the FRANCHISEE if COST CUTTERS determines that any financial, personal or other information provided by the FRANCHISEE to COST CUTTERS is materially false, misleading, incomplete or inaccurate or the FRANCHISEE (or the FRANCHISEE'S District Manager if one is employed) is not qualified or competent to properly operate the Cost Cutters Business because such person has not successfully completed COST CUTTERS' training program or is deemed to be incapable of successfully completing COST CUTTERS' training program.

4.3 REFUND OF INITIAL FEE. In the event that the FRANCHISEE or this Agreement is rejected by COST CUTTERS pursuant to Article 4.2 (other than for failure of FRANCHISEE or its District Manager to complete the COST CUTTERS training program), then the Initial Fee, only if paid to COST CUTTERS under the provisions of Article 4.1 above, will be refundable to the FRANCHISEE after deducting all reasonable administrative and out-of-pocket expenses incurred by COST CUTTERS including, but not limited to, executives' and employees' salaries, costs for the time of its employees, salespersons' commissions, marketing costs, training costs, attorneys' fees, accountants' fees, travel expenses and long distance telephone calls. The Initial Fee will not be refunded if FRANCHISEE or its District Manager fails to complete the COST CUTTERS training program. The FRANCHISEE will be notified by COST CUTTERS in writing if either this Agreement or the FRANCHISEE is rejected by COST CUTTERS pursuant to Article 4.2. Except as specifically set forth in this Article 4.3, the Initial Fee payable by the FRANCHISEE pursuant to Article 4.1 will not be refundable to the FRANCHISEE.

ARTICLE 5
CONTINUING FEES

5.1 CONTINUING FEES. In addition to the Initial Fee, the FRANCHISEE will, for the entire term of this Agreement, pay COST CUTTERS weekly Continuing Fees equal to a percentage of the FRANCHISEE'S weekly Gross Revenues, as defined herein, which are received, billed or generated by, as a result of or from the FRANCHISEE'S Cost Cutters Business. Unless the Cost Cutters Business hereunder was formerly a company-owned Cost Cutters store or affiliated branded salon that was acquired by FRANCHISEE from COST CUTTERS or its affiliate to be operated as FRANCHISEE's Cost Cutters Business under this Agreement for the first (1st) through the fifty-second (52nd) weeks of the FRANCHISEE'S operation of its Cost Cutters Business pursuant to this Agreement, the FRANCHISEE will pay COST CUTTERS a weekly Continuing Fee equal to four percent (4%) of the FRANCHISEE'S Gross Revenues. For the fifty-third (53rd) and each subsequent week of the FRANCHISEE'S operation of its Cost Cutters Business for the balance of the remaining term of this Agreement, the FRANCHISEE will pay COST CUTTERS a weekly Continuing Fee equal to the greater of six percent (6%) of the FRANCHISEE'S Gross Revenues and One Hundred Dollars ($100) per week. If FRANCHISEE's Cost Cutters Business hereunder was formerly a company-owned Cost Cutters store or affiliated branded salon that was acquired by FRANCHISEE from COST CUTTERS or its affiliate to be operated as FRANCHISEE's Cost Cutters Business under this Agreement, then the weekly Continuing Fees will be the greater of six percent (6%) of FRANCHISEE's weekly Gross Revenues and One Hundred Dollars ($100) per week for the entire term of this Agreement. The Continuing Fees paid to COST CUTTERS will not be refundable to the FRANCHISEE under any circumstances.

5.2 FRANCHISEE'S OBLIGATION TO PAY CONTINUING FEES. The Continuing Fees payable to COST CUTTERS under this Article will be calculated and paid to COST CUTTERS by the FRANCHISEE on a weekly basis during the entire term of this Agreement, and the FRANCHISEE'S failure to pay the weekly Continuing Fees to COST CUTTERS will be a material breach of this Agreement. The FRANCHISEE'S obligation to pay COST CUTTERS the weekly Continuing Fees under the terms of this Agreement will be absolute and unconditional and will remain in full force and effect until the term of this Agreement has expired. The FRANCHISEE will not have the right to "offset" and, as a consequence, the FRANCHISEE will timely pay all weekly Continuing Fees due COST CUTTERS under this Agreement regardless of any claims or allegations of liability for damages or other payments that the FRANCHISEE may allege against COST CUTTERS.

5.3 DATE PAYABLE. The weekly Continuing Fees payable by the FRANCHISEE must be paid to and received by COST CUTTERS on or before the close of business on Wednesday of each week for the preceding week. The weekly Continuing Fees must be paid and submitted with the FRANCHISEE'S weekly report of Gross Revenues required under Article 19 of this Agreement.

5.4 INTEREST ON UNPAID CONTINUING FEES. If the FRANCHISEE fails to remit the weekly Continuing Fees due to COST CUTTERS by Wednesday of each week for the previous week, as provided for in this Agreement, then the unpaid weekly Continuing Fees due to COST CUTTERS will bear interest at the maximum legal rate allowable in the state in which the FRANCHISEE'S Cost Cutters Business is located. In no event, however, will the rate of interest payable by the FRANCHISEE on the unpaid weekly Continuing Fees due COST CUTTERS under this Article exceed eighteen percent (18%) per annum simple interest even if the laws of that state permit a higher annual interest rate. If the FRANCHISEE does not submit a report of Gross Revenues pursuant to Article 19, then COST CUTTERS will have the right to estimate the amount of the Continuing Fees payable by the FRANCHISEE, and the estimated unpaid weekly Continuing Fees will bear interest at the rate set forth above. The FRANCHISEE will pay COST CUTTERS for any and all costs incurred by COST CUTTERS in the collection of unpaid and past due Continuing Fee payments including, but not limited to, COST CUTTERS' actual attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees, and travel expenses.

ARTICLE 6
ADVERTISING

6.1 ADVERTISING FEES. The FRANCHISEE will, for the entire term of this Agreement, pay COST CUTTERS weekly Advertising Fees equal to four percent (4%) of the FRANCHISEE'S weekly Gross Revenues for deposit in an advertising fund which will be administered and controlled exclusively by COST CUTTERS. The FRANCHISEE'S failure to pay the Advertising Fees will be a material breach of this Agreement. COST CUTTERS will have the right to use the advertising fund monies to purchase and pay for any services or products relating to advertising for Cost Cutters businesses, including the purchase of production materials, ad slicks, brochures, radio and television commercials, services provided by advertising agencies, market research and development costs, advertising and promotion development and production (including all costs relating to media costs for television, radio, newspaper, direct mail and point-of-purchase advertising, and all costs of collateral materials required for such advertising), creative costs, product research costs, internet website costs, all costs and expenses incurred in administering the advertising fund (including, but not limited to, salaries, travel expenses, office supplies, and related general and administrative expenses), and all other costs relating to the advertising and promotion of Cost Cutters businesses. The use of the monies in the advertising fund and the administration of the advertising fund will be under the absolute direction and control of COST CUTTERS. COST CUTTERS will have the absolute right to determine the advertising agencies that will be retained, the type, content and frequency of the advertising, and all other matters pertaining to the

expenditures made by COST CUTTERS from the advertising fund. COST CUTTERS will have no fiduciary duty to the FRANCHISEE with respect to collection or expenditure of the Advertising Fees, and any advertising fund will not be a trust or escrow account. COST CUTTERS will not be required to contribute to the advertising fund; however, all Cost Cutters businesses that are owned and operated by COST CUTTERS will be required to contribute to the advertising fund. The Advertising Fees paid by the FRANCHISEE will not be refundable to the FRANCHISEE under any circumstances.

6.2 COST CUTTERS' USE OF ADVERTISING FEES IN FRANCHISEE'S DMA. Commencing on the first day of July following the effective date of this Agreement, and continuing each year (July 1 through June 30) for the remaining term of this Agreement, COST CUTTERS will spend for advertising and promotion (including, but not limited to, advertising agency fees) in the FRANCHISEE'S Designated Marketing Area ("DMA"), as defined herein, at least fifty percent (50%) of the weekly Advertising Fees paid into the advertising fund by the FRANCHISEE. Such expenditures by COST CUTTERS may take the form of reimbursing the FRANCHISEE for advertising expenditures approved by COST CUTTERS and made by the FRANCHISEE in its DMA; provided, however, such expenditures by the FRANCHISEE must be in addition to any advertising expenditures required pursuant to Articles 6.4 and 6.5 and any other provisions of this Agreement.

6.3 DATE PAYABLE; INTEREST ON UNPAID ADVERTISING FEES. The weekly Advertising Fees must be paid directly to and received by COST CUTTERS on or before the close of business on Wednesday of each week for the preceding week. Any Advertising Fees not paid by the FRANCHISEE as required herein will bear interest at the maximum legal rate applicable in the state in which the FRANCHISEE'S Cost Cutters Business is located. In no event, however, will the rate of interest payable by the FRANCHISEE on the unpaid balance due for Advertising Fees exceed eighteen percent (18%) per annum simple interest. If the FRANCHISEE does not submit a report of Gross Revenues pursuant to Article 19, then COST CUTTERS will have the right to estimate the amount of the Advertising Fees payable by the FRANCHISEE, and the estimated unpaid weekly Advertising Fees will bear interest at the rate set forth above. The FRANCHISEE will pay COST CUTTERS for any and all costs incurred by COST CUTTERS in the collection of unpaid and past due Advertising Fee payments, including, but not limited to, COST CUTTERS' actual attorneys' fees, deposition costs, expert witness fees, investigation costs, accounting fees, filing fees and travel expenses. COST CUTTERS will have the right to collect unpaid Advertising Fees in its own name or on behalf of the advertising fund; however, all Advertising Fees collected will be deposited in the advertising fund.

6.4 LOCAL ADVERTISING. In addition to payment of the Advertising Fees required by Article 6.1 above, each quarter the FRANCHISEE must spend at least one percent (1%) of its Gross Revenues for approved local media advertising and promotion. All local media advertising and promotions conducted by the FRANCHISEE must conform to COST CUTTERS' standards for media advertising and promotions. On or before the tenth (10th) day following the end of each quarter, the FRANCHISEE will furnish to COST CUTTERS, in the form prescribed by COST CUTTERS, an accurate accounting of the FRANCHISEE'S previous quarter's expenditures for approved local media advertising and promotion. If the FRANCHISEE has failed to spend at least one percent (1%) of its Gross Revenues for approved local media advertising and promotion as required under this Article, then the FRANCHISEE will be required to deposit with COST CUTTERS the difference between one percent (1%) of its Gross Revenues and what it actually spent for such advertising, and this amount will be spent by COST CUTTERS in the FRANCHISEE'S area for any type of advertising or promotion that COST CUTTERS deems to be in the best interests of the FRANCHISEE'S Business.

6.5 LOCAL DMA ADVERTISING GROUP. At such time as there are two (2) or more Cost Cutters businesses (including the FRANCHISEE'S Cost Cutters Business) in the FRANCHISEE'S DMA, COST CUTTERS will have the right to require that the FRANCHISEE become a member of, participate

in, and contribute to a local DMA advertising group that will conduct and administer media advertising and promotions in the FRANCHISEE'S DMA. Each local DMA advertising group will have a membership with equal representation for each Cost Cutters business in the DMA, including the Cost Cutters businesses owned and operated in the DMA by COST CUTTERS. The costs for the media advertising and promotions conducted by the local DMA advertising group will be allocated among and paid by the members of the local DMA advertising group, based either on a percentage of Gross Revenues or on a pro rata basis, the selection of which method to be determined by the majority of the members of the local DMA advertising group. Payments to the local DMA advertising group by the FRANCHISEE for media advertising and promotion may be applied to the quarterly media advertising and promotional expenditures required under Article 6.4 above. However, the FRANCHISEE must contribute its proportionate share of the costs for the local media advertising and promotions conducted by the local DMA advertising group, as determined by the majority of its members in accordance with the method of allocation set forth above, even if this amount exceeds one percent (1%) of the FRANCHISEE'S Gross Revenues.

6.6 ALTERNATE USE OF ADVERTISING FEES. If a local DMA advertising group is established for the FRANCHISEE'S DMA, COST CUTTERS may, as an alternative to the advertising and promotional expenditures required to be made by COST CUTTERS in the FRANCHISEE'S DMA pursuant to Article 6.2 above, contribute this amount to the local DMA advertising group for the FRANCHISEE'S DMA.

6.7 YELLOW PAGES ADVERTISING. The FRANCHISEE may, at its expense, advertise continually in the Yellow Pages of the local telephone directories using trademark listings or display formats approved by COST CUTTERS under an appropriate listing that is in compliance with the laws of the state in which the Franchised Location is located including, but not limited to, "Barbers" or "Beauty". However, there is no requirement for such advertising other than the free list provided by directory. Expenditures by the FRANCHISEE for Yellow Pages advertising may be applied to the advertising requirements set forth in Article 6.4 of this Agreement.

6.8 GRAND OPENING ADVERTISING. The FRANCHISEE will be required to spend a minimum of Eight Thousand Dollars ($8,000) to implement and conduct grand opening advertising, marketing, public relations and promotional programs for its Cost Cutters Business which have been approved by COST CUTTERS in writing. Expenditures by the FRANCHISEE for grand opening advertising may be applied to the quarterly local media advertising and promotional expenditures required pursuant to Article 6.4 of this Agreement.

6.9 GRAND OPENING PLAN ASSISTANCE. If the Cost Cutters Business under this Agreement is FRANCHISEE'S first Cost Cutters Business in any market, FRANCHISEE shall pay to COST CUTTERS a Two Thousand Five Hundred Dollar ($2,500) grand opening plan assistance fee for COST CUTTERS' assistance in developing that Cost Cutters Business' grand opening plan. This fee, which is due upon demand by COST CUTTERS before the Cost Cutters Business opens, is not refundable under any circumstances. (The grand opening plan assistance fee is different from and in addition to the grand opening advertising fee due under Section 6.8 above.)

6.10 LOCAL DMA RECRUITING GROUP. At such time as there are two (2) or more Cost Cutters businesses (including the FRANCHISEE'S Cost Cutters Business) in the FRANCHISEE'S DMA, COST CUTTERS will have the right to require that the FRANCHISEE become a member of, participate in, and contribute to a local DMA stylist recruiting group that will implement a program for the recruitment of qualified hair stylists for all Cost Cutters businesses in the FRANCHISEE'S DMA. Although the DMA stylist recruiting group will be separate from the local DMA advertising group, membership in, and

allocation and payment of expenses of, the local DMA stylist recruiting group will be determined in accordance with the guidelines applicable to the local DMA advertising group, as set forth in Article 6.5 above. Expenditures by the FRANCHISEE for local DMA stylist recruiting expenses will be in addition to all other advertising requirements set forth in this Agreement.

ARTICLE 7
QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF THE FRANCHISEE

COST CUTTERS will promulgate, from time to time, uniform standards of quality and service regarding the business operations of the FRANCHISEE'S Cost Cutters Business so as to protect and maintain (for the benefit of all Cost Cutters Franchisees and COST CUTTERS) the distinction, valuable goodwill and uniformity represented and symbolized by the Marks and the Business System. Accordingly, to insure that all Cost Cutters Franchisees will maintain the uniform requirements and quality standards for products and services associated with the Marks and the Business System, the FRANCHISEE agrees to maintain the uniformity and quality standards required by COST CUTTERS for all products and services and agrees to comply with the provisions of this Article to assure the public that all Cost Cutters businesses will be uniform in nature and will sell and dispense quality products and services:

7.1 IDENTIFICATION OF BUSINESS. The FRANCHISEE will operate its business so that it is clearly identified and advertised as a Cost Cutters Business. However, the style and form of the words Cost Cutters® in any advertising, marketing, public relations, telemarketing or promotional program must have the prior written approval of COST CUTTERS and must conform to COST CUTTERS' standards and requirements for use of the Marks. The FRANCHISEE will use the name Cost Cutters® and all graphics commonly associated with the Marks which now or hereafter may form a part of COST CUTTERS' Business System on all paper supplies, furnishings, advertising materials, signs, stationery, business cards and other articles in the identical combination and manner prescribed by COST CUTTERS in writing. The FRANCHISEE will, at its expense, comply with all notices of registration required by COST CUTTERS and will, at its expense, comply with any other trademark, trade name, service mark, copyright, patent or other notice marking requirements that are required by COST CUTTERS or by applicable law.

7.2 IDENTIFICATION AS FRANCHISEE. The FRANCHISEE will not use the words Cost Cutters® or any combination of these words in its corporate, partnership or sole proprietorship name. The FRANCHISEE will hold itself out to the public as an independent contractor operating its Cost Cutters Business pursuant to a franchise from COST CUTTERS. The FRANCHISEE will clearly indicate on its business checks, stationery, purchase orders, business cards, receipts, promotional materials and other written materials that the FRANCHISEE is a Cost Cutters Franchisee. The FRANCHISEE will display a sign, to be provided by COST CUTTERS, at the Franchised Location which is clearly visible to the general public indicating that the Business is independently owned and operated as a franchised business. The FRANCHISEE will file for a Certificate of Assumed Name in the manner required by law so as to notify the public that the FRANCHISEE is operating the franchised Cost Cutters Business as an independent business pursuant to this Agreement.

7.3 SIGNS. The FRANCHISEE will display only the approved Cost Cutters Sign (the "Sign") and will not use or display any other signs of any kind or nature without the express prior written approval of COST CUTTERS.

7.4 ADVERTISING MATERIALS. The FRANCHISEE will use only approved advertising and promotional materials for the advertising and promotions conducted by the FRANCHISEE. The

FRANCHISEE must obtain written approval from COST CUTTERS prior to using any other advertising or promotional materials.

7.5 COMPLIANCE WITH STANDARD STORE LAYOUTS AND PLANS. The Franchised Location and the FRANCHISEE'S business premises must conform to COST CUTTERS' approved store layouts, floor plans, specifications, exterior and interior decorating designs and color schemes. The FRANCHISEE will not make any architectural, structural, design or decorating changes to the interior or exterior of the Franchised Location without COST CUTTERS' prior written approval. The FRANCHISEE will be solely responsible for ascertaining and insuring that the Franchised Location and the business premises are constructed or remodeled according to all applicable local, state and federal laws, ordinances, statutes and building codes, including compliance with the Americans with Disabilities Act. The furniture, fixtures, supplies and equipment used in the Franchised Location must conform to the quality standards and uniform requirements established by COST CUTTERS from time to time. If the Franchised Location hereunder was formerly an affiliated branded salon acquired by FRANCHISEE for conversion to the Cost Cutters Business hereunder, then FRANCHISEE shall convert the Franchised Location to the then-current approved store design for Cost Cutters Businesses by engaging COST CUTTERS' affiliate to provide construction management services and furniture, fixtures, and equipment coordination services pursuant to COST CUTTERS' affiliate's then-current standard agreement and fee. FRANCHISEE shall be solely responsible for all costs and expenses associated with such conversion. FRANCHISEE shall complete such conversion process to COST CUTTERS' current standards within 90 days of acquiring the affiliated branded salon.

7.6 PERIODIC REMODELING. The FRANCHISEE will be required to periodically make the reasonable capital expenditures necessary to remodel, modernize and redecorate the Franchised Location and the FRANCHISEE'S business premises, and to replace and modernize the FRANCHISEE'S furniture, fixtures, supplies and equipment so that the Franchised Location and the FRANCHISEE'S business premises will reflect the then-common image intended to be portrayed by COST CUTTERS ("remodeling"). All remodeling of the Franchised Location and the FRANCHISEE'S business premises must be done in accordance with the standards and specifications as prescribed by COST CUTTERS from time to time and with the prior written approval of COST CUTTERS. All replacements for the furniture, fixtures, supplies and equipment must conform to COST CUTTERS' then-current quality standards and must be approved by COST CUTTERS in writing. The FRANCHISEE will begin remodeling the Franchised Location within three (3) months from the date that the FRANCHISEE receives written notice from COST CUTTERS specifying the required remodeling and will diligently complete such remodeling within a reasonable time after its commencement. Except as provided in Article 7.13 of this Agreement, the FRANCHISEE will not be required to remodel the Franchised Location or to replace and modernize its furniture, fixtures, supplies and equipment more than once every five (5) years during the term of this Agreement. In the event this Agreement is assigned by FRANCHISEE with COST CUTTERS' approval pursuant to Article 20.4, to a transferee FRANCHISEE, and at the date of such assignment, the Franchised Location is over seven (7) years old and has not been remodeled within the previous five (5) years, then COST CUTTERS has the right and option to require the transferee FRANCHISEE to modernize the Franchised Location to meet COST CUTTERS' approval. The FRANCHISEE'S failure to comply with the requirements of this Article 7.6 will be a material breach of this Agreement.

7.7 USE OF MARKS AND BUSINESS SYSTEM. The FRANCHISEE will use the Marks and the Business System in strict compliance with the quality standards, moral and ethical standards, operating procedures, specifications, requirements and instructions required by COST CUTTERS, which may be amended and supplemented by COST CUTTERS from time to time.

7.8 PRODUCTS AND SERVICES. The FRANCHISEE will offer for sale all, but only those, products and services prescribed and approved by COST CUTTERS in writing. The FRANCHISEE shall

purchase all hair care products, supplies, and merchandise, including without limitation, all retail inventory, backbar and shop supplies for use and resale at FRANCHISEE's Cost Cutters Business exclusively from COST CUTTERS or COST CUTTERS' designated affiliate at such minimum levels as may be established by COST CUTTERS. The FRANCHISEE acknowledges and agrees that it will either: (A) execute and deliver to COST CUTTERS such sales tax exemption certificates or other documents as may be reasonably required by COST CUTTERS to establish that the FRANCHISEE'S purchase of such products from COST CUTTERS is exempt from any and all sales, use or excise taxes; or (B) pay COST CUTTERS the amount of any sales, use or excise taxes applicable to the FRANCHISEE'S purchase of such products. The FRANCHISEE will conform to all customer service standards prescribed by COST CUTTERS in writing. The FRANCHISEE will have the absolute right to sell all products and services at whatever prices and on whatever terms it deems appropriate. The FRANCHISEE will only sell the approved products and services to the FRANCHISEE'S retail customers at the Franchised Location and will not sell any products or services at retail or wholesale at or from any other location or through the Internet.

7.9 **COST CUTTERS IMAGE.** The FRANCHISEE acknowledges that the image intended to be portrayed by COST CUTTERS is that of a chain of hairstyling businesses that cater to cost conscious, value-minded customers who are seeking reasonably priced hair care services and products. Consequently, the FRANCHISEE will sell only those products that have been approved by COST CUTTERS in advance in writing for use and/or resale in Cost Cutters Businesses.

7.10 **OPERATIONS MANUAL.** COST CUTTERS will provide the FRANCHISEE with one copy of COST CUTTERS' confidential Operations Manual (the "Manual") or make the Manual available to FRANCHISEE (e.g. via email or electronically by posting the Manual on the Internet) or by any other means. The FRANCHISEE will conform to the common image and identity created by the products and services associated with Cost Cutters businesses which are portrayed and described by the Manual, and the FRANCHISEE will conform to all changes and modifications made to the Manual by COST CUTTERS and provided to the FRANCHISEE that are deemed necessary by COST CUTTERS to: (A) improve the standards of service and products offered for sale to the public under the Business System; (B) protect the goodwill associated with the Marks; (C) improve the operation of the FRANCHISEE'S Cost Cutters Business; or (D) maintain the product and service consistency required by COST CUTTERS. COST CUTTERS reserves the right to revise the Manual at any time during the term of this Agreement. The Manual and all written supplements, changes and modifications to the Manual are confidential in all respects and are and will remain the sole and exclusive property of COST CUTTERS. The FRANCHISEE will not use the Manual or any information contained therein in connection with the operation of any other business or for any purpose other than the operation of the FRANCHISEE'S Cost Cutters Business.

7.11 **POINT OF SALE AND BACK OFFICE SYSTEM AND DATA.** FRANCHISEE must use the then current computerized point of sale cash register system and franchise back office system designated by COST CUTTERS. The FRANCHISEE will purchase or rent the computerized point of sale cash register system and franchise back office hardware and software from COST CUTTERS or its designee in accordance with the then current rental and service agreements for such systems. COST CUTTERS shall have the right from time to time to make reasonable changes, modifications, or additions to the standards, specifications and/or requirements for the computerized point of sale cash register system and/or the franchise back office software and other minimum point of sale and back office systems that may be used by existing franchisees. Any such changes, modifications or additions shall automatically be binding upon FRANCHISEE upon the giving of notice of same to FRANCHISEE by COST CUTTERS. In addition, FRANCHISEE will provide COST CUTTERS at all times with electronic access to any and all data and information stored on its computerized point of sale system and back office system, including, without limitation, individual customer data (e.g. names, addresses, emails, phone

numbers), individual and collective sales transaction data, and all other financial, revenue, operational, expense, profit, and marketing data (excluding employee and employment related information) associated with the store ("Data") which COST CUTTERS, its parent, and affiliates shall have the right to collect and use at any time, including on a daily and other basis. All Data is owned exclusively by COST CUTTERS. There are no contractual restriction limitations on COST CUTTERS, its parent, and affiliates rights to access and use Data.

7.12 **APPROVED SUPPLIER.** The FRANCHISEE will purchase exclusively from COST CUTTERS or its designated affiliate all hair care products, supplies, and merchandise, including, without limitation, all retail inventory, backbar and shop supplies to be used or sold by the FRANCHISEE in conjunction with the operation of its Cost Cutters Business. If the FRANCHISEE desires to purchase any goods and services from other suppliers, then the FRANCHISEE will submit samples, specifications, and information regarding the manufacturer, product, and/or service to COST CUTTERS for review. COST CUTTERS need not approve any other supplier, manufacturer, product, or service requested by FRANCHISEE. If COST CUTTERS or its designated affiliate cannot, for any reason, supply an approved product to you, then COST CUTTERS will have the right, but not the obligation, to designate or approve a third-party supplier for such approved product. Any expenses incurred by COST CUTTERS in evaluating unapproved products will be paid by the FRANCHISEE. The written approval of COST CUTTERS must be obtained by the FRANCHISEE prior to the time that any previously unapproved goods and services are used or sold at the FRANCHISEE'S Cost Cutters Business, which COST CUTTERS has the right to withhold. All such goods and services must be those classified as "professional" goods and services.

7.13 **REPAIR AND MAINTENANCE.** The FRANCHISEE will, at its expense, repair, paint and keep in a clean and sanitary condition the interior, the exterior and, where applicable, the grounds of the Franchised Location and the FRANCHISEE'S business premises, and will replace all floor coverings, wall coverings, light fixtures, curtains, blinds, shades, furniture, room furnishings, wall hangings, fixtures and other decor items as such items become worn-out, soiled or are in disrepair. All equipment will be kept in good working order by the FRANCHISEE at all times and will meet COST CUTTERS' quality standards. All replacement equipment must comply with COST CUTTERS' then-current standards and specifications.

7.14 **COMPLIANCE WITH APPLICABLE LAWS.** The FRANCHISEE will, at its expense, comply with all applicable federal, state, city, local and municipal laws, ordinances, rules and regulations pertaining to the operation of the FRANCHISEE'S Business, including all laws relating to employees and to the regulation of barbers and cosmetologists and all applicable federal and state environmental laws. The FRANCHISEE will, at its expense, be absolutely and exclusively responsible for determining the licenses and permits required by law for the FRANCHISEE'S Business, for qualifying for and obtaining all such licenses and permits, and for maintaining all such licenses and permits in full force and effect. The FRANCHISEE has had an opportunity to obtain legal advice regarding, and currently complies with, all applicable legal requirements that prohibit unfair, fraudulent or corrupt business practices, including U.S. and other legal requirements that are designed to combat terrorism and terrorist activities. In addition, neither the FRANCHISEE nor any holder of an ownership interest in the FRANCHISEE is named as a 'specially designated national" or "blocked person" as designated by the United States Department of the Treasury's Office of Foreign Assets control under the U.S. PATRIOT Act.

7.15 **PAYMENT OF OBLIGATIONS.** The FRANCHISEE must timely pay all of its noncontested and liquidated obligations and liabilities due and payable to COST CUTTERS, and to suppliers, lessors and creditors of the FRANCHISEE. The FRANCHISEE'S failure to timely pay all such obligations will be a material breach of this Agreement.

7.16 PAYMENT OF TAXES. The FRANCHISEE will be absolutely and exclusively responsible and liable for filing all required tax returns and for the prompt payment of all federal, state, city and local taxes including, but not limited to, individual and corporate income taxes sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, F.I.C.A. taxes and personal property and real estate taxes payable in connection with the FRANCHISEE'S Business. COST CUTTERS will have no liability for these or any other taxes and the FRANCHISEE will indemnify COST CUTTERS for any such taxes that may be assessed or levied against COST CUTTERS which arise or result from the FRANCHISEE'S Cost Cutters Business. It is expressly understood and agreed by the Personal Guarantors to this Agreement that their personal guaranty applies to the prompt filing of all returns and the prompt payment of all taxes which arise or result from the FRANCHISEE'S Cost Cutters Business.

7.17 REIMBURSEMENT OF COST CUTTERS FOR TAXES. In the event any "franchise" or other tax (other than income taxes) which is based upon the Gross Revenues, receipts, sales, business activities or operation of the FRANCHISEE'S Business or any payments by the FRANCHISEE to COST CUTTERS (including without limitation, Continuing Fees and Advertising Fees) is imposed upon COST CUTTERS by any taxing authority, then the FRANCHISEE will reimburse COST CUTTERS in an amount equal to the amount of such taxes and related costs imposed upon and paid by COST CUTTERS. The FRANCHISEE will be notified in writing when COST CUTTERS is entitled to reimbursement for the payment of such taxes and, in that event, the FRANCHISEE will pay COST CUTTERS the amount specified in the written notice within ten (10) days of receipt of the written notice.

7.18 BUSINESS HOURS; PERSONNEL. The FRANCHISEE'S Cost Cutters Business will be open for business on such days and for such hours as COST CUTTERS may designate. The FRANCHISEE will, during business hours, have a salon manager on duty who is responsible for supervising the employees and the business operations of the FRANCHISEE'S Business. The FRANCHISEE will have a sufficient number of adequately trained and competent personnel on duty at all times to guarantee efficient service to the FRANCHISEE'S customers. The FRANCHISEE will require its employees to wear the standard attire or uniforms approved by COST CUTTERS. All persons employed by the FRANCHISEE must practice good personal hygiene and must wear clean and neat attire or uniforms. COST CUTTERS encourages the FRANCHISEE to employ at least one (1) full-time person (a "District Manager") for each six (6) Cost Cutters Businesses owned and operated by the FRANCHISEE. Each District Manager will be responsible for the operation and administration of up to six (6) Cost Cutters Businesses under his or her supervision and control, including supervision of the salon managers and assistant managers. The District Managers must devote their full time and attention to administering and overseeing the operations of the FRANCHISEE'S Cost Cutters Businesses. All District Managers must attend and successfully complete the training program required by COST CUTTERS, and be certified and approved by COST CUTTERS in writing.

7.19 COST CUTTERS' INSPECTION RIGHTS. COST CUTTERS will have the absolute right to inspect and take photographs and videotapes of the interior and exterior of the Franchised Location at all reasonable times during business hours, to interview the FRANCHISEE'S employees, to examine representative samples of all goods and equipment sold or used at the FRANCHISEE'S Cost Cutters Business, and to evaluate the quality of the services provided by the FRANCHISEE to its customers. COST CUTTERS will have the right to use all photographs and videotapes of the FRANCHISEE'S Cost Cutters Business for such purposes as COST CUTTERS deems appropriate including, but not limited to, use in advertising, marketing and promotional materials, and as evidence in any court or arbitration proceeding. The FRANCHISEE will not be entitled to, and hereby expressly waives, any right that it may have to be compensated by COST CUTTERS, its advertising agencies or any other Cost Cutters franchisees for the use of such photographs or videotapes for advertising, marketing, promotional or litigation purposes.

7.20 SECURITY INTEREST. This Agreement and the franchise granted to the FRANCHISEE hereunder may not be the subject of a security interest, lien, levy, attachment or execution by the FRANCHISEE'S creditors or any financial institution, except with the prior written approval of COST CUTTERS.

7.21 CREDIT CARDS. The FRANCHISEE will honor all credit cards approved by COST CUTTERS. The FRANCHISEE must obtain the written approval of COST CUTTERS prior to honoring any previously unapproved credit cards or other credit devices.

7.22 DEFAULT NOTICES. The FRANCHISEE will immediately deliver to COST CUTTERS a copy of any notice of default received from any landlord for the Franchised Location or from any mortgagee, trustee under any deed of trust or lessor with respect to the FRANCHISEE'S Cost Cutters Business, and copies of all notifications of any lawsuits, contract breaches, consumer claims, federal or state administrative or agency proceedings or investigations, or other civil or governmental claims, actions or proceedings relating to the FRANCHISEE'S Cost Cutters Business. Upon request from COST CUTTERS, the FRANCHISEE will provide additional information as may be required by COST CUTTERS regarding the alleged default, lawsuit, claim or proceeding or any subsequent action or proceeding in connection with the alleged default, lawsuit, claim or proceeding.

7.23 SALE OF CAPITAL STOCK TO PUBLIC. If the FRANCHISEE is a corporation and desires to sell any part of its authorized capital stock to the public, then the FRANCHISEE will provide COST CUTTERS with a copy of the proposed offering circular or prospectus for its review prior to the time that the offering circular or prospectus is filed with any state securities commission or the Securities and Exchange Commission. The shareholders of the FRANCHISEE who owned the capital stock of the FRANCHISEE prior to the public offering will, at all times, retain at least a fifty-one percent (51%) ownership of the issued and outstanding shares of stock of the FRANCHISEE. COST CUTTERS will have the right to attend all "due diligence" meetings held in preparation for the offer to sell the FRANCHISEE'S capital stock to the public, and the FRANCHISEE will give COST CUTTERS at least five (5) business days prior written notice of such meetings. The FRANCHISEE will not offer its capital stock by use of the name Cost Cutters® or any name deceptively similar thereto. The FRANCHISEE will not have the right to sell any of its capital stock to the public or to any other person or entity until the FRANCHISEE has complied in all respects with all applicable provisions of this Agreement, including the applicable provisions of Articles 13 and 20.

7.24 OPERATION OF COST CUTTERS BUSINESS. The FRANCHISEE will be totally and solely responsible for the operation of its Cost Cutters Business, and will control, supervise and manage all the employees, agents and independent contractors who work for or with the FRANCHISEE. The FRANCHISEE will be responsible for the acts of its employees, agents and independent contractors, and will take all reasonable business actions necessary to ensure that its employees, agents and independent contractors comply with all federal, state and local laws, rules and regulations including, but not limited to, all employment laws, discrimination laws, sexual harassment laws and laws relating to the disabled. COST CUTTERS will not have any right, obligation or responsibility to control, supervise or manage the FRANCHISEE'S employees, agents or independent contractors. The FRANCHISEE shall not operate, directly or indirectly, nor allow the operation of, any other business within or in connection with the Franchised Location, including the rental of salon chairs or booths to anyone.

7.25 PARTICIPATION IN CERTAIN PROGRAMS AND PROMOTIONS. The FRANCHISEE must honor all terms and conditions of any customer relations, warranty, promotional, gift certificate, gift card, discount, complimentary pass or similar programs established by COST CUTTERS for the Cost Cutters franchise system and is responsible for buying any required equipment, software or materials and paying any fees and costs associated with its participation in such program. FRANCHISEE is also

responsible for compliance with any laws applicable to abandoned property and escheat. In addition, the FRANCHISEE must participate in any system-wide program developed by COST CUTTERS to build brand awareness and promote customer loyalty for the Cost Cutters franchise system and pay any costs associated with its participation in such program.

7.26 USE OF INTERNET. The FRANCHISEE'S conduct on the Internet, including without limitation, its use of the Marks on the Internet and in domain names for the Internet, is subject to the provisions of this Agreement. COST CUTTERS reserves the right to establish and modify, from time to time, rules which will govern the FRANCHISEE'S conduct and use of the Internet in connection with the FRANCHISEE'S Cost Cutters Business, and the FRANCHISEE agrees to abide by such rules. The FRANCHISEE'S right to use the Marks and the Business System on the Internet will terminate when this Agreement terminates or expires.

ARTICLE 8
CONFIDENTIAL OPERATIONS MANUAL AND OTHER INFORMATION

8.1 COMPLIANCE WITH MANUAL. In order to protect the reputation and goodwill of COST CUTTERS and to maintain uniform operating standards under the Marks and the Business System, the FRANCHISEE will at all times during the term of this Agreement conduct its Business in accordance with COST CUTTERS' confidential Operations Manual (the "Manual"). The FRANCHISEE shall receive as a loan or be given electronic access to one copy of the Manual from COST CUTTERS.

8.2 CONFIDENTIALITY OF MANUAL. The FRANCHISEE must, at all times during the term of this Agreement and thereafter, treat the Manual, any other manuals created for or approved for use in the operation of the FRANCHISEE'S Cost Cutters Business, and the information contained therein as secret and confidential, and the FRANCHISEE will use all reasonable means to keep such information secret and confidential. Neither the FRANCHISEE nor its employees will make any copy, duplication, record or reproduction of the Manual, or any portion thereof, available to any unauthorized person.

8.3 REVISIONS TO MANUAL. The Manual will, at all times during the term of this Agreement and thereafter, remain the sole and absolute property of COST CUTTERS. COST CUTTERS may from time to time revise the Manual and the FRANCHISEE expressly agrees to operate its Cost Cutters Business in accordance with all such revisions. The FRANCHISEE will at all times keep its copy of the Manual current and up-to-date, and in the event of any dispute, the terms of the master copy of the Manual maintained by COST CUTTERS will be controlling in all respects.

8.4 OTHER CONFIDENTIAL INFORMATION. The FRANCHISEE expressly acknowledges and agrees that COST CUTTERS will be disclosing and providing to the FRANCHISEE certain confidential and proprietary information concerning the Business System and the procedures, technology, operations and data used in connection with the Business System. Accordingly, the FRANCHISEE will not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of operation of a Cost Cutters business which may be communicated to the FRANCHISEE, or of which the FRANCHISEE may be apprised, by virtue of this Agreement. The FRANCHISEE will divulge such confidential information only to its employees who must have access to it in order to operate the FRANCHISEE'S Cost Cutters Business. Any and all information, knowledge and know-how including, without limitation, vendor and supplier lists, customer lists, drawings, materials, equipment, technology, methods, procedures, specifications, techniques, computer programs, systems and other data which COST CUTTERS designates as confidential or proprietary will be deemed confidential and proprietary for the purposes of this Agreement. If FRANCHISEE is also a franchisee of any other brand of COST

CUTTERS or its subsidiaries or affiliates, FRANCHISEE shall not use or disclose information of one brand in connection with the operation of any other brand.

8.5 CONFIDENTIALITY AGREEMENTS WITH EMPLOYEES. The FRANCHISEE will require all of the FRANCHISEE'S employees who have access to the Manual or other confidential information to execute an agreement, in the form attached hereto as Exhibit "A" or other form satisfactory to COST CUTTERS, where the employees agree to maintain the confidentiality, during the course of their employment and thereafter, of all information designated by COST CUTTERS as confidential. Copies of all executed agreements will be submitted to COST CUTTERS upon request.

8.6 REMEDIES. The FRANCHISEE recognizes that the provisions contained in this Article are necessary for the protection of COST CUTTERS and all of the franchisees who own Cost Cutters businesses. If the FRANCHISEE violates any provisions of this Article, or if any employee of the FRANCHISEE violates his or her confidentiality agreement executed pursuant to Article 8.5, then COST CUTTERS will have the right to: (A) terminate this Agreement (as provided for herein); (B) seek injunctive relief from a Court of competent jurisdiction; (C) commence an action or lawsuit against the FRANCHISEE for damages; and (D) enforce all other remedies against the FRANCHISEE that are available to COST CUTTERS under common law, in equity, and pursuant to any federal and state statutes in an action or lawsuit against the FRANCHISEE.

ARTICLE 9
COST CUTTERS' TERMINATION RIGHTS

9.1 GROUNDS FOR TERMINATION. In addition to the other rights of termination contained in this Agreement, COST CUTTERS will have the right and privilege to terminate this Agreement if: (A) the FRANCHISEE fails to open and commence operations of its Cost Cutters Business within twelve (12) months of the date of this Agreement or in the event COST CUTTERS or one of its affiliates is the lessee under a lease for the Franchised Location, the commencement date of such lease; (B) the FRANCHISEE violates any material provision, term or condition of this Agreement including, but not limited to, failure to timely pay the Initial Fee or any Continuing Fees, Advertising Fees, monetary obligations or other fees to COST CUTTERS ; (C) the FRANCHISEE fails to conform to the Business System, the standards of uniformity and quality for the goods and services or the policies and procedures promulgated by COST CUTTERS in connection with the Business System, or is involved in any act or conduct which materially impairs the goodwill associated with the Marks or the Business System; (D) the FRANCHISEE fails to timely pay any of its uncontested obligations or liabilities due and owing to COST CUTTERS, suppliers, banks, purveyors, other creditors or any federal, state or municipal government (including, if applicable, federal and state taxes); (E) the FRANCHISEE is determined to be insolvent within the meaning of any state or federal law, files for bankruptcy or is adjudicated a bankrupt under any state or federal law; (F) the FRANCHISEE makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (G) any check issued by the FRANCHISEE is dishonored because of insufficient funds (except where the check is dishonored because of a bookkeeping or accounting error) or closed accounts; (H) the FRANCHISEE fails to finance or purchase and pay for the leasehold improvements, furniture, fixtures, supplies and equipment required for its Cost Cutters Business prior to the opening of the FRANCHISEE'S Business; (I) the FRANCHISEE breaches any material term of any sublease of COST CUTTERS, its parent, subsidiaries or affiliates or the FRANCHISEE'S lease for the Franchised Location is terminated or canceled or FRANCHISEE is evicted or loses its right to possession of the Franchised Location for nonpayment of rent or any other reason; (J) the FRANCHISEE or any of its partners, directors, officers or majority stockholders is convicted of, or pleads guilty or no contest to, a charge of violating any law relating to the FRANCHISEE'S Cost Cutters Business or any felony; (K) the FRANCHISEE voluntarily or otherwise abandons, as defined herein, the Cost Cutters Business; or (L) diverts, at any time, any business, or any of

the products from the Franchise, including the sale of any hair care product to a non end user consumer from the Franchised location or the sale of hair care products through other distribution channels (including the Internet). A breach by FRANCHISEE of this Agreement shall be deemed a breach of any sublease between FRANCHISEE and COST CUTTERS or any of its subsidiaries or affiliates. A breach of any sublease between FRANCHISEE and COST CUTTERS or any of its subsidiaries or affiliates shall be deemed a breach of this Agreement.

9.2 NOTICE OF BREACH. Except as provided for in Article 9.5 and Article 9.6 of this Agreement, COST CUTTERS will not have the right to terminate this Agreement unless and until written notice setting forth the alleged breach in detail has been given to the FRANCHISEE by COST CUTTERS and, after having been given such written notice of breach, the FRANCHISEE fails to correct the alleged breach within the period of time specified by applicable law. If applicable law does not specify a time period to correct an alleged breach, then the FRANCHISEE will have thirty (30) days after having been given such written notice to correct the alleged breach. If the FRANCHISEE fails to correct the alleged breach set forth in the written notice within the applicable period of time, then this Agreement may be terminated by COST CUTTERS as provided for in this Agreement. For the purposes of this Agreement, an alleged breach of this Agreement by the FRANCHISEE will be deemed to be "corrected" if both COST CUTTERS and the FRANCHISEE agree in writing that the alleged breach has been corrected.

9.3 ARBITRATION. If the FRANCHISEE gives notice of Arbitration, as provided for in this Agreement, within the time period established in Article 9.2 for correcting the alleged breach, then COST CUTTERS will not have the right to terminate this Agreement until the facts of the alleged breach have been submitted to arbitration as provided for herein, the Arbitrator determines that the FRANCHISEE has breached this Agreement and the FRANCHISEE fails to correct the breach within the applicable time period. If the Arbitrator determines that the FRANCHISEE has breached this Agreement as alleged by COST CUTTERS in the written notice given to the FRANCHISEE, then the FRANCHISEE will have thirty (30) days from the date the Arbitrator issues a written determination on the matter to correct the specified breach or violation of this Agreement, except where applicable law requires a longer cure period in which event the cure period specified by applicable law will apply. If the FRANCHISEE timely corrects the specified breach of this Agreement, then this Agreement will remain in full force and effect. For the purposes of this Agreement, any controversy or dispute on the issue of whether the FRANCHISEE has timely corrected the specified breach of this Agreement will also be subject to arbitration as provided for herein. The time limitations set forth in this Article within which the FRANCHISEE may demand arbitration of a dispute or controversy relating to the right of COST CUTTERS to terminate this Agreement for an alleged breach will be mandatory. If the FRANCHISEE fails to comply with the time limitations set forth in this Article, COST CUTTERS may terminate this Agreement as provided for herein.

9.4 NOTICE OF TERMINATION. If COST CUTTERS has complied with the notice provisions of this Article and the FRANCHISEE has not corrected the alleged breach set forth in the written notice within the time period specified in this Article, then COST CUTTERS will have the absolute right to terminate this Agreement by giving the FRANCHISEE written notice stating to the FRANCHISEE that this Agreement is terminated, and in that event, unless applicable law provides to the contrary, the effective date of termination of this Agreement will be the day such written notice is given.

9.5 GROUNDS FOR IMMEDIATE TERMINATION. COST CUTTERS will have the absolute right and privilege, unless prohibited by applicable law, to immediately terminate this Agreement if: (A) the FRANCHISEE loses possession or is evicted from the Franchised Location; (B) the FRANCHISEE or any of its partners, directors, officers or majority stockholders is convicted of, or pleads guilty or no contest to, a charge of violating any law relating to the FRANCHISEE'S Cost Cutters Business, or any felony; (C) the FRANCHISEE or its owners make any material misrepresentations or omissions to COST

CUTTERS in connection with the franchise; (D) the FRANCHISEE voluntarily or otherwise abandons, as defined herein, the FRANCHISEE'S Cost Cutters Business; (E) the FRANCHISEE is involved in any act or conduct which materially impairs the goodwill associated with COST CUTTERS' Marks or Business System, and the FRANCHISEE fails to correct such act or conduct within twenty-four (24) hours of receipt of written notice from COST CUTTERS; or (F) the FRANCHISEE fails or refuses to produce its books and financial records for audit by COST CUTTERS in accordance with Article 19.4.

9.6 NOTICE OF IMMEDIATE TERMINATION. If this Agreement is terminated by COST CUTTERS pursuant to Article 9.5 above, COST CUTTERS will give the FRANCHISEE written notice that this Agreement is terminated, and in that event, unless applicable law provides to the contrary, the effective date of termination of this Agreement will be the day such written notice is given.

9.7 DAMAGES. In the event this Agreement is terminated by COST CUTTERS pursuant to Article 9, or if the FRANCHISEE breaches this Agreement by a wrongful termination or a termination that is not in accordance with the terms and conditions of Article 10 of this Agreement, then COST CUTTERS will be entitled to seek recovery from the FRANCHISEE for all of the damages that COST CUTTERS has sustained and will sustain in the future as a result of the FRANCHISEE'S breach of this Agreement, which will include damages based upon the Continuing Fees, Advertising Fees and other fees that would have been payable by the FRANCHISEE for the remaining term of this Agreement.

9.8 OTHER REMEDIES. Nothing in this Article or this Agreement will preclude COST CUTTERS from seeking other damages or remedies under common law, state or federal laws or this Agreement against the FRANCHISEE including, but not limited to, attorneys' fees, punitive damages and injunctive relief.

ARTICLE 10
FRANCHISEE'S TERMINATION RIGHTS

10.1 GROUNDS FOR TERMINATION. The FRANCHISEE will have the right and privilege to terminate this Agreement, as provided for herein, if: (A) COST CUTTERS violates any material provision, term or condition of this Agreement; (B) COST CUTTERS fails to timely pay any material obligations due and owing to the FRANCHISEE; or (C) COST CUTTERS makes an assignment of its assets for the benefit of creditors.

10.2 NOTICE OF BREACH. The FRANCHISEE will not have the right to terminate this Agreement or to commence any arbitration proceeding, action or lawsuit against COST CUTTERS for breach of this Agreement, injunctive relief, violation of any federal, state or local law, violation of common law (including allegations of fraud and misrepresentation), rescission, general or punitive damages, or termination, unless and until written notice setting forth the alleged breach or violation in detail has been given to COST CUTTERS by the FRANCHISEE and COST CUTTERS fails to commence the actions necessary to correct the alleged breach or violation within thirty (30) days after having been given such written notice, or to correct the alleged breach within one hundred twenty (120) days after having been given such written notice. If COST CUTTERS fails to commence the actions necessary to correct the alleged breach or violation as provided herein within thirty (30) days after having been given such written notice, or to correct the alleged breach within one hundred twenty (120) days after having been given such written notice, then this Agreement may be terminated by the FRANCHISEE as provided for in this Agreement. For the purposes of this Agreement, an alleged breach of this Agreement by COST CUTTERS will be deemed to be "corrected" if both COST CUTTERS and the FRANCHISEE agree in writing that the alleged breach or violation has been corrected.

10.3 ARBITRATION. If COST CUTTERS gives notice of arbitration, as provided for in this Agreement, within thirty (30) days from the date COST CUTTERS was given written notice of the alleged breach from the FRANCHISEE, then the FRANCHISEE will not have the right to terminate this Agreement until the facts of the alleged breach have been submitted to arbitration, the Arbitrator determines that COST CUTTERS has breached this Agreement and COST CUTTERS fails to correct the breach within the time limitation set forth herein. If the Arbitrator determines that COST CUTTERS breached this Agreement as alleged by the FRANCHISEE in the written notice given to COST CUTTERS, then COST CUTTERS will have thirty (30) days from the date the Arbitrator issues a written determination on the matter to correct the specified breach of this Agreement. If COST CUTTERS timely corrects the specified breach of this Agreement, then this Agreement will remain in full force and effect. If COST CUTTERS does not correct the specified breach of this Agreement, then the FRANCHISEE will have the right to terminate this Agreement by giving COST CUTTERS written notice that this Agreement is terminated and, in that event, the effective date of termination of this Agreement will be the day the written notice of termination is given to COST CUTTERS. For the purposes of this Agreement, any controversy or dispute on the issue of whether COST CUTTERS has timely corrected the specified breach of this Agreement will also be subject to arbitration as provided for herein. The time limitation set forth in this Article within which COST CUTTERS may demand arbitration of a dispute or controversy relating to the right of the FRANCHISEE to terminate this Agreement for an alleged breach will be mandatory. If COST CUTTERS fails to comply with the time limitation set forth in this Article, then the FRANCHISEE may terminate this Agreement as provided for herein.

10.4 WAIVER. The FRANCHISEE must give COST CUTTERS immediate written notice of an alleged breach or violation of this Agreement after the FRANCHISEE has knowledge of, determines or is of the opinion that there has been an alleged breach or violation of this Agreement by COST CUTTERS. If the FRANCHISEE fails to give written notice to COST CUTTERS as provided for herein of an alleged breach or violation of this Agreement within one (1) year from the date that the FRANCHISEE has knowledge of, determines, is of the opinion that, or becomes aware of facts and circumstances reasonably indicating that the FRANCHISEE may have a claim under any state law, federal law or common law because there has been an alleged breach by COST CUTTERS, then the alleged breach or violation will be deemed to be condoned, approved and waived by the FRANCHISEE, the alleged breach or violation will not be deemed to be a breach or violation of this Agreement by COST CUTTERS, and the FRANCHISEE will be barred from commencing any legal or other action against COST CUTTERS for that alleged breach or violation.

10.5 INJUNCTIVE RELIEF AVAILABLE TO COST CUTTERS. Notwithstanding any of the foregoing provisions, if the FRANCHISEE gives COST CUTTERS written notice of an alleged breach or violation of this Agreement, or of any laws that give rise to a claim that the FRANCHISEE has the right to terminate this Agreement, then COST CUTTERS will have the absolute right to immediately commence legal action against the FRANCHISEE to enjoin and prevent the termination of this Agreement without giving the FRANCHISEE any notice and without regard to any waiting period that may be contained in this Agreement. If COST CUTTERS commences such legal action against the FRANCHISEE, then the FRANCHISEE will not have the right to terminate this Agreement as provided for herein unless and until it has been determined that COST CUTTERS has breached this Agreement in the manner alleged by the FRANCHISEE, and then only if COST CUTTERS fails to commence the actions necessary to correct the breach or violation within thirty (30) days after a final decision has been entered against COST CUTTERS and all time for appeals by COST CUTTERS has expired. If COST CUTTERS commences any legal action against the FRANCHISEE as contemplated by this provision, which will include actions for injunctive relief against the FRANCHISEE to enjoin termination of this Agreement, then unless applicable law provides to the contrary, COST CUTTERS will not be required to post any bond or security whatever in such legal action.

ARTICLE 11
FRANCHISEE'S OBLIGATIONS UPON TERMINATION OR EXPIRATION

11.1 OBLIGATIONS UPON TERMINATION. In the event this Agreement expires or is terminated for any reason, then the FRANCHISEE will: (A) within five (5) days after termination, pay all Continuing Fees, Advertising Fees, and other amounts due and owing to COST CUTTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to COST CUTTERS; (B) return to COST CUTTERS by first class prepaid United States mail all Manuals, advertising materials and all other printed materials pertaining to the FRANCHISEE'S Cost Cutters Business; and (C) comply with all other applicable provisions of this Agreement.

11.2 TERMINATION OF RIGHT TO USE MARKS. Upon expiration or termination of this Agreement for any reason, the FRANCHISEE'S right to use the name Cost Cutters®, the other Marks and the Business System will terminate immediately.

11.3 ALTERATION OF FRANCHISED LOCATION. If this Agreement expires or is terminated for any reason or if the Franchised Location ever ceases to be used as a Cost Cutters Business, then the FRANCHISEE will, at its expense, alter, modify and change both the exterior and interior appearance of the Franchised Location so that it will be easily distinguished from the standard appearance of a Cost Cutters business. At a minimum, such changes and modifications to the Franchised Location will include: (A) repainting and, where applicable, recovering both the exterior and interior of the Franchised Location with totally different colors, including removing any distinctive colors and designs from the walls; (B) removing all fixtures and other decor items and replacing them with other decor items not of the general type and appearance customarily used only in Cost Cutters businesses; (C) removing all exterior and interior Cost Cutters signs; (D) immediately discontinuing use of the approved wall decor items and window decals; and (E) refraining from using any names, slogans, designs, decor items, colors or other items which may be confusingly similar to those customarily used only in Cost Cutters businesses.

11.4 TRANSFER OF TELEPHONE DIRECTORY LISTINGS. Upon termination or expiration of this Agreement, FRANCHISEE shall immediately notify the telephone company and/or any other applicable local carrier and all listing agencies of the termination or expiration of its right to use all telephone numbers and all classified and other directory listings for the FRANCHISEE'S Cost Cutters Business or otherwise placed under the name Cost Cutters®, and shall direct the telephone company and/or any other applicable local carrier and all listing agencies to transfer to COST CUTTERS or its assignee all telephone numbers and directory listings for the FRANCHISEE'S Cost Cutters Business. The FRANCHISEE acknowledges that COST CUTTERS has the absolute right and interest in and to all telephone numbers and directory listings associated with the Marks, and the FRANCHISEE shall immediately direct the telephone company and/or any other applicable local carrier and all listing agencies to transfer all of the FRANCHISEE'S telephone numbers and directory listings to COST CUTTERS or its assignee and to perform all acts necessary to accomplish such transfers and provide COST CUTTERS with written evidence that such transfers have been required and accomplished if this Agreement expires or is terminated for any reason whatever. The telephone company and/or any other applicable local carrier and all listing agencies will accept this Agreement as evidence of the exclusive rights of COST CUTTERS to such telephone numbers and directory listings. This Agreement will constitute the FRANCHISEE'S authorization for the telephone company and/or applicable local carrier and listing agencies to transfer the telephone numbers and directory listings for the FRANCHISEE'S Cost Cutters Business to COST CUTTERS, and will constitute a release of the telephone company, local carrier and listing agencies by the FRANCHISEE from any and all claims, actions and damages that the FRANCHISEE may at any time have the right to allege against them in connection with this Article 11.

ARTICLE 12
FRANCHISEE'S COVENANTS NOT TO COMPETE

12.1 CONSIDERATION. The FRANCHISEE, the FRANCHISEE'S shareholders and the Personal Guarantors acknowledge that the FRANCHISEE, its partners or officers, and its employees will receive specialized training, current and future marketing and advertising plans, business plans and strategies, business information and procedures, research and development information, operations information, and trade and business secrets from COST CUTTERS pertaining to the Business System of a Cost Cutters business. In consideration for the use and license of such valuable and confidential information, the FRANCHISEE, the FRANCHISEE'S shareholders and the Personal Guarantors will comply in all respects with the provisions of this Article. COST CUTTERS has advised the FRANCHISEE that this provision is a material provision of this Agreement.

12.2 IN-TERM COVENANT NOT TO COMPETE. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director or shareholder of any other person, firm, entity, partnership, limited liability company or corporation own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any hairstyling, barber or other business that is in any way competitive with (including, but not limited to, over the Internet) or similar to the Cost Cutters businesses operated by COST CUTTERS or COST CUTTERS' franchisees, except other salons franchised to FRANCHISEE by COST CUTTERS or its subsidiaries or affiliates.

12.3 POST-TERM COVENANT NOT TO COMPETE. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors will not, for a period of two (2) years after the termination or expiration of this Agreement, on their own account or as an employee, agent, consultant, partner, member, officer, director or shareholder of any other person, firm, entity, partnership, limited liability company, or corporation own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any hairstyling, barber or other business that is in any way competitive with (including, but not limited to, over the Internet) or similar to the Cost Cutters businesses conducted by COST CUTTERS or COST CUTTERS' franchisees, which is located within six (6) miles of either the Franchised Location or any other Cost Cutters businesses operated by COST CUTTERS or any of COST CUTTERS' franchisees, which is conducted on the Internet or which is located within any development area granted by COST CUTTERS or any affiliate or area developer of COST CUTTERS pursuant to any franchise, development, license or other territorial agreement. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors expressly agree that the two (2) year period, the Internet and the six (6) mile limit are the reasonable and necessary time and distances required to protect COST CUTTERS and COST CUTTERS' franchisees if this Agreement expires or is terminated for any reason, and that this covenant not to compete is necessary to permit COST CUTTERS the opportunity to resell and/or develop a new Cost Cutters business at or in the area near the Franchised Location. This post-term non-compete shall not apply to other salons franchised to FRANCHISEE by COST CUTTERS, its subsidiaries or affiliates.

12.4 INJUNCTIVE RELIEF. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors agree that the provisions of this Article are necessary to protect the legitimate business interests of COST CUTTERS and COST CUTTERS' franchisees, including, without limitation, preventing damage to and/or loss of goodwill associated with the Marks, preventing the unauthorized dissemination of marketing, promotional and other confidential information to competitors of COST CUTTERS and COST CUTTERS' franchisees, protection of COST CUTTERS' trade secrets and the integrity of COST CUTTERS' Business System and preventing duplication of the Business System. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal

Guarantors acknowledge that damages alone cannot adequately compensate COST CUTTERS if there is a violation of this Article by the FRANCHISEE and that injunctive relief against the FRANCHISEE is essential for the protection of COST CUTTERS and COST CUTTERS' franchisees. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors agree therefore, that if COST CUTTERS alleges that the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors have breached or violated this Article, then COST CUTTERS will have the right to petition a Court of competent jurisdiction for injunctive relief against the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors, in addition to all other remedies that may be available to COST CUTTERS at law or in equity. Unless provided to the contrary by applicable law, COST CUTTERS will not be required to post a bond or other security prior to obtaining injunctive relief pursuant to this Agreement in any action where COST CUTTERS is seeking to enjoin the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors from violating the provisions of this Article. In cases where COST CUTTERS is granted ex parte injunctive relief against the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors, then the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors will have the right to petition the Court for a hearing on the merits at the earliest time convenient to the Court.

12.5 SEVERABILITY. It is the desire and intent of the parties to this Agreement, including the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors, that the provisions of this Article be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of this Article is adjudicated to be invalid or unenforceable, then this Article will be deemed to modify or delete that portion thus adjudicated to be invalid or unenforceable, such modification or deletion to apply only with respect to the operation of this Article and the particular jurisdiction in which the adjudication is made. Further, to the extent any provision of this Article is deemed unenforceable by virtue of its scope or limitation, the parties to this Agreement including the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors, agree that the scope and limitation provisions will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

ARTICLE 13
COST CUTTERS' RIGHT OF FIRST REFUSAL TO PURCHASE

13.1 NOTICE OF PROPOSED SALE. The FRANCHISEE will not sell, pledge, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of the FRANCHISEE'S Cost Cutters Business or the Business Assets, as defined in this provision, without first offering the same to COST CUTTERS by written notice that contains all material terms and conditions of the proposed sale or transfer, including price and payment terms. "Business Assets" shall mean (A) the FRANCHISEE'S Cost Cutters Business, (B) the Franchised Location, (C) the building or premises lease for the Franchised Location, (D) the furniture, fixtures, equipment, inventory or other assets used in the FRANCHISEE'S Cost Cutters Business (except for the sale of any of such items in the normal course of business), (E) this Agreement, or (F) the land and building (if any) for the FRANCHISEE'S Cost Cutters Business. Within ten (10) business days after receipt by COST CUTTERS of the FRANCHISEE'S written offer specifying the proposed price and terms of the proposed sale, COST CUTTERS will give the FRANCHISEE written notice which will either waive its right of first refusal to purchase or will state an interest in negotiating to purchase according to the proposed terms. If COST CUTTERS commences negotiations to purchase the FRANCHISEE'S Business as set forth herein, then the FRANCHISEE may not sell the Business Assets to a third party for at least sixty (60) days or until COST CUTTERS and the FRANCHISEE agree in writing that the negotiations have terminated, whichever comes earlier. If COST CUTTERS waives its right to purchase, then the FRANCHISEE will have the right to complete the sale or transfer of the

Business Assets according to the terms set forth in the written notice to COST CUTTERS; however, any such sale, transfer or assignment to a third party is expressly subject to the terms and conditions set forth in Article 20 of this Agreement. If the FRANCHISEE does not consummate the sale to a third party upon the terms and conditions previously presented to COST CUTTERS in writing, but negotiates a sale price with a third party that is lower or on different terms than the stated price or terms presented to COST CUTTERS, then the modified offer must be recommunicated or made to COST CUTTERS by the FRANCHISEE. COST CUTTERS will give the FRANCHISEE written notice within fifteen (15) business days thereafter which will state whether or not it is interested in purchasing the Business Assets according to the proposed new terms. This provision will not apply to the assignment or pledge of any of the Business Assets (with the exception of this Agreement) by the FRANCHISEE to a bank, financial institution or other lender in connection with providing financing for the leasehold improvements, furniture, fixtures, supplies, inventory and equipment used in, or operating funds for, the FRANCHISEE'S Cost Cutters Business.

13.2 COMPLIANCE WITH AGREEMENT. The FRANCHISEE'S obligations under this Agreement including, but not limited to, its obligations to pay the Continuing Fees, the Advertising Fees and to operate as a Cost Cutters Business, will in no way be affected or changed because of COST CUTTERS' nonacceptance of the FRANCHISEE'S written offer to purchase the FRANCHISEE'S Business or assets, and, as a consequence, the terms and conditions of this Agreement will remain in full force and effect. COST CUTTERS' decision not to exercise the rights granted to it pursuant to this Article will not, in any way, be deemed to grant the FRANCHISEE the right to terminate this Agreement and will not affect the term of this Agreement. Moreover, if COST CUTTERS does not exercise the rights granted to it pursuant to this Article and if the FRANCHISEE complies with Article 20 and sells or otherwise disposes of its Business or assets to a third party, then both the FRANCHISEE and the third party purchaser will be required to comply in all respects with the terms and conditions of this Agreement, and the sale of the Business or assets will not relieve the FRANCHISEE of its obligations under this Agreement. Any sale, transfer or assignment of the Business or assets of the FRANCHISEE'S Cost Cutters Business that does not include assignment of this Agreement to the transferee will constitute a wrongful termination of this Agreement.

13.3 TRANSFER OF AGREEMENT TO CONTROLLED ENTITY. If the FRANCHISEE is an individual or partnership, then the FRANCHISEE will have the right to assign and transfer this Agreement to a corporation, limited liability company, partnership or other entity in which the FRANCHISEE owns and controls at least fifty-one percent (51%) of the entity's issued and outstanding capital shares, membership interests, partnership interests or ownership interests ("Ownership Interests") pursuant to Article 20.2 of this Agreement. If the FRANCHISEE transfers this Agreement to an entity owned or controlled by the FRANCHISEE pursuant to Article 20.2, which will not excuse or release the FRANCHISEE from any obligations under this Agreement, then the Ownership Interests of the FRANCHISEE'S entity may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by the FRANCHISEE until the Ownership Interests have been first offered to COST CUTTERS in writing under the same terms and conditions offered to any third party as provided for in Article 13.1.

13.4 SALE OF OWNERSHIP INTEREST IN FRANCHISEE. If the FRANCHISEE is a corporation, limited liability company, partnership or other entity, then the Ownership Interests in the FRANCHISEE may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by the holders thereof until the Ownership Interests have been first offered to COST CUTTERS in writing under the same terms and conditions applicable as if Business Assets were proposed to be sold under Article 13.1 above. Notwithstanding the terms of this Article, a holder of Ownership Interests may bequeath, sell, assign, trade or transfer Ownership Interests, without first offering them to COST CUTTERS, (a) to the other holders of the Ownership Interests because of the death or permanent disability of such holder or (b) to a spouse or child of the holder; provided, however, that each proposed transferee of an Ownership

Interest who will be involved in the operations or management of the Cost Cutters Business has successfully completed COST CUTTERS' training program and has been certified by COST CUTTERS and is, in COST CUTTERS' reasonable judgment, qualified from a managerial and financial standpoint to operate the Cost Cutters Business in an economic and businesslike manner. The FRANCHISEE and the holders of an Ownership Interest must provide COST CUTTERS with written notice of all such transactions, and the proposed transferee holder of an Ownership Interest must agree to be personally liable under this Agreement and enter into a written agreement where they agree to perform all the terms and conditions contained in this Agreement. All certificates representing Ownership Interests issued by the FRANCHISEE to its owners must bear the following legend:

> The ownership interests represented by this certificate are subject to a written Franchise Agreement which grants The Barbers, Hairstyling for Men & Women, Inc., the right of first refusal to purchase these interests from the holder. Any person acquiring the ownership interests represented by this certificate will be subject to the terms and conditions of the Franchise Agreement between the company named on the face of this certificate and The Barbers, Hairstyling for Men & Women, Inc., which includes provisions containing covenants not to compete that apply to all holders of ownership interests in the company.

13.5 ACKNOWLEDGMENT OF RESTRICTIONS. The FRANCHISEE acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Cost Cutters Business System and the Marks, as well as COST CUTTERS' reputation and image, and are for the protection of COST CUTTERS, the FRANCHISEE and all other Franchisees who own and operate Cost Cutters businesses. Any assignment or transfer permitted by Article 13 will not be effective until COST CUTTERS receives a completely executed copy of all transfer documents and COST CUTTERS consents to the transfer in writing.

13.6 SELLING HOLDERS SUBJECT TO COVENANT NOT TO COMPETE. Any holder of Ownership Interests in the FRANCHISEE that sells or assigns any Ownership Interests in the FRANCHISEE will continue to be subject to provisions of Article 12 of this Agreement after the sale or assignment.

13.7 RIGHT OF COST CUTTERS TO PURCHASE FRANCHISE ASSETS. If this Agreement expires or is terminated by either COST CUTTERS or the FRANCHISEE for any reason whatsoever, or if the FRANCHISEE wrongfully terminates this Agreement by failing to comply with Article 10 or otherwise, or if the FRANCHISEE at any time ceases to do business at the Franchised Location as a Cost Cutters Business, then COST CUTTERS will have the right, but not the obligation, to purchase the then-usable furniture, supplies, inventory, fixtures and equipment, and all other assets that are required by COST CUTTERS for a standard Cost Cutters business and owned by the FRANCHISEE in its Cost Cutters Business (the "Franchise Assets"). COST CUTTERS will not purchase any assets from the FRANCHISEE that are not part of the standard Cost Cutters business. The FRANCHISEE must give COST CUTTERS written notice listing the cost of each one of the Franchise Assets in detail and the FRANCHISEE'S asking price for the Franchise Assets within twenty-four (24) hours after the FRANCHISEE ceases to do business as a Cost Cutters Business, or after this Agreement expires or is terminated by either party, or is wrongfully terminated by the FRANCHISEE.

13.8 DETERMINATION OF FAIR MARKET VALUE. If the FRANCHISEE fails to give COST CUTTERS written notice of the asking price of the Franchise Assets, or if COST CUTTERS and the FRANCHISEE cannot agree on the price of the Franchise Assets, then either party will have the right to demand that the price of the Franchise Assets be determined by arbitration in accordance with the Rules and Regulations of the American Arbitration Association. The arbitration hearing will be held as soon as possible, but in no event later than seven (7) business days from the date arbitration is demanded by either

party. The Arbitrator will determine the fair market value of the Franchise Assets. The Arbitrator will not consider any value for goodwill associated with the name Cost Cutters® or Cost Cutters Family Hair Salon® or for going concern value in determining the fair market value of the Franchise Assets since the right of purchase granted to COST CUTTERS pursuant to this provision applies only after this Agreement has expired or has been terminated, or the FRANCHISEE has ceased doing business. Furthermore, the Arbitrator will not consider any value for the Lease for the Franchised Location if COST CUTTERS agrees to assume the Lease and pay the rental and operating costs. If the Arbitrator is unable to determine the fair market value of any of the Franchise Assets, then they will be valued at book value (cost less depreciation). COST CUTTERS will have the right, but not the obligation, to purchase any or all of the Franchise Assets from the FRANCHISEE for cash within fifteen (15) business days after the fair market value of the Franchise Assets has been established by the Arbitrator in writing. Nothing in this Article will prohibit COST CUTTERS from enforcing the terms and conditions of this Agreement, including the covenants not to compete contained in Article 12.

ARTICLE 14
TRAINING PROGRAM; PRE-OPENING ASSISTANCE; OPENING ASSISTANCE

14.1 TRAINING PROGRAM. COST CUTTERS will provide a training program for the FRANCHISEE (and the FRANCHISEE'S District Manager if one is employed) in Minneapolis, Minnesota (or such other location (including online) designated by COST CUTTERS) to educate, familiarize and acquaint them with the operations of a Cost Cutters Business. The training program will include classroom instruction for not less than four (4) days on orientation to the Business System and basic operating skills such as daily operational procedures, inventory control, computerized point of sale system, employee relations, scheduling and other topics selected by COST CUTTERS. The FRANCHISEE and the FRANCHISEE'S District Manager must successfully complete the training program either (a) prior to commencing any business operations or (b) at the first scheduling of the training program by COST CUTTERS after the execution of this Agreement. The training program will be scheduled by COST CUTTERS. In the event the FRANCHISEE or its District Manager fails to successfully complete COST CUTTERS' training program within the time period expressed in the third sentence of this Article 14.1, he or she will not be permitted or authorized to manage or operate the FRANCHISEE'S Cost Cutters Business and COST CUTTERS will have the right to reject the FRANCHISEE pursuant to Article 4.2 of this Agreement.

14.2 HIRING OF NEW DISTRICT MANAGER. In the event the FRANCHISEE hires a District Manager who has not successfully completed the training program(s) prescribed by COST CUTTERS, and if COST CUTTERS determines that the new District Manager does not have sufficient knowledge or experience relating to the management of the FRANCHISEE'S Cost Cutters Business, then COST CUTTERS will require the individual to successfully complete the prescribed training prior to the time he or she will be allowed to manage or operate the FRANCHISEE'S Cost Cutters Business, and the FRANCHISEE will be required to pay COST CUTTERS the then current training fee charged by COST CUTTERS.

14.3 PAYMENT OF SALARIES AND EXPENSES DURING TRAINING. The FRANCHISEE will pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, lodging, food, automobile rental, travel costs, and all other expenses for the FRANCHISEE, the FRANCHISEE'S District Manager and all other persons sent to the training program by the FRANCHISEE, and the FRANCHISEE will comply with all applicable state and federal laws pertaining to all employees who attend COST CUTTERS' training program.

14.4 PRE-OPENING & OPENING ASSISTANCE. After the FRANCHISEE and the FRANCHISEE'S District Manager have successfully completed COST CUTTERS' training program,

COST CUTTERS will assist the FRANCHISEE in scheduling the initial opening of the FRANCHISEE'S Cost Cutters Business. COST CUTTERS will provide, at its cost, a representative for at least two (2) business days at the Franchised Location (or online at COST CUTTERS' option), who will provide pre-opening and opening assistance which will include training the FRANCHISEE'S Cost Cutters staff in daily operational procedures, customer relations, product knowledge and any other areas selected by COST CUTTERS, provided that: (a) the foregoing training will be provided only if the Franchised Location is the FRANCHISEE's first Cost Cutters Business or the FRANCHISEE is an existing Cost Cutters franchisee with less than four (4) other Cost Cutters Businesses then open and operating; and (b) if the Franchised Location is an existing store acquired from COST CUTTERS or its affiliate, then such assistance will be limited to operations training on the day FRANCHISEE takes possession of the Franchised Location. The FRANCHISEE will not open and commence initial business operations until COST CUTTERS has given the FRANCHISEE written approval to open the FRANCHISEE'S Cost Cutters Business.

ARTICLE 15
COST CUTTERS' OTHER OBLIGATIONS

15.1 ADDITIONAL ASSISTANCE. Consistent with COST CUTTERS' uniform requirements and quality standards, COST CUTTERS will, at its expense: (A) provide the FRANCHISEE with a written schedule of all furniture, fixtures, supplies and equipment necessary and required for the operation of the FRANCHISEE'S Cost Cutters Business; (B) furnish a list of approved sources from whom the FRANCHISEE can purchase furniture, fixtures, equipment, supplies, toiletries, grooming aids, products, printed materials, items, goods and services; (C) review and evaluate the FRANCHISEE'S Business as often as COST CUTTERS deems necessary and render written reports to the FRANCHISEE as deemed appropriate by COST CUTTERS; (D) protect, police and, when appropriate, enforce the Marks and the Business System for the benefit of all Cost Cutters franchisees; (E) render advisory services pertaining to customer service and the operation of the FRANCHISEE'S Cost Cutters Business as frequently as COST CUTTERS deems appropriate; (F) provide the FRANCHISEE with one (1) copy of COST CUTTERS' standard Operations Manual and all supplements and modifications to the Manual which may be provided via the internet or some other means; and (G) provide the FRANCHISEE with COST CUTTERS' approved standard store layouts and plans for the Franchised Location.

15.2 ANNUAL CONVENTION. COST CUTTERS will, during the term of this Agreement, conduct an annual convention for all Cost Cutters franchisees at such times and at such locations as COST CUTTERS deems appropriate. The FRANCHISEE will attend the annual convention conducted by COST CUTTERS for Cost Cutters franchisees during each year of this Agreement. All expenses incurred by the FRANCHISEE or any employees of the FRANCHISEE in traveling to and attending the annual convention conducted by COST CUTTERS will be paid for by the FRANCHISEE. COST CUTTERS will charge, and the FRANCHISEE will pay, a registration fee for the annual convention, regardless of whether the FRANCHISEE, or any representative of the FRANCHISEE, attends the convention, and an additional registration fee will be charged for each person in addition to the first person attending the annual convention on behalf of the FRANCHISEE.

15.3 OPTIONAL ADDITIONAL TRAINING. COST CUTTERS may, during the term of this Agreement, provide optional additional training and instruction to the FRANCHISEE on topics determined by COST CUTTERS. COST CUTTERS reserves the right to add or delete additional training topics at any time without notice to the FRANCHISEE. The FRANCHISEE will be required to pay COST CUTTERS the then-current training fee charged by COST CUTTERS for any additional training attended by the FRANCHISEE or its employees. All expenses incurred by the FRANCHISEE or any employees of the FRANCHISEE in traveling to and attending optional additional training will be paid for by the FRANCHISEE.

ARTICLE 16
COST CUTTERS SIGN

16.1 INSTALLATION OF SIGN. The FRANCHISEE will, at its expense, purchase the standard Cost Cutters Sign (the "Sign") which must be displayed at the Franchised Location. The FRANCHISEE will pay for all costs incurred in connection with the erection and installation of the Sign. The Sign must conform exactly to COST CUTTERS' standard Sign plans and specifications and must be installed at the Franchised Location precisely in the place, location and manner specified by COST CUTTERS in writing. COST CUTTERS will have the absolute right to inspect, examine, videotape and photograph the Sign at any time during the term of this Agreement.

16.2 ADDITIONAL EXPENSES. The FRANCHISEE will, at its expense, be responsible for any and all permits, licenses, repairs, maintenance, utilities, insurance, taxes, assessments and levies in connection with the installation or use of the Sign.

16.3 MODIFICATION AND REPLACEMENT. The FRANCHISEE may not alter, remove, change, modify or redesign the Sign unless approved by COST CUTTERS in writing. COST CUTTERS will have the unequivocal and unilateral right to redesign the Sign plans and specifications during the term of this Agreement without the approval or consent of the FRANCHISEE. Upon written notice from COST CUTTERS, the FRANCHISEE will, at its expense, either modify or replace the Sign within thirty (30) days so that the Sign displayed at the Franchised Location will comply with COST CUTTERS' redesigned Sign plans and specifications. The FRANCHISEE will not be required to modify or replace the Sign more than once every five (5) years during the term of this Agreement.

16.4 INJUNCTIVE RELIEF. The FRANCHISEE agrees that COST CUTTERS will be entitled to seek injunctive relief against the FRANCHISEE to require the FRANCHISEE, at the FRANCHISEE'S expense, to: (A) exhibit the approved Cost Cutters Sign at the Franchised Location during the term of this Agreement; (B) remove the Sign upon the termination or expiration of this Agreement; or (C) remove the Sign from the former franchised location upon the relocation of the Franchised Location. Unless required by applicable law, COST CUTTERS will not be required to post a bond or other security prior to obtaining injunctive relief pursuant to this Article.

ARTICLE 17
INSURANCE

17.1 GENERAL LIABILITY. The FRANCHISEE must acquire and maintain in full force and effect, at its sole cost and expense, a general liability insurance policy insuring the FRANCHISEE, COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors and employees from and against any loss, liability, damage, claim or expense of any kind whatsoever including claims for bodily injury, personal injury, death, property damage, products liability and malpractice resulting from the condition, operation, use, business or occupancy of the FRANCHISEE'S Cost Cutters Business, including the surrounding premises, the parking area and the sidewalks of the Franchised Location.

17.2 AUTOMOBILE. The FRANCHISEE must acquire and maintain in full force and effect, at its sole cost and expense, automobile liability coverage insuring the FRANCHISEE, COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors and employees from any and all loss, liability, damage, claim or expense of any kind whatsoever resulting from the use, operation or maintenance of any owned, leased, hired and non-owned automobile or vehicle used by the FRANCHISEE or any of its employees in connection with the FRANCHISEE'S Cost Cutters Business.

17.3 COVERAGE LIMITS. Liability coverages for both the general liability insurance coverage and automobile coverage must have limits of at least One Million Dollars ($1,000,000) for each person and Two Million Dollars ($2,000,000) for each occurrence, or such other limits as COST CUTTERS may require. Umbrella and/or excess liability policies used to comply with general liability and/or automobile liability limits shown above shall be warranted to be in excess of limits provided by primary general liability, automobile and employers liability.

17.4 PROPERTY INSURANCE. The FRANCHISEE will maintain in full force and effect, at its sole cost and expense, "all risks" property insurance coverage for the equipment, furnishings, fixtures, inventory and signs owned or leased by the FRANCHISEE and used at the Franchised Location (including fire and extended coverage) with limits equal to at least "replacement" cost. There shall be no co-insurance penalty imposed by such coverage. COST CUTTERS shall be named as a loss payee on such policy.

17.5 PROFESSIONAL LIABILITY INSURANCE. The FRANCHISEE will maintain in full force and effect, at its sole cost and expense, professional liability coverage with coverage limits of a reasonable amount insuring the FRANCHISEE, COST CUTTERS, and their respective officers, directors and employees from any and all loss, liability, damage, claim or expense of any kind whatsoever resulting from actions or omissions of the FRANCHISEE'S officers, directors or any of its employees in connection with the FRANCHISEE'S Cost Cutters Business.

17.6 OTHER INSURANCE. The FRANCHISEE will, at its sole cost and expense, procure and pay for all other insurance required by state or federal law, including workers' compensation insurance or its equivalent for its employees, employer's liability insurance, together with all insurance required under any sublease, lease, mortgage, deed of trust or other legal contract in connection with the Franchised Location or the operation of the FRANCHISEE'S Cost Cutters Business.

17.7 INSURANCE COMPANIES; EVIDENCE OF COVERAGE. All insurance companies providing coverage to the FRANCHISEE must have an A.M. Best Rating of at least "A" and be licensed and/or authorized to do business in the state where coverage is provided. Before construction or remodeling of the Franchised Location begins, and annually after the Franchised Location is open for business, the FRANCHISEE will provide COST CUTTERS with certificates of insurance evidencing the required insurance coverage and will provide, immediately upon expiration, change or cancellation, new certificates of insurance to COST CUTTERS. No policy shall contain a self insured retention. No policy shall contain a deductible in excess of $25,000. Satisfaction of any and all deductibles shall be the sole responsibility of FRANCHISEE.

17.8 COST CUTTERS' RIGHTS. All insurance policies procured and maintained by the FRANCHISEE pursuant to this Article will name COST CUTTERS, its parent, subsidiaries and affiliates as additional insureds, will contain endorsements by the insurance companies waiving all rights of subrogation against COST CUTTERS, its parent, subsidiaries and affiliates and will stipulate that COST CUTTERS will receive copies of all notices of cancellation, nonrenewal, or coverage reduction or elimination at least thirty (30) days prior to the effective date of such cancellation, nonrenewal or coverage change. FRANCHISEE agrees to immediately provide COST CUTTERS with any such notification received from the insurance carrier. In the event of a breach of the insurance procurement obligations by the FRANCHISEE, FRANCHISEE must pay for COST CUTTERS' attorneys' fees, expenses and liability as a result of any claim or lawsuit.

17.9 DEFENSE OF CLAIMS. All liability insurance policies procured and maintained by the FRANCHISEE will require the insurance companies to provide and pay for legal counsel to defend any

legal actions, lawsuits or claims brought against the FRANCHISEE, COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors and employees.

17.10 NO REPRESENTATIONS; RIGHT TO ADDITIONAL COVERAGE. COST CUTTERS makes no representations with respect to the adequacy of the types of insurance coverage or coverage amounts set forth herein, and the FRANCHISEE will have the absolute right to maintain additional types of coverage and higher coverage amounts than those specified herein as minimum requirements.

ARTICLE 18
INDEPENDENT CONTRACTORS; INDEMNIFICATION

18.1 INDEPENDENT CONTRACTORS. COST CUTTERS and the FRANCHISEE are each independent contractors and, as a consequence, there is no employer-employee or principal-agent relationship between COST CUTTERS and the FRANCHISEE. The FRANCHISEE will not have the right to and will not make any agreements, representations or warranties in the name of or on behalf of COST CUTTERS or represent that their relationship is other than that of Franchisor and Franchisee. Neither COST CUTTERS nor the FRANCHISEE will be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties.

18.2 INDEMNIFICATION. Neither COST CUTTERS nor its parent, subsidiaries and/or affiliates will be obligated to any person or entity for damages arising out of, from, in connection with, or as a result of the FRANCHISEE'S negligence or the operation of the FRANCHISEE'S Cost Cutters Business. The FRANCHISEE will defend, indemnify and hold COST CUTTERS, its parent, affiliates and subsidiaries and their respective officers, directors, employees and agents harmless against all claims, lawsuits, damages, obligations, liability, actions and judgments alleged or obtained by any person or entity against COST CUTTERS, its parent, affiliates or subsidiaries and their respective officers, directors, employees and agents arising out of, from, as a result of, or in connection with the FRANCHISEE'S negligence, the operation of the FRANCHISEE'S Cost Cutters Business, the Franchised Location, or any business conducted by the FRANCHISEE pursuant to this Agreement, including, without limitation, any claims arising from or relating to: (A) any personal injury, property damage, commercial loss or environmental contamination resulting from any act or omission of the FRANCHISEE or its employees, agents or representatives; (B) any failure on the part of the FRANCHISEE to comply with any requirement of any governmental authority; (C) any failure of the FRANCHISEE to pay any of its obligations; or (D) any failure of the FRANCHISEE to comply with any requirement or condition of this Agreement or any other agreement with COST CUTTERS or any parent, affiliate or subsidiary of COST CUTTERS. Further, the FRANCHISEE will indemnify and reimburse COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents for all such obligations and damages for which COST CUTTERS is held liable and for all costs reasonably incurred by COST CUTTERS in the defense or settlement of any such claims brought against it or in any action in which it is named as a party including, without limitation, costs for attorneys' fees actually incurred, investigation expenses, court costs, deposition expenses and travel and living expenses. COST CUTTERS, its parent, subsidiaries and affiliates will have the absolute right to defend or settle any claim made against any one of them, as the case may be, that results from or arises out of the FRANCHISEE'S Cost Cutters Business and FRANCHISEE shall indemnify and reimburse COST CUTTERS pursuant to this paragraph 18.2.

18.3 PAYMENT OF COSTS AND EXPENSES. The FRANCHISEE will pay all costs and expenses, including attorneys' fees, actually incurred by COST CUTTERS in enforcing any term, condition or provision of this Agreement or in seeking to enjoin any violation of this Agreement by the FRANCHISEE.

18.4 CONTINUATION OF OBLIGATIONS. The indemnification and other obligations contained in this Article will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 19
FINANCIAL STATEMENTS; GROSS REVENUE REPORTS; FORMS AND ACCOUNTING

19.1 QUARTERLY AND ANNUAL FINANCIAL STATEMENTS. The FRANCHISEE will, at its expense, provide COST CUTTERS with a quarterly balance sheet and income statement, and annual financial statements for the FRANCHISEE'S Cost Cutters Business which will consist of a balance sheet, income statement, statement of cash flows and explanatory footnotes. All financial statements provided to COST CUTTERS for the FRANCHISEE'S Cost Cutters Business will be presented in the exact form and format prescribed by COST CUTTERS in writing and will be categorized according to the chart of accounts prescribed by COST CUTTERS. The FRANCHISEE'S financial statements will be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If the FRANCHISEE'S annual financial statements are not audited by an independent certified public accountant, then the FRANCHISEE'S annual financial statements must be certified in writing as accurate by the FRANCHISEE'S President or Chief Financial Officer, or if the FRANCHISEE is not a corporation, then by the FRANCHISEE'S Managing Partner, Chief Operating Officer or Chief Financial Officer. The FRANCHISEE'S quarterly financial statements will be delivered to COST CUTTERS by the FRANCHISEE within thirty (30) days after the end of the quarter and the annual financial statements will be delivered within ninety (90) days of the FRANCHISEE'S fiscal year end.

19.2 TAX RETURNS. Within ninety (90) days after the FRANCHISEE'S fiscal year end, the FRANCHISEE will furnish COST CUTTERS with signed copies of the FRANCHISEE'S annual federal, and if applicable, state income tax returns, and copies of any other federal, state or local tax returns filed by the FRANCHISEE including, but not limited to, any amended tax returns filed by the FRANCHISEE, together with proof that the FRANCHISEE has paid all federal and state income and sales taxes due.

19.3 WEEKLY STATEMENT OF GROSS REVENUES. The FRANCHISEE will maintain an accurate electronic and/or written record of daily Gross Revenues for the FRANCHISEE'S Cost Cutters Business and the FRANCHISEE will remit an electronic or written statement of the weekly Gross Revenues generated by, at, as a result of, or from the FRANCHISEE'S Cost Cutters Business using such forms as COST CUTTERS may prescribe in writing. The statement must be signed and certified as accurate by the FRANCHISEE. The weekly statement of Gross Revenues will accompany the FRANCHISEE'S weekly Continuing Fees and Advertising Fees and will be provided to COST CUTTERS on or before Wednesday of each week for the preceding week. If FRANCHISEE fails to deliver its weekly statement of Gross Revenues to COST CUTTERS when due, then COST CUTTERS may charge FRANCHISEE a $100 late fee for each such failure.

19.4 COST CUTTERS' AUDIT RIGHTS. Within three (3) days after having been given written notice from COST CUTTERS, the FRANCHISEE and its accountants will make all of their books, ledgers, work papers, accounts, bank statements, tax returns, sales tax returns, daily cash register tapes and financial records pertaining to the FRANCHISEE'S Business ("books and financial records") available to COST CUTTERS during all business hours for review and audit by COST CUTTERS or its designee. The books and financial records for each fiscal year will be kept in a secure place by the FRANCHISEE and will be available for audit by COST CUTTERS for at least the preceding five (5) years. The FRANCHISEE will provide COST CUTTERS with adequate facilities to conduct the audit, including a working area with a desk and chair at either the Franchised Location or at the FRANCHISEE'S accountants' offices. If an audit by COST CUTTERS reveals any deficiencies, then the FRANCHISEE will, within five (5) days after receipt of an invoice from COST CUTTERS indicating the

amounts owed, pay COST CUTTERS any deficiency in Continuing Fees or other amounts owed to COST CUTTERS, together with interest as provided for herein. If an audit by COST CUTTERS results in a determination that the FRANCHISEE'S Gross Revenues were understated by more than two percent (2%), or that the FRANCHISEE has underpaid the weekly Continuing Fees by more than Five Hundred Dollars ($500) in any twelve (12) month period, then the FRANCHISEE will, in addition to paying any deficiency in Continuing Fees, Advertising Fees, costs of products purchased from COST CUTTERS or other amounts due to COST CUTTERS, reimburse COST CUTTERS for all costs and expenses (including salaries of COST CUTTERS' employees, travel costs, room and board, and audit fees) that COST CUTTERS has incurred as a result of the audit, including any fees paid to its accountants to conduct the audit. The FRANCHISEE will reimburse COST CUTTERS for such costs and expenses within ten (10) days of receipt of an invoice from COST CUTTERS indicating the amount owed as a result of the audit. The FRANCHISEE'S failure or refusal to produce the books and financial records for audit by COST CUTTERS in accordance with this Article 19.4 will constitute a material breach of this Agreement and will be grounds for the immediate termination of this Agreement by COST CUTTERS.

19.5 WAIVER BY FRANCHISEE. COST CUTTERS will have the right, without notice to, or further approval of or authorization by the FRANCHISEE, to obtain credit reports maintained by credit reporting agencies regarding the FRANCHISEE and the right to review the books and records maintained by the vendors or suppliers that supply products, goods or services to the FRANCHISEE regarding the purchase made by the FRANCHISEE. This Agreement will serve as evidence of COST CUTTERS' right to review such information and will constitute the authority from the FRANCHISEE for credit reporting agencies, vendors and suppliers to provide such information to COST CUTTERS.

19.6 PAYMENT BY PRE-AUTHORIZED BANK TRANSFER. The FRANCHISEE will execute an authorization for direct payment in the form attached hereto as Exhibit "B" and will, from time to time during the term of this Agreement, execute such other documents as COST CUTTERS may request to provide the FRANCHISEE'S unconditional and irrevocable authority and direction to its bank or financial institution authorizing and directing the FRANCHISEE'S bank or financial institution to pay and deposit directly to the account of COST CUTTERS, and to charge to the account of the FRANCHISEE, on Wednesday of each week, the amount of the Continuing Fees, Advertising Fees and other sums due and payable by the FRANCHISEE pursuant to this Agreement in accordance with Article 5 and Article 6 of this Agreement. The FRANCHISEE'S authorizations will permit COST CUTTERS to designate the amount to be debited or drafted from the FRANCHISEE'S account and to adjust such amount from time to time, to the amount of the Continuing Fees, Advertising Fees and other sums then payable to COST CUTTERS from the FRANCHISEE. If the FRANCHISEE fails at any time to provide reports of Gross Revenues as required under Article 19.3 of this Agreement, then COST CUTTERS will have the right to estimate the amount of the Continuing Fees, Advertising Fees and other sums due and payable to COST CUTTERS, and to designate such estimated amount as the amount to be debited or drafted from the FRANCHISEE'S account. The FRANCHISEE will, at all times during the term of this Agreement, maintain a balance in its account at its bank or financial institution sufficient to allow the appropriate amount to be debited from the FRANCHISEE'S account for payment of the Continuing Fees, Advertising Fees and other sums payable by the FRANCHISEE for deposit in the account of COST CUTTERS.

ARTICLE 20
ASSIGNMENT

20.1 ASSIGNMENT BY COST CUTTERS. This Agreement may be unilaterally assigned and transferred by COST CUTTERS without the FRANCHISEE'S approval or consent, and will inure to the benefit of COST CUTTERS' successors and assigns. COST CUTTERS will provide the FRANCHISEE

with written notice of any such assignment or transfer, and the assignee will be required to fulfill COST CUTTERS' obligations under this Agreement.

20.2 ASSIGNMENT BY FRANCHISEE TO CONTROLLED ENTITY. In the event the FRANCHISEE is an individual or a partnership, this Agreement may be transferred or assigned by the FRANCHISEE, without first offering it to COST CUTTERS pursuant to Article 13, to a corporation, limited liability company, partnership or other entity which is owned or controlled (ownership of at least fifty-one percent (51%) of the outstanding ownership interests) by the FRANCHISEE, provided that: (A) the FRANCHISEE and all the holders of the ownership interests of the assignee entity sign or have signed a personal guaranty in the form attached to this Agreement; (B) the FRANCHISEE furnishes prior written proof to COST CUTTERS substantiating that the assignee entity will be financially able to perform all of the terms and conditions of this Agreement; and (C) none of the holders of ownership interests in the entity owns, operates, franchises, develops, manages or controls any hairstyling, barber or other business that is in any way competitive with or similar to a Cost Cutters business. The FRANCHISEE will give COST CUTTERS fifteen (15) days written notice prior to the proposed date of assignment or transfer of this Agreement to an entity owned or controlled by the FRANCHISEE; however, the transfer or assignment of this Agreement will not be valid or effective until COST CUTTERS has received the legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this Agreement to the entity as provided herein.

20.3 ASSIGNMENT UPON DEATH OR DISABILITY OF INDIVIDUAL FRANCHISEE. If the FRANCHISEE is an individual, then this Agreement may be assigned, transferred or bequeathed by the FRANCHISEE to any designated person or beneficiary without first being offered to COST CUTTERS pursuant to Article 13 upon his or her death or permanent disability. However, the assignment of this Agreement to the transferee, assignee or beneficiary of the FRANCHISEE will not be valid or effective until COST CUTTERS has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the transfer, assignment or bequest of this Agreement, and until the transferee, assignee or beneficiary agrees to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of the FRANCHISEE'S obligations under this Agreement.

20.4 APPROVAL OF TRANSFER; CONDITIONS FOR APPROVAL. The rights granted to the FRANCHISEE pursuant to this Agreement may be assigned or transferred by the FRANCHISEE only with the prior written approval of COST CUTTERS. COST CUTTERS will not unreasonably withhold its consent to any transfer of this Agreement provided that the FRANCHISEE and the transferee Franchisee comply with the following conditions: (A) the FRANCHISEE has complied in all respects with Article 13 of this Agreement; (B) all of the FRANCHISEE'S monetary obligations due to COST CUTTERS have been paid in full, and the FRANCHISEE is not otherwise in default under this Agreement; (C) the FRANCHISEE has executed a written agreement in a form satisfactory to COST CUTTERS in which the FRANCHISEE agrees to observe all applicable obligations and covenants contained in this Agreement; (D) the transferee Franchisee and the holders of its ownership interests agree to be personally liable to discharge all of the FRANCHISEE'S obligations under this Agreement, and will enter into a written agreement in a form satisfactory to COST CUTTERS assuming and agreeing to discharge all of the FRANCHISEE'S obligations and covenants under this Agreement; (E) the transferee Franchisee will have demonstrated to COST CUTTERS' satisfaction that he, she or it meets COST CUTTERS' managerial, financial and business standards for new Franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the franchised business (as may be evidenced by prior related business experience or otherwise); (F) the transferee Franchisee and all parties having a legal or beneficial interest in the transferee Franchisee including, if applicable, the holders of all ownership interests in the transferee Franchisee and the Personal Guarantors of the transferee Franchisee will execute COST CUTTERS' then-current standard Franchise Agreement for a

term ending on the expiration date of this Agreement and such other ancillary agreements as COST CUTTERS may require for the transfer of the FRANCHISEE'S Business; (G) the transferee Franchisee will not be required to pay the Initial Fee, however, the transferee Franchisee will be required to pay the Continuing Fees and the Advertising Fees to COST CUTTERS at the rate specified in this Agreement; (H) the transferee Franchisee has purchased the Franchised Location or has acquired a lease for the Franchised Location for a reasonable term consistent with the remaining term of this Agreement; (I) if the Franchised Location is over seven (7) years old and has not been remodeled within the last five (5) years, and if required by COST CUTTERS, the transferee Franchisee agrees to modernize the Franchised Location to meet COST CUTTERS' approval within six (6) months of the transfer date; (J) the transferee Franchisee (and its District Manager if one is employed) must successfully complete the training program(s) prescribed by COST CUTTERS; (K) the transferee Franchisee will pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, hotel costs, travel costs and other expenses for all persons sent to the training program(s), and will pay to COST CUTTERS COST CUTTERS' then-current training fee for each person attending COST CUTTERS' training program(s); (L) the FRANCHISEE has paid the transfer fee required under Article 20.6; (M) the transferee Franchisee has paid the Training Program Deposit required under Article 20.7; (N) the transferee Franchisee does not own, operate, franchise, develop, manage or control any hairstyling, barber or other business that is in any way competitive with or similar to a Cost Cutters business; (O) FRANCHISEE and each of its owners, if Franchisee is a corporation or partnership, shall have executed a general release in form satisfactory to Franchisor of any and all claims against the Franchisor and its parent, affiliates, officers, directors, employees and agents (except to the extent limited or prohibited by applicable law); and (P) if the transferee Franchisee does not meet COST CUTTERS' net worth requirements for operation of the Cost Cutters Business, then the FRANCHISEE and/or the holders of all ownership interests in the transferee Franchisee and the Personal Guarantors will execute a written agreement in a form satisfactory to COST CUTTERS agreeing to remain liable to COST CUTTERS for the obligations of the Cost Cutters Business.

20.5 <u>ACKNOWLEDGMENT OF RESTRICTIONS</u>. The FRANCHISEE acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Cost Cutters Business System and the Marks, as well as COST CUTTERS' reputation and image, and are for the protection of COST CUTTERS, the FRANCHISEE and all other franchisees who own and operate Cost Cutters businesses. Any assignment or transfer permitted by this Article 20 will not be effective until COST CUTTERS receives a completely executed copy of all transfer documents and COST CUTTERS consents to the transfer in writing, and any attempted assignment or transfer made without complying with the requirements of this Article 20 will be void.

20.6 <u>TRANSFER FEE</u>. If, pursuant to the terms of this Article 20, the rights granted to the FRANCHISEE in this Agreement are assigned, transferred or bequeathed to another person or entity, or if the holders of Ownership Interests in the FRANCHISEE representing more than fifty percent (50%) of the voting power in the FRANCHISEE transfer their interests in the FRANCHISEE to another person or entity, then the FRANCHISEE will pay COST CUTTERS a transfer fee. The amount of the transfer fee is based on the number of Cost Cutters Businesses that the FRANCHISEE simultaneously transfers to another person or entity. The FRANCHISEE will pay COST CUTTERS a transfer fee of Two Thousand Five Hundred Dollars ($2,500) to assign the FRANCHISEE'S rights in this Agreement between the FRANCHISEE and COST CUTTERS, or the holders of Ownership Interests in the FRANCHISEE representing more than fifty percent (50%) of the voting power in the FRANCHISEE transfer their interests in the FRANCHISEE to another person or entity. If the FRANCHISEE simultaneously transfers its rights in this Agreement and the FRANCHISEE'S rights in any additional franchise agreements between the FRANCHISEE and COST CUTTERS for the operation of a Cost Cutters Business, then the amount of the transfer fee will be reduced for each additional transfer by Five Hundred Dollars ($500) until a minimum of Five Hundred Dollars ($500) per transfer as follows:

1 store	$2,500
2 stores	$4,500
3 stores	$6,000
4 stores	$7,000
5 stores	$7,500

Each store thereafter is $500

This fee is to cover the costs incurred by COST CUTTERS for attorneys' fees, accountants' fees, compliance with applicable laws, out-of-pocket expenses, long distance telephone calls, and the time of its employees and officers.

20.7 TRAINING PROGRAM DEPOSIT. If, pursuant to the terms of this Article 20, the rights granted in this Agreement are assigned, transferred or bequeathed to another person or entity, or if the holders of Ownership Interests in the FRANCHISEE representing fifty percent (50%) of the voting power in the FRANCHISEE transfer their interests in the FRANCHISEE to another person or entity, then, as a condition (in addition to the other conditions expressed in this Article 20) to the approval by COST CUTTERS of such assignment, transfer or bequest, the transferee Franchisee will pay COST CUTTERS a training program deposit which will be refunded to the transferee Franchisee in its entirety upon the transferee Franchisee's successful completion of COST CUTTERS' training program. The amount of the training program deposit to be paid to COST CUTTERS is Two Thousand Five Hundred Dollars ($2,500).

ARTICLE 21
SITE SELECTION; STANDARD STORE LAYOUTS AND PLANS

21.1 SITE SELECTION. The FRANCHISEE will be solely responsible for selecting a site that meets COST CUTTERS prior approval for the Franchised Location and for purchasing, leasing or otherwise acquiring possession of the site (or if required by COST CUTTERS subleasing such site from COST CUTTERS or its affiliates) for the Franchised Location. Accordingly, no provision of this Agreement may be construed to impose any obligation or responsibility on COST CUTTERS to locate or select a site for the Franchised Location. The FRANCHISEE will not lease, purchase or otherwise acquire a site for the Franchised Location until: (1) the proposed site has been reviewed and approved in writing by COST CUTTERS for FRANCHISEE'S Franchised Location, considering all factors COST CUTTERS deems material in considering whether to approve such site for FRANCHISEE'S Franchised Location including accessibility, visibility, potential traffic flows, competition, other commercial, market, and demographic information and other factors COST CUTTERS deems relevant; and (2) COST CUTTERS has reviewed the Lease and determined whether FRANCHISEE will be required to sublease from COST CUTTERS or an affiliate. The review of the site conducted by COST CUTTERS will not be deemed to be a warranty, representation or guaranty by COST CUTTERS that the site will be approved for FRANCHISEE'S Franchised Location or if the FRANCHISEE'S Cost Cutters Business is approved by COST CUTTERS and is opened and operated at that site, that it will be a financial success. Notwithstanding anything to the contrary contained in this Agreement, the site for the Franchised Location may not be located within any location or premises owned or controlled by a national or regional mass merchandiser such as but not limited to Wal-Mart, Target, Venture or Costco.

21.2 STANDARD STORE LAYOUTS AND PLANS. After the Franchised Location has been leased or otherwise acquired in accordance with this Agreement, the FRANCHISEE will, within sixty (60) days of the date of this Agreement, provide COST CUTTERS with the following information for the Franchised Location: (A) a copy of the executed Lease and Lease Addendum signed by landlord (if applicable); (B) the store front elevation; (C) space documentation (size and lay-out); (D) location of the

plumbing and electrical sources; (E) local signage requirements, laws and regulations; and (F) all other pertinent information. Based upon the information provided by the FRANCHISEE, COST CUTTERS will provide approved store layouts and plans for the Franchised Location. The FRANCHISEE will construct or remodel the Franchised Location in strict compliance with the store layouts and plans provided by COST CUTTERS. Any unauthorized variance from the store layouts and plans prepared by COST CUTTERS will be a material breach of this Agreement. Providing store layouts and plans does not constitute a representation, warranty or guaranty by COST CUTTERS that the site will be a financially successful location for the FRANCHISEE'S Cost Cutters Business, and the FRANCHISEE assumes all business and economic risks associated with the operation of the Cost Cutters Business at this site.

21.3 INCORRECT INFORMATION. In the event any of the information provided to COST CUTTERS by the FRANCHISEE pursuant to this Article is incorrect, inaccurate or incomplete, then the FRANCHISEE will pay for all costs and expenses incurred by COST CUTTERS in revising the store layouts and plans prepared by COST CUTTERS for the Franchised Location.

21.4 FRANCHISEE RESPONSIBLE FOR CONSTRUCTION OR REMODELING. The FRANCHISEE will be solely responsible for ascertaining and insuring that the Franchised Location is constructed or remodeled according to the store layouts and plans provided by COST CUTTERS and is in compliance with all applicable local, state and federal laws, ordinances, statutes and building codes, including compliance with the Americans with Disabilities Act. Accordingly, the FRANCHISEE or its agent will be responsible for inspecting the premises during construction or remodeling to insure that the Franchised Location complies with the store layouts and plans and with applicable laws and ordinances.

21.5 COST CUTTERS' OPTION TO VIEW FRANCHISED LOCATION. COST CUTTERS may, at its expense, view the Franchised Location during construction or remodeling at such times as it deems necessary for the purpose of determining the progress of the construction or remodeling and to ascertain that the interior and exterior of the Franchised Location are generally being constructed or remodeled according to the store layouts and plans. COST CUTTERS' viewing of the Franchised Location during construction or remodeling will not be for the purpose of determining that the Franchised Location is being constructed or remodeled in a workmanlike manner or in compliance with any applicable laws or ordinances. Accordingly, COST CUTTERS will have no responsibility or liability to the FRANCHISEE or any other person or entity if the Franchised Location is not constructed or remodeled according to the store layouts and plans, in a workmanlike manner or in compliance with any applicable laws or ordinances.

21.6 LEASEHOLD IMPROVEMENTS. FRANCHISEE, at FRANCHISEE'S sole expense, shall add such leasehold improvements to the subject location as may be required by COST CUTTERS. Said leasehold improvements shall be constructed in strict conformity with designs, plans and specifications approved in writing by COST CUTTERS prior to the commencement of any construction. FRANCHISEE, at FRANCHISEE'S sole expense, shall equip and furnish the subject location with such equipment, furniture, fixtures and signs as COST CUTTERS may reasonably require in order to ensure a uniform appearance of all "COST CUTTERS" locations. If the Franchised Location hereunder was formerly an affiliated branded salon acquired by FRANCHISEE for conversion to the Cost Cutters Business hereunder, then FRANCHISEE shall convert the Franchised Location to the then-current approved store design for Cost Cutters Businesses by engaging COST CUTTERS' affiliate to provide construction management services and furniture, fixtures, and equipment coordination services pursuant to COST CUTTERS' affiliate's then-current standard agreement and fee. FRANCHISEE shall be solely responsible for all costs and expenses associated with such conversion. FRANCHISEE shall complete such conversion process to COST CUTTERS' current standards within 90 days of acquiring the affiliated branded salon.

21.7 MAINTENANCE OF FURNITURE AND FIXTURES. FRANCHISEE agrees at FRANCHISEE'S expense to maintain all improvements, furniture, fixtures, and equipment located in the subject location in good and safe working order and to replace all worn, damaged or unsafe improvements, furniture, fixtures and equipment with new replacement items of equal or better quality which shall conform in appearance and design to the then current approved designs and plans and specifications of COST CUTTERS. Subject to Section 21.6 above, in addition, COST CUTTERS may from time to time require FRANCHISEE to modify the appearance of the subject location to conform to the current approved design and appearance standards adopted by COST CUTTERS. FRANCHISEE shall, within a reasonable time after notice from COST CUTTERS of such standards, take all steps, including remodeling or other substantial changes, necessary to comply with said standards at FRANCHISEE'S cost. In all events, FRANCHISEE shall install and use only such furnishings, fixtures and equipment as shall conform to specifications of design, color, quality, performance and utility designated or approved in writing by COST CUTTERS.

21.8 MAINTENANCE OF INTERIOR AND EXTERIOR. FRANCHISEE shall, at FRANCHISEE'S expense, maintain the interior and exterior of the subject location in a clean, orderly, safe, and sanitary condition satisfactory to COST CUTTERS and shall make such repairs or modifications as are necessary to maintain an aesthetically pleasing appearance. All repairs, modifications, and remodeling of the subject location shall be made only after FRANCHISEE has received the prior written consent of COST CUTTERS.

21.9 FRANCHISEE'S INDEMNIFICATION OF COST CUTTERS REGARDING IMPROVEMENTS. FRANCHISEE agrees to indemnify, defend, and hold COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents harmless from any claim, action, proceeding or demand arising from or pertaining to FRANCHISEE'S improvements to, or modifications of, the subject location.

21.10 APPROVAL OF SIGNS. FRANCHISEE shall not install or use any sign, whether on the exterior or in the interior of the subject location, which has not received the prior written approval of COST CUTTERS. As used herein the term "sign" shall be interpreted in its broadest sense and shall include all displays, cards, window advertising and promotional material.

21.11 COST CUTTERS' RIGHT TO PLACE INQUIRY SIGNS. COST CUTTERS shall have the right to place in a conspicuous location in the subject location a sign of reasonable proportions which shall advise the public that FRANCHISEE'S business is a franchise and request prospective franchisees to contact COST CUTTERS.

ARTICLE 22
LEASE MATTERS

22.1 COST CUTTERS' REVIEW OF LEASE. Once a site for the Franchised Location has been accepted by COST CUTTERS, FRANCHISEE shall lease, purchase, or otherwise acquire possession of the Franchised Location, provided that COST CUTTERS has the right and option to lease or to have an affiliate lease the Franchised Location directly from the landlord and to require the FRANCHISEE to sublease the Franchised Location from COST CUTTERS or one of its affiliates. The lease for the Franchised Location (the "Lease") will be submitted to COST CUTTERS by the FRANCHISEE for COST CUTTERS' review prior to execution of the Lease by the FRANCHISEE. The Lease must, at a minimum, contain (a) the provisions of the Lease Addendum in Exhibit C, (b) no radius restrictions, (c) and be conditional upon COST CUTTERS' approval of the FRANCHISEE, (d) give COST CUTTERS the right to enter the premises to conduct inspections at any time during regular business hours, and (e)

the right, but not the obligation, to assume the Lease for the remaining term, in accordance with the provisions of this Article, if the FRANCHISEE is evicted by the Landlord or if this Agreement expires or is terminated by either COST CUTTERS or the FRANCHISEE for any reason prior to the expiration of the Lease, and (f) other reasonable terms required by COST CUTTERS including, without limitation the right to exercise options. COST CUTTERS' review of the Lease prior to its execution will not be for the purpose of approving the legal aspects, economics or rental terms of the Lease. Accordingly, COST CUTTERS will have no responsibility to the FRANCHISEE with regard to the economics or legality or enforceability of the Lease.

22.2 FRANCHISEE'S ASSIGNMENT OF LEASE. The FRANCHISEE hereby assigns and transfers all of its right, title and interest in and to the Lease (which is incorporated herein by reference) to COST CUTTERS as security for the FRANCHISEE'S performance of the terms and conditions of this Agreement. If this Agreement is terminated by either COST CUTTERS or the FRANCHISEE for any reason whatsoever, if the FRANCHISEE wrongfully terminates this Agreement by failing to comply with Article 10 or for any other reason, if the FRANCHISEE at any time ceases to do business at the Franchised Location as a Cost Cutters Business, or if this Agreement expires and the FRANCHISEE does not reacquire the franchise (an "Event of Default"), then COST CUTTERS will have the right and option, but not the obligation, to take and assume the Lease for the remaining term under the same terms and conditions, including rental, as originally contracted by the FRANCHISEE. The FRANCHISEE will execute a UCC-1 Financing Statement and such other documents as may be reasonably required by COST CUTTERS' attorneys to perfect and record COST CUTTERS' security interest in the Lease.

22.3 PERFECTED ASSIGNMENT; NOTICE. This assignment will constitute a perfected, absolute and present assignment of the Lease; however, COST CUTTERS will have no right under this assignment to enforce the provisions of the Lease until an Event of Default has occurred. After an Event of Default has occurred, COST CUTTERS will have the right, but not the obligation, to enforce the provisions of this assignment and to take possession of the Franchised Location by giving the FRANCHISEE and the Landlord written notice that it has affirmatively exercised its rights under this assignment. The written notice will state: (A) that COST CUTTERS is taking and assuming the Lease from the FRANCHISEE; (B) the date that COST CUTTERS will take physical possession of the Franchised Location; and (C) that COST CUTTERS agrees to be bound by the terms and conditions of the Lease being assumed going forward. COST CUTTERS will execute an assignment form at the time it gives written notice to the FRANCHISEE and the Landlord of its assumption of the Lease.

22.4 NO PRIOR ASSIGNMENTS. The FRANCHISEE represents and warrants that there have been no prior assignments of the Lease by the FRANCHISEE, that it has good right to assign and transfer the Lease, that the Lease is a valid and enforceable agreement, that neither party is in default to the other thereunder and that all covenants, conditions and agreements have been performed as required therein, except those not due to be performed until after the date hereof. No change in the terms of the Lease will be valid without the written approval of COST CUTTERS. The FRANCHISEE agrees not to assign, sell, pledge or otherwise transfer or encumber its interest in the Lease so long as this assignment is in effect. During the term of this Agreement, the FRANCHISEE will not lease or sublease all or any part of the Franchised Location without COST CUTTERS' prior written consent.

22.5 ENFORCEMENT OF FRANCHISEE'S RIGHTS. The FRANCHISEE hereby irrevocably constitutes and appoints COST CUTTERS as its attorney-in-fact to demand, receive and enforce the FRANCHISEE'S rights with respect to the Lease, to make payments under the Lease and give appropriate receipts, releases and satisfactions for and on behalf of and in the name of the FRANCHISEE or, at the option of COST CUTTERS, in the name of COST CUTTERS, with the same force and effect as the FRANCHISEE could do if this assignment had not been made.

22.6 COST CUTTERS' RIGHTS AND REMEDIES. Upon taking physical possession of the Franchised Location, COST CUTTERS may, without affecting any of its rights or remedies against the FRANCHISEE under any other instrument, document or agreement, exercise its rights under this assignment as the FRANCHISEE'S attorney-in-fact in any manner permitted by law and, in addition, COST CUTTERS will have and possess, without limitation, any and all rights and remedies of a secured party under the Uniform Commercial Code, as enacted in the jurisdiction in which enforcement is sought or as provided by law.

22.7 PRORATION OF RENTS AND EXPENSES. At the time COST CUTTERS takes physical possession of the Franchised Location, all charges, real estate taxes, utilities and rentals will be prorated between COST CUTTERS and the FRANCHISEE. COST CUTTERS will have no obligation to pay any past due obligations or arrearages of the FRANCHISEE to any person or entity, including the Landlord.

22.8 POSSESSION; OBLIGATIONS OF COST CUTTERS AND FRANCHISEE. COST CUTTERS will hold the FRANCHISEE harmless from any and all obligations to the Landlord, including rental payments, arising out of the use of the Franchised Location from the date that COST CUTTERS takes physical possession of the Franchised Location. The FRANCHISEE will pay all amounts due to the Landlord and other parties under the Lease including, but not limited to, rentals, insurance, rental overrides, real estate taxes, repairs, and maintenance, up to and including the date that COST CUTTERS takes physical possession of the Franchised Location. With the specific and limited exception of rental payments and other obligations to the Landlord arising from COST CUTTERS' use of the Franchised Location after taking physical possession of the premises, the FRANCHISEE will indemnify and hold COST CUTTERS harmless from and against any and all claims, demands, liabilities, losses, lawsuits, judgments, costs and expenses, including attorneys' fees, to which COST CUTTERS may become exposed, or which COST CUTTERS may incur, in exercising any of its rights under this assignment.

22.9 LEASE ADDENDUM. The FRANCHISEE will secure the Landlord's written agreement to the provisions contained in this Article in the form of Lease Addendum attached as Exhibit "C" to this Agreement.

22.10 ASSIGNMENT BY COST CUTTERS. COST CUTTERS will have the right to reassign its right, title and interest in the Lease to any person or entity upon giving written notice to the FRANCHISEE and the Landlord without any consent whatever from the FRANCHISEE or the Landlord, and any such reassignment will be valid and binding upon the FRANCHISEE and the Landlord as fully as if each had expressly approved the same. Subject to the limitation on further assignment by the FRANCHISEE contained in Article 22.4, this assignment will be binding upon and inure to the benefit of the heirs, legal representatives, assigns, and successors in interest of the FRANCHISEE, COST CUTTERS and the Landlord.

22.11 LEASE NOT YET EXECUTED. In the event that the FRANCHISEE has not yet entered into a premises lease for the Franchised Location at the time this Agreement is executed, the provisions of Article 22.2, 22.3 and 22.5 of this Agreement will take effect immediately upon the execution of the Lease. The representations of the FRANCHISEE contained in Article 22.4 will be true and complete as of, and will be deemed to have been made at, the time the Lease is executed. The FRANCHISEE agrees to execute any additional documents as may be required by COST CUTTERS' attorneys to perfect the assignment of the Lease.

22.12 FRANCHISEE TO COMPLY WITH LEASE. FRANCHISEE agrees to comply with all terms and conditions of the Lease referred to in Section 22.1 hereof (or other lease if COST CUTTERS requires FRANCHISEE to sublease). Upon receipt of any notice of default or breach of the terms of said Lease, FRANCHISEE agrees to promptly take all reasonable steps necessary to cure said default or

breach. In the event FRANCHISEE does not promptly act to cure said default or breach, COST CUTTERS, or its agents or employees, have the right, in addition to any other remedy available to COST CUTTERS under the terms and conditions of this Agreement, to take all reasonable steps necessary to cure said default or breach. FRANCHISEE shall immediately reimburse COST CUTTERS for any costs incurred by COST CUTTERS incidental to COST CUTTERS' cure of said default or breach, including, but not limited to, entering the subject location for the purpose of operating the Franchise.

22.13 COST CUTTERS' REMEDY OF FRANCHISEE'S FAILURE UNDER ARTICLE 22. If FRANCHISEE should fail to comply with any of the terms and conditions of this Article 22, in addition to any other relief available to COST CUTTERS, COST CUTTERS or any persons authorized by COST CUTTERS, without liability to FRANCHISEE, shall have the right, in addition to any rights COST CUTTERS may have under the Lease or sublease, to enter at any time upon the subject location and perform any act deemed necessary by COST CUTTERS to remedy such failure and FRANCHISEE shall immediately reimburse COST CUTTERS for any costs incurred by COST CUTTERS incidental thereto.

22.14 COST CUTTERS DOES NOT SERVE AS FRANCHISEE'S LEGAL COUNSEL. At FRANCHISEE'S request, COST CUTTERS shall offer assistance to FRANCHISEE in selecting a site for the store and advising FRANCHISEE in negotiating an acceptable lease agreement for the site. COST CUTTERS shall not represent FRANCHISEE in a legal capacity and advises FRANCHISEE to seek independent legal counsel in the review and negotiation of its lease agreement. **FRANCHISEE EXPRESSLY ACKNOWLEDGES AND AGREES THAT COST CUTTERS' APPROVAL OF A SITE FOR FRANCHISEE'S STORE IS NOT AND SHALL NOT BE CONSTRUED AS A GUARANTEE OR ASSURANCE THAT THE STORE'S BUSINESS WILL BE PROFITABLE AND FRANCHISEE ASSUMES ALL RISKS.**

ARTICLE 23
ARBITRATION

23.1 DISPUTES SUBJECT TO ARBITRATION. Except as expressly provided to the contrary in this Agreement, all disputes and controversies between the parties, including allegations of fraud, misrepresentation or violation of any state or federal laws or regulations, arising under, as a result of, or in connection with this Agreement, the Franchised Location or the FRANCHISEE'S Cost Cutters Business will be resolved and determined exclusively by arbitration in accordance with the Commercial Rules and Regulations of the American Arbitration Association.

23.2 NOTICE OF DISPUTE. The party alleging the breach, claim, dispute or controversy ("dispute") must give the other party written notice setting forth the alleged dispute in detail. The party who is given such written notice alleging the dispute will have thirty (30) days after having been given such written notice from the complaining party to correct or resolve the dispute specified in the written notice.

23.3 DEMAND FOR ARBITRATION. If the dispute alleged by either party has not been corrected, settled or compromised within the time period provided for in this Agreement, then either party may notice arbitration by giving the other party written notice demanding arbitration. Any arbitration, or any claim in arbitration (including any defense and any claim of setoff or recoupment), must be brought or asserted before the expiration of the earlier of (1) the time period for bringing an action under any applicable state or federal statute of limitation; (2) one year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (3) two years after the first act or omission giving rise to an alleged claim. Claims of the franchisor attributable to the underreporting of sales and claims of the parties for indemnification shall be subject only to the applicable state or federal

statute of limitation. Within ten (10) days after a written demand for arbitration has been given by the party demanding arbitration, either party will have the right to request the appropriate office of the American Arbitration Association to initiate the procedures necessary to appoint an Arbitrator. The Arbitrator will be appointed within sixty (60) days after a written demand for Arbitration has been made in accordance with the Rules and Regulation of the American Arbitration Association.

23.4 VENUE AND JURISDICTION. All Arbitration hearings will take place exclusively in Minneapolis, Minnesota. COST CUTTERS and the FRANCHISEE and their officers, directors and shareholders or partners and the Personal Guarantors acknowledge that the FRANCHISEE and its officers, directors and employees have had substantial business and personal contacts with COST CUTTERS in Minnesota, do hereby agree and submit to personal jurisdiction in Minnesota in connection with any arbitration hearings hereunder and any suits or actions brought to enforce the decision of the Arbitrator, and do hereby waive any rights they may have to contest venue and jurisdiction in Minnesota and any claims that venue and jurisdiction in Minnesota are invalid.

23.5 POWERS OF ARBITRATOR. The authority of the Arbitrator will include making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement and include any questions regarding its formation, existence, validity, breach or termination. The Federal Rules of Evidence (the "Rules") will apply to all arbitration hearings and the introduction of all evidence, testimony, records, affidavits, documents and memoranda in any arbitration hearing must comply in all respects with the Rules and legal precedents interpreting the Rules. Both parties will have the absolute right to cross-examine any person who testified against them or in favor of the other party. The Arbitrator will not have the authority or right to add to, delete, amend or modify in any manner the terms, conditions and provisions of this Agreement. All findings, judgments, decisions and awards of the Arbitrator will be limited to the dispute set forth in the written demand for arbitration, and the Arbitrator will not have the authority to decide any other issues. The Arbitrator will not have the right or authority to award punitive damages to COST CUTTERS or the FRANCHISEE or their officers, directors, shareholders or partners and Personal Guarantors, and COST CUTTERS and FRANCHISEE and their officers, directors, shareholders or partners, and Personal Guarantors expressly waive their rights to plead or seek punitive damages. All findings, judgments, decisions and awards by the Arbitrator will be in writing, will be made within sixty (60) days after the arbitration hearings have been completed, and will be final and binding on COST CUTTERS and the FRANCHISEE, except as provided for in Article 23.8. The written decision of the Arbitrator will be deemed to be an order, judgment and decree and may be entered as such in any Court of competent jurisdiction by either party.

23.6 NO COLLATERAL ESTOPPEL OR CLASS ACTIONS. Except as provided herein, all arbitration findings, conclusions, orders and awards made by the Arbitrator will be final and binding on COST CUTTERS and the FRANCHISEE and their officers, directors, shareholders or partners, and Personal Guarantors; however, such Arbitration findings, conclusions, orders and awards may not be used to collaterally estop either party from raising any like or similar issues, claims or defenses in any other or subsequent arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees. No party except COST CUTTERS, the FRANCHISEE, and their officers, directors, shareholders or partners, and Personal Guarantors will have the right to join in any arbitration proceeding arising under this Agreement, and, therefore, the Arbitrator will not be authorized to permit or approve class actions or to permit any person or entity that is not a party to this Agreement to be involved in or to participate in any arbitration hearings conducted pursuant to this Agreement. COST CUTTERS and FRANCHISEE agree that arbitration shall be conducted on an individual, not a class-wide, basis and that an arbitration proceeding between COST CUTTERS and FRANCHISEE shall not be consolidated with any other arbitration proceeding involving COST CUTTERS its parent, subsidiaries and/or affiliates and any other person, corporation, partnership or limited liability company.

23.7 DISPUTES NOT SUBJECT TO ARBITRATION. The disputes and controversies between COST CUTTERS and the FRANCHISEE which are set forth in Article 24.1 and the following disputes and controversies between COST CUTTERS and the FRANCHISEE will not be subject to arbitration: (A) any dispute involving the Marks or which arises under or as a result of Article 3 of this Agreement; (B) any dispute involving immediate termination of this Agreement pursuant to Article 9.5 and 9.6 of this Agreement; (C) any dispute involving enforcement of the confidentiality provisions set forth in Article 8 of this Agreement; and (D) any dispute involving enforcement of the covenants not to compete set forth in Article 12 of this Agreement.

23.8 DE NOVO HEARING ON MERITS. If the Arbitrator awards either COST CUTTERS or the FRANCHISEE damages (including actual damages, costs and attorneys' fees) in excess of One Hundred Thousand Dollars ($100,000) in any arbitration proceeding commenced pursuant to this Agreement, then the party who has been held liable by the Arbitrator will have the right to a de novo hearing on the merits by commencing an action in a court of competent jurisdiction in accordance with the provisions of this Agreement. If the party held liable by the Arbitrator commences a court action as provided for herein, then neither party will have the right to introduce the Arbitrator's decision or findings in any such court action and the Arbitrator's decision and findings will be of no force and effect and will not be final or binding on either COST CUTTERS or the FRANCHISEE. If the party who has been held liable by the Arbitrator for over One Hundred Thousand Dollars ($100,000) in damages fails to commence a court action within thirty (30) days after the Arbitrator issues his or her award in writing, then the Arbitrator's findings, judgments, decisions and awards will be final and binding on COST CUTTERS and the FRANCHISEE.

23.9 CONFIDENTIALITY. All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any arbitration hearing between COST CUTTERS and the FRANCHISEE will be secret and confidential in all respects. COST CUTTERS and the FRANCHISEE will not disclose the decision or award of the Arbitrator and will not disclose any evidence, testimony, records, documents, findings, orders, or other matters from the arbitration hearing to any person or entity except as required by law.

23.10 SEVERABILITY. It is the desire and intent of the parties to this Agreement that the provisions of this Article be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of this Article is adjudicated to be invalid or unenforceable, then this Article will be deemed amended to delete that portion thus adjudicated to be invalid or unenforceable to the extent required to make this Article valid and enforceable. Any such deletion will be effective only in the jurisdiction in which the adjudication is made. Further, to the extent any provision of this Article is deemed unenforceable by virtue of its scope, the parties to this Agreement agree that the same will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought, and the scope in such a case will be determined by arbitration as provided herein.

ARTICLE 24
ENFORCEMENT

24.1 INJUNCTIVE RELIEF. In addition to the provisions of Article 23.7, COST CUTTERS will have the right to petition a Court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (A) the FRANCHISEE'S improper or unauthorized use of the Marks and the Business System; (B) the obligations of the FRANCHISEE upon termination or expiration of this Agreement; (C) the transfer or assignment of this Agreement, the franchised Business or substantially all of the assets employed in the franchised Business, or the ownership interests of the FRANCHISEE; (D) the FRANCHISEE'S violation

of the provisions of this Agreement relating to confidentiality and covenants not to compete; and (E) any act or omission by the FRANCHISEE or the FRANCHISEE'S employees that, (1) constitutes a violation of any applicable law, ordinance or regulation, (2) is dishonest or misleading to customers of the FRANCHISEE'S Cost Cutters Business or other Cost Cutters businesses, (3) constitutes a danger to the employees, public or customers of the FRANCHISEE'S Cost Cutters Business, or (4) may impair the goodwill associated with the Marks and the Business System. In any action brought under this provision where COST CUTTERS prevails against the FRANCHISEE, the FRANCHISEE will indemnify COST CUTTERS for all costs that it incurs in any such proceedings including, without limitation, attorneys' fees actually incurred, expert witness fees, costs of investigation, court costs, travel and living expenses, and all other costs incurred by COST CUTTERS. Unless provided to the contrary by applicable law, COST CUTTERS will be entitled to obtain injunctive relief without the posting of any bond or security.

24.2 SEVERABILITY. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of or refusal to renew this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding law of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by COST CUTTERS is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

24.3 WAIVER. COST CUTTERS and the FRANCHISEE may, by written instrument signed by COST CUTTERS and the FRANCHISEE, waive any obligation of or restriction upon the other under this Agreement. Acceptance by COST CUTTERS of any payment by the FRANCHISEE and the failure, refusal or neglect of COST CUTTERS to exercise any right under this Agreement or to insist upon full compliance by the FRANCHISEE of its obligations hereunder including, without limitation, any mandatory specification, standard or operating procedure, will not constitute a waiver by COST CUTTERS of any provision of this Agreement. COST CUTTERS will have the right to waive obligations or restrictions for other franchisees under their Franchise Agreements without waiving those obligations or restrictions for the FRANCHISEE and, except to the extent provided by law, COST CUTTERS will have the right to negotiate terms and conditions, grant concessions and waive obligations for other franchisees of COST CUTTERS without granting those same rights to the FRANCHISEE and without incurring any liability to the FRANCHISEE whatsoever.

24.4 NO RIGHT TO OFFSET. The FRANCHISEE will not, on grounds of the alleged nonperformance by COST CUTTERS of any of its obligations under this Agreement, any other contract between COST CUTTERS and the FRANCHISEE, or for any other reason, withhold payment of any Continuing Fees, Advertising Fees or any other fees or payments due COST CUTTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to COST CUTTERS. The FRANCHISEE will not have the right to "offset" or withhold any liquidated or unliquidated amounts allegedly due to the FRANCHISEE from COST CUTTERS against the Continuing Fees, the Advertising Fees or any other payments due to COST CUTTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to COST CUTTERS.

24.5 COST CUTTERS' RIGHTS CUMULATIVE. The rights of COST CUTTERS hereunder are cumulative and no exercise or enforcement by COST CUTTERS of any right or remedy hereunder will

preclude the exercise or enforcement by COST CUTTERS of any other right or remedy hereunder or which COST CUTTERS is entitled by law to enforce.

24.6 VENUE AND JURISDICTION. Unless otherwise required under applicable law, all Arbitration hearings, litigation, court hearings or other hearings initiated by either party against the other party must and will be venued exclusively in Hennepin County, Minnesota. The FRANCHISEE, each of its officers, directors and shareholders, and the Personal Guarantors: (A) acknowledge that Minneapolis, Minnesota is a mutually convenient location for the venue and conduct of any legal or enforcement proceedings; (B) do hereby agree and submit to personal jurisdiction in the State of Minnesota for the purposes of any arbitration hearings, litigation, court hearings or other hearings brought to enforce or construe the terms of this Agreement or to resolve any dispute or controversy arising under, as a result of, or in connection with this Agreement, the Franchised Location or the FRANCHISEE'S Cost Cutters Business; and (C) do hereby agree and stipulate that any arbitration hearings, litigation, court hearings and other hearings will be venued and held exclusively in Hennepin County, Minnesota, and waive any rights to contest such venue and jurisdiction and any claims that such venue and jurisdiction are invalid.

24.7 AGREEMENT BINDING ON HEIRS AND ASSIGNS. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

24.8 JOINT AND SEVERAL LIABILITY. If the FRANCHISEE consists of more than one person, their liability under this Agreement will be deemed to be joint and several.

24.9 ENTIRE AGREEMENT. This FRANCHISE AGREEMENT supersedes and terminates all prior agreements relating to the operation of a Cost Cutters Business by the FRANCHISEE at the Franchised Location, either oral or in writing, between the parties and therefore, any representations, inducements, promises or agreements between the parties not contained in this Agreement or not in writing signed by the President or a Vice President of COST CUTTERS and the FRANCHISEE will not be enforceable. This Agreement will not supersede or terminate any written Development Agreement, Development Agreement or Franchise Agreement(s) executed prior to the date of this Agreement relating to other Cost Cutters franchises that are or will be owned and operated by the FRANCHISEE. The preambles are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between COST CUTTERS and the FRANCHISEE relating to the subject matter of this Agreement. Nothing in the Agreement waives the FRANCHISEE'S reliance on the representations made in the Franchise Disclosure Document.

24.10 HEADINGS; TERMS. The headings of the Articles and the provisions thereof are for convenience only and do not define, limit or construe the contents of such Articles. The term "FRANCHISEE" as used herein is applicable to one or more individuals, a corporation or a partnership, as the case may be, and the singular usage includes the plural, and the masculine usage includes the neuter and the feminine, and the neuter usage includes the masculine and the feminine. References to "FRANCHISEE," "assignee" and "transferee" which are applicable to an individual or individuals will mean the principal owner or owners of the equity or operating control of the FRANCHISEE or any such assignee or transferee if the FRANCHISEE or such assignee or transferee is a corporation or partnership. If the FRANCHISEE consists of more than one individual, then all individuals will be bound jointly and severally by the terms and conditions of this Agreement.

24.11 NO ORAL MODIFICATION. No modification, change, addition, rescission, release, amendment or waiver of this Agreement and no approval, consent or authorization required by any provision of this Agreement may be made except by a written agreement subscribed to by duly authorized officers or partners of the FRANCHISEE and the President or a Vice President of COST CUTTERS.

COST CUTTERS and the FRANCHISEE will not have the right to amend or modify this Agreement orally or verbally, and any attempt to do so will be void in all respects.

24.12 EFFECT OF WRONGFUL TERMINATION. If either COST CUTTERS or the FRANCHISEE takes any action to terminate this Agreement or to convert the FRANCHISEE'S Cost Cutters Business to another business, and if such action was taken without first complying with the applicable terms and conditions (including the notice and opportunity to cure provisions) of this Agreement, then such action will not relieve either party of, or release either party from, any of its obligations under this Agreement, and the terms and conditions of this Agreement will remain in full force and effect and the parties will be obligated to perform all terms until such time as this Agreement expires or is terminated in accordance with the provisions of this Agreement and applicable law, as determined by an Arbitrator or a Court of competent jurisdiction.

ARTICLE 25
NOTICES AND EMAIL

25.1 NOTICES. All notices to COST CUTTERS will be in writing and will be made by personal service upon an officer or Director of COST CUTTERS or sent by prepaid registered or certified United States mail addressed to COST CUTTERS at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. All notices to the FRANCHISEE will be by personal service upon the FRANCHISEE, District Manager or a salon manager or assistant manager, (or, if applicable, an officer or Director of the FRANCHISEE), or sent by prepaid registered or certified United States mail or recognized overnight delivery service (such as Federal Express or UPS) addressed to the FRANCHISEE at the Franchised Location or such other address as the FRANCHISEE may designate in writing. Notice by mail is effective upon depositing the same in the mail in the manner provided above, notice by personal service is effective upon obtaining service and notice by overnight delivery service is effective upon delivery by such delivery service.

25.2 ELECTRONIC COMMUNICATIONS AND EMAIL. In addition to using customary means of communications (e.g. telephone, facsimile, U.S. mail), Franchisee shall establish, maintain and use at its expense electronic communications required by COST CUTTERS such as an active email account or web-based services for routine communications with Franchisor. Franchisee shall provide Franchisor with prompt notice of such active email account and any changes to such email account. COST CUTTERS may require FRANCHISEE to obtain such electronic or internet web-based communications services or applications through COST CUTTERS and FRANCHISEE shall reimburse COST CUTTERS for the cost thereof.

ARTICLE 26
ACKNOWLEDGMENTS

26.1 BUSINESS RISKS; NO FINANCIAL PROJECTIONS. The FRANCHISEE acknowledges that it has conducted an independent investigation of the Cost Cutters Business franchised hereunder, and recognizes that the business venture contemplated by this Agreement involves business and economic risks and that the financial and business success of the Business will be primarily dependent upon the personal efforts of the FRANCHISEE, its management and employees. COST CUTTERS expressly disclaims the making of, and the FRANCHISEE acknowledges that it has not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential Gross Revenues, profits, earnings or the financial success of the FRANCHISEE'S Cost Cutters Business, except as expressly set forth in writing in COST CUTTERS' Franchise Disclosure Document, receipt of which is acknowledged by the FRANCHISEE.

26.2 NO INCOME OR REFUND WARRANTIES. The FRANCHISEE acknowledges that COST CUTTERS does not warrant or guarantee to the FRANCHISEE that the FRANCHISEE will derive income or profit from the FRANCHISEE'S Cost Cutters Business or that COST CUTTERS will refund all or part of the Initial Fee or the price paid for the FRANCHISEE'S Cost Cutters Business or repurchase any of the products, merchandise, furniture, fixtures, equipment, supplies or chattels supplied by COST CUTTERS or an approved supplier if the FRANCHISEE is unsatisfied with its Cost Cutters Business.

26.3 TERMS OF OTHER FRANCHISES MAY DIFFER. The FRANCHISEE acknowledges that other Franchisees of COST CUTTERS have or will be granted franchises at different times and in different situations, and further acknowledges that the terms and conditions of such franchises and the resulting Franchise Agreements may vary substantially in economics, form and in substance from those contained in this Agreement.

26.4 RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT. The FRANCHISEE acknowledges that it received a Cost Cutters Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

26.5 CITY LOOKS® BUSINESSES. The FRANCHISEE agrees and acknowledges that the "City Looks®", and "The Barbers®" businesses which are operated and/or franchised by The Barbers, Hairstyling For Men & Women, Inc. ("The Barbers") are full service hair salons that address different markets and, thus, are not competitive with Cost Cutters businesses. Further, the FRANCHISEE acknowledges and agrees that The Barbers will have the absolute right to acquire, merge with, develop, own, manage, license or franchise City Looks®, and The Barbers® businesses at any location in the world and over the internet, and the FRANCHISEE hereby waives any and all rights that it may have or allege against COST CUTTERS or any affiliate of COST CUTTERS resulting from the opening of any City Looks®, or The Barbers business, including those City Looks®, and The Barbers® businesses that may be near, adjacent or contiguous to the FRANCHISEE'S Cost Cutters Business.

26.6 WE CARE HAIR® BUSINESSES. The FRANCHISEE agrees and acknowledges that the "We Care Hair®" businesses which are franchised by WCH, Inc., a wholly-owned subsidiary of The Barbers ("We Care Hair® businesses") are hair salons that address similar markets and, thus, may be competitive with Cost Cutters businesses. Further, the FRANCHISEE acknowledges and agrees that WCH, Inc. and The Barbers will have the absolute right to acquire, merge with, develop, own, operate, manage, license or franchise We Care Hair® businesses at any location in the world and over the internet, and the FRANCHISEE hereby waives any and all rights that it may have or allege against COST CUTTERS or any affiliate of COST CUTTERS resulting from the opening of any We Care Hair® businesses, including those We Care Hair® businesses that may be near, adjacent or contiguous to the FRANCHISEE'S Cost Cutters Business.

26.7 HAIR CARE BUSINESSES OWNED OR FRANCHISED BY REGIS. The FRANCHISEE agrees and acknowledges that the Regis Salons, Supercuts, Pro-Cuts, Roosters, MasterCuts, Hairmasters, SmartStyle, Cool Cuts 4 Kids, Haircrafters and Great Expectations businesses that are now or may in the future be operated or franchised by Regis Corporation ("Regis"), parent of The Barbers, ("Regis businesses") are hair care and product businesses that may address similar markets and thus, may be competitive with Cost Cutters businesses. Further, the FRANCHISEE acknowledges and agrees that Regis and any of its subsidiaries and affiliates will have the absolute right to acquire, merge with, develop, own, operate, manage, license or franchise any hair care or product businesses at any location in the world and over the internet, and the FRANCHISEE hereby waives any and all rights that it may have or allege against COST CUTTERS or any affiliate of COST CUTTERS, including without limitation Regis, resulting from the opening of any Regis businesses, including those Regis businesses that may be near, adjacent or contiguous to the FRANCHISEE'S Cost Cutters Business.

26.8 OTHER HAIR CARE BUSINESSES. The FRANCHISEE acknowledges and agrees that Regis, The Barbers, WCH, Inc. and any subsidiary or affiliate of any of the foregoing organizations will have the absolute right to acquire, merge with, develop, own, operate, manage, license or franchise hair care or product businesses under any trademark, service mark or trade name at any location or through any channel of distribution anywhere in the world and over the internet, and the FRANCHISEE hereby waives any and all rights that it may have or allege against Regis, The Barbers, WCH, Inc. or any subsidiary or affiliate of any of the foregoing organizations resulting from the opening of any such hair care or product businesses, including those hair care or product businesses that may be near, adjacent or contiguous to the FRANCHISEE'S Cost Cutters Business.

ARTICLE 27
DISCLAIMER; FRANCHISEE'S LEGAL COUNSEL

27.1 DISCLAIMER BY COST CUTTERS. COST CUTTERS expressly disclaims the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, or value of the FRANCHISEE'S Business, except those expressly set forth in Item 19 of the Cost Cutters Franchise Disclosure Document received by the FRANCHISEE.

27.2 ACKNOWLEDGMENTS BY FRANCHISEE. The FRANCHISEE acknowledges that it has not received any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, value of the Business or any other matters pertaining to the Cost Cutters Business from COST CUTTERS or any of COST CUTTERS' officers, employees or agents that were not contained in writing in the Franchise Disclosure Document (including this Agreement) received by the FRANCHISEE ("representations or warranties"). The FRANCHISEE further acknowledges that if it had received any representations or warranties not contained in COST CUTTERS' Franchise Disclosure Document, it would not have executed this Agreement, and the FRANCHISEE would have: (A) promptly notified the President of COST CUTTERS in writing of the person or persons making such representations or warranties; and (B) provided to COST CUTTERS a specific written statement detailing the representations or warranties made that were not contained in the Franchise Disclosure Document received by the FRANCHISEE.

27.3 LEGAL REPRESENTATION. The FRANCHISEE acknowledges that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon the FRANCHISEE. The FRANCHISEE was advised by COST CUTTERS to consult an attorney or other advisor prior to the execution of this Agreement to review COST CUTTERS' Franchise Disclosure Document and this Agreement in detail, to review the economics, operations and other business aspects of the Cost Cutters Business, to determine compliance with franchising and other applicable laws, to advise the FRANCHISEE about all federal, state and local laws, rules, ordinances, special regulations and statutes that apply to the FRANCHISEE'S Cost Cutters Business and to advise the FRANCHISEE about the economic risks, liabilities, obligations and rights under this Agreement. The name of the FRANCHISEE'S attorney or other advisor is:

Name: _____

Name of Firm: _____

Address: _____

City, State, Zip Code: _____

Telephone Number: ( ) _____

Fax Number: ( ) _____

ARTICLE 28
GOVERNING LAW; STATE MODIFICATIONS

28.1 GOVERNING LAW. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between COST CUTTERS and the FRANCHISEE will be governed by the laws of the state in which the Franchised Location is located. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by the FRANCHISEE and COST CUTTERS.

28.2 STATE MODIFICATIONS. Some states may have statutes, regulations and court decisions which may supersede the provisions of this Agreement in the FRANCHISEE'S relationship with COST CUTTERS including the areas of termination and renewal of the Franchise.

28.3 SEVERABILITY. The severability provisions of this Agreement contained in Article 12.5, Article 23.10 and Article 24.2 of this Agreement will pertain to all of the applicable laws which conflict with or modify the provisions of this Agreement including, but not limited to, the provisions of this Agreement specifically addressed in Article 28.2 above.

ARTICLE 29
DEFINITIONS

For purposes of this Agreement, the following words will have the following definitions:

29.1 ABANDON. "Abandon" will mean the conduct of the FRANCHISEE, including acts of omission as well as commission, indicating the willingness, desire or intent of the FRANCHISEE to discontinue operating the franchised Business in accordance with the quality standards, uniform requirements and the Business System set forth in this Agreement and the Manual.

29.2 DESIGNATED MARKETING AREA. "Designated Marketing Area" or "DMA" will mean each television market exclusive of another based upon a preponderance of television viewing hours as defined by the ratings service currently being utilized by COST CUTTERS or its designated advertising agency.

29.3 BUSINESS SYSTEM. "Business System" will mean the distinctive services and products which are associated with COST CUTTERS' trademarks, trade names, service marks, copyrights, interior and exterior building designs, slogans, signs, logos, commercial symbols and color combinations. "Business System" will include all of the uniform requirements, standards of quality and consistency, procedures, specifications, training, advertising and instructions promulgated by COST CUTTERS.

29.4 FINANCIAL STATEMENTS. "Financial statements" will mean a balance sheet, income statement, statement of cash flows and footnotes prepared in accordance with generally accepted accounting principles applied on a consistent basis and any other schedules or forms that may be required by COST CUTTERS.

29.5 GROSS REVENUES. "Gross Revenues" will mean the gross total dollar income of the FRANCHISEE'S Cost Cutters Business from all cash, credit or charge sales of all merchandise, products and services sold or rendered in, upon, about or resulting from, in connection with or as a result of the FRANCHISEE'S Cost Cutters Business, and will include all sales, receipts and revenues, in any form and from any and all sources whatsoever, including the redemption of gift certificates and gift cards and sales made to employees of the FRANCHISEE. This definition will be applicable regardless of whether such sales, receipts or revenues are produced or received by the FRANCHISEE, by any permitted sublicensee, tenant, agent, employee, concessionaire, vending machine, coin-operated machine or vendor of the FRANCHISEE, or by any other business associate of the FRANCHISEE who or which is associated with the FRANCHISEE in order to receive the benefits of the rights granted hereunder to the FRANCHISEE. "Gross Revenues" will include all sales made by the FRANCHISEE whether made for cash or on credit or by the redemption of gift certificates or gift cards including, but not limited to, those sales charged or made for orders placed or deliveries from the Business franchised hereunder, including orders placed or filled, or services provided at a location other than the Franchised Location, including mail order. No deductions shall be made from Gross Revenues for charitable or other donations. "Gross Revenues" will not include any sales, use or gross receipts tax imposed by any federal, state, municipal or governmental authority directly upon sales, if: (A) the amount of the tax is added to the selling price and is expressly charged to the customer; (B) a specific record is made at the time of each sale of the amount of such tax; and (C) the amount thereof is paid over to the appropriate taxing authority by the FRANCHISEE.

29.6 QUARTERLY. "Quarterly" or "Quarter" will mean three (3) consecutive calendar months commencing on the first day of the FRANCHISEE'S fiscal or calendar year.

IN WITNESS WHEREOF, COST CUTTERS, the FRANCHISEE and the shareholders of the FRANCHISEE have respectively signed this Agreement effective as of the day and year first above written.

"COST CUTTERS"

The Barbers, Hairstyling for Men & Women, Inc.

By _____
Title _____

"FRANCHISEE"

By _____

Title _____

_____

_____

The undersigned individual shareholders/members of the FRANCHISEE hereby agree to be bound by the terms and conditions of this Agreement.

Shareholders/Members	Percentage of Ownership
_____	_____ %
_____	_____ %
_____	_____ %
_____	_____ %

The undersigned spouse(s) of the individual FRANCHISEE(S) hereby agree to be bound by the terms and conditions of this Agreement regarding confidentiality of information and covenants not to compete.

_____ _____

_____ _____

Print Name Print Name

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THIS FRANCHISE AGREEMENT

In consideration of the execution of this Agreement by COST CUTTERS, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions in this Agreement, to be paid, kept and performed by the FRANCHISEE.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Agreement and agree that this PERSONAL GUARANTY will be construed as though the undersigned and each of them executed an Agreement containing the identical terms and conditions of this Agreement.

If the FRANCHISEE breaches the terms and conditions of this Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay COST CUTTERS all monies due and payable to COST CUTTERS under the terms and conditions of this Agreement.

In addition, if the FRANCHISEE fails to comply with any other terms and conditions of this Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of this Agreement for and on behalf of the FRANCHISEE.

In addition, should the FRANCHISEE at any time be in default on any obligation to pay monies to COST CUTTERS or any subsidiary or affiliate of COST CUTTERS, whether for merchandise, products, supplies, furniture, fixtures, equipment, rent or other goods purchased by the FRANCHISEE from COST CUTTERS or any subsidiary or affiliate of COST CUTTERS or for any other indebtedness of the FRANCHISEE to COST CUTTERS or any subsidiary or affiliate of COST CUTTERS, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from the FRANCHISEE to COST CUTTERS or any subsidiary or affiliate of COST CUTTERS.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this GUARANTY will inure to the benefit of the successors and assigns of COST CUTTERS. Each of the undersigned hereby submits to personal jurisdiction in the state and federal courts of Minnesota with respect to any litigation pertaining to this GUARANTY, and agrees that all litigation pertaining to this GUARANTY will and must be venued exclusively in Hennepin County, Minnesota.

PERSONAL GUARANTORS

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

EXHIBIT A
CONFIDENTIALITY AGREEMENT

Effective this _____day of _____, _____, in consideration of employment with _____ (the "Employer"), a franchisee of The Barbers, Hairstyling for Men & Women, Inc. ("Cost Cutters"), it is hereby agreed that the undersigned employee (the "Employee") will, at all times during the term of his or her employment and thereafter, treat the Operations Manual and any other materials (including, but not limited to, supplier and vendor lists, customer lists, videotapes, films, drawings, diagrams and computer programs) created for or approved for use in the operation of the Cost Cutters Business, and the information contained therein, as secret and confidential and as the sole and absolute property of Cost Cutters, and will use all reasonable means to keep them secret and confidential. The Employee will not:

(a) Communicate, divulge or use for the benefit of himself/herself personally or any other person or entity, any information contained in the Operations Manual or other materials deemed confidential by Cost Cutters.

(b) Copy, duplicate, videotape, photograph, record or otherwise reproduce the Manual or any other materials, in whole or in part. Neither the Manual nor other materials created for or used in the Cost Cutters Business will be borrowed or removed from the Cost Cutters location or business premises without the express written approval of the Employer. The Employee will not make any Cost Cutters materials available to any unauthorized person or entity, or allow them access to the Manual or other materials.

(c) Use any Cost Cutters materials or any information, knowledge, methods or techniques contained or described herein for any purpose other than the performance of his or her duties as a Cost Cutters employee. The Employee will respect the confidentiality of the Manual and all other materials as it relates to concurrent and future employment.

The Employee and the Employer acknowledge and agree: (1) that Cost Cutters is a third-party beneficiary of the rights and obligations set forth in this Agreement; (2) that Cost Cutters will suffer irreparable harm in the event of any breach or violation of this Agreement; (3) that Cost Cutters shall have the right to enforce the provisions of this Agreement in its own name in the event of any breach or violation, or threatened breach or violation, of this Agreement; and (4) that Cost Cutters shall have the right to obtain specific performance, temporary restraining orders, preliminary injunctions, injunctions and other equitable relief to the extent reasonably necessary to protect its interests in the ownership and confidentiality of the Manual or any other confidential information from any court of competent jurisdiction or Arbitrator, subject to and in accordance with the confidentiality and enforcement provisions of the Franchise Agreement between the Employer and Cost Cutters.

The undersigned Employer and Employee understand and accept the obligations set forth herein and agree to be bound by them.

Dated: _____, _____

EMPLOYEE:

_____

EMPLOYER:

_____

By _____
Its _____

EXHIBIT B
AUTHORIZATION FOR DIRECT PAYMENT

REGIS CORPORATION
3701 Wayzata Boulevard, Suite 500
Minneapolis, MN 55416

Phone: (952) 947-7777 FAX: (952) 995-3080

AUTHORIZATION FOR DIRECT PAYMENT

I hereby authorize Regis Corporation to initiate Electronic Funds Transfer (EFT) or Automated Clearing House (ACH) transactions against my checking/savings account and I instruct the financial institution named below to honor said transactions. This authorization shall remain in force until revocation in writing.

	Salon Number	Salon Location
_____	_____	_____
Name of Franchisee (Please print)	_____	_____
	_____	_____
_____ _____	_____	_____
Signature of Franchisee Date		

_____
State Date (for internal use only)

_____
Name of Financial Institution

_____
Street Address of Financial Institution

_____
City/State/Zip of Financial Institution

ACH for:

Royalty/AD fund	_____
Training	_____
Product	_____
Miscellaneous	_____

Account Number: _____ Checking _____ Savings _____

Bank Routing Number (ABA): _____

STAPLE VOIDED CHECK HERE:

Note: Please submit one form per bank account. Make additional copies of this form if necessary.

EXHIBIT C
LEASE ADDENDUM

This Lease Addendum (the "Addendum") is made as of the ___ day of _____, _20____, by and between _____, as Lessor or Landlord ("Landlord") and _____ as Lessee or Tenant ("Tenant").

WHEREAS, The parties hereto acknowledge and agree that Tenant is a party to a "Cost Cutters" hair salon franchise agreement (the "Franchise Agreement") with The Barbers, Hairstyling for Men & Women, Inc., a Minnesota corporation with its principal place of business at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 (the "Franchisor"). Pursuant to the Franchise Agreement, Tenant agreed to cause the provisions contained in this Addendum to be made a part of the lease agreement between Tenant and Landlord, a copy of which is attached hereto and incorporated herein by reference (the "Lease").

WHEREAS, In order to induce Tenant to enter into the Lease, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby agree to the following additional terms and provisions of the Lease, and further agree that, to the extent that the terms and provisions of the Lease conflict with the terms and provisions of this Addendum, the terms and provisions of this Addendum shall control:

1. Notice of Default. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease, Landlord shall concurrently give written notice of such default to Tenant at the address specified in the Lease and to Franchisor and its successors and assigns at the address set forth above or such other address as may be designated in writing by Franchisor.

2. Franchisor's Right to Enter Leased Premises. Franchisor shall have the right to enter the leased premises to conduct inspections at any time during regular business hours. Upon the occurrence of any default by Tenant under the terms and provisions of the Lease and/or the Franchise Agreement, Franchisor shall have the right, but not the obligation, to enter the leased premises to remove signage and to otherwise make such modifications and/or alterations to the leased premises that Franchisor deems reasonably necessary to protect its proprietary marks and distinguishing characteristics of its franchised locations.

3. Consent to Lease Amendments. Franchisor has the right to approve any amendments to the Lease between Landlord and Tenant. Tenant is prohibited from renewing or extending the term of the Lease, assigning the Lease, or subleasing the premises without Franchisor's consent.

4. Assumption of Lease. Landlord hereby consents to the assignment by Tenant of its right, title and interest in the Lease to Franchisor pursuant to the Franchise Agreement. Accordingly, in the event of a default by the Franchisee of the terms or provisions of the Lease or the Franchise Agreement, or upon the expiration or termination of the Franchise Agreement, Franchisor (or its parent or affiliates) shall have the right (but not the obligation) to assume Tenant's rights and obligations under the Lease, but Franchisor must exercise such right not more than fifteen (15) business days after the later of: (a) the expiration of any cure period under the Lease or Franchise Agreement without cure by Tenant; or (b) the receipt of written notice by Franchisor of such default under the Lease. Nothing herein will require Franchisor to exercise its option or to cure any default of Tenant under the Lease, but only gives Franchisor the option to assume Tenant's future rights and obligations under the Lease.

5. Third Party Beneficiary. The Landlord hereby acknowledges that Franchisor is intended to be a third-party beneficiary under the Lease and this Addendum.

Dated: _____, _20_____ **"Landlord"**

By: _____

Its: _____

Dated: _____, _20_____ **"Tenant"**

By: _____

Its: _____

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E: DEVELOPMENT AGREEMENT

COST CUTTERS®

DEVELOPMENT AGREEMENT

BETWEEN

THE BARBERS, HAIRSTYLING FOR MEN & WOMEN, INC.
3701 Wayzata Boulevard, Suite 500
Minneapolis, Minnesota 55416
(952) 947-7777
Fax: (952) 947-7900

AND

_____

_____

_____

_____
Name(s) of **FRANCHISEE**

_____
Street

_____
City State Zip Code

(_____) _____
Area Code Telephone

GEOGRAPHIC AREA:

_____

_____

_____

_____

DATE OF DEVELOPMENT AGREEMENT:

_____, ____

COST CUTTERS®

DEVELOPMENT AGREEMENT

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PERSONAL GUARANTY

COST CUTTERS®

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement"), made, entered into and effective this _____ day of _____, _____, by and between The Barbers, Hairstyling for Men & Women, Inc., a Minnesota corporation ("COST CUTTERS"), and _____ (the "FRANCHISEE");

WITNESSETH:

WHEREAS, COST CUTTERS has developed and owns a distinctive business system for operating hairstyling businesses of a distinctive character with the name "Cost Cutters®" (the "Business System" or the "Cost Cutters Business System") and has publicized the name "Cost Cutters®" and other trademarks, trade names, service marks and commercial symbols to the public as an organization of hairstyling businesses operating under the Cost Cutters Business System; and

WHEREAS, COST CUTTERS represents that it has the right and authority to license the use of the names "Cost Cutters®", "Cost Cutters Family Hair Salon" and certain other trademarks, trade names, service marks, logos and commercial symbols (the "Marks") for use in connection with hairstyling businesses operated in conformity with the Business System to selected persons or entities who will comply with COST CUTTERS' uniformity requirements and quality standards; and

WHEREAS, the FRANCHISEE has entered into a Cost Cutters Franchise Agreement contemporaneously with this Agreement for the right to open a single Cost Cutters Business and desires to operate additional Cost Cutters hairstyling businesses pursuant to Franchise Agreements granted pursuant to this agreement at locations in the area designated in Article 1 of this Agreement which will conform to the uniformity requirements and quality standards established and promulgated from time to time by COST CUTTERS; and

WHEREAS, COST CUTTERS is willing to provide the FRANCHISEE with marketing, advertising, technology, operational and other business information, experience and "know how" about the Cost Cutters business that has been developed over time by COST CUTTERS at significant cost and expense; and

WHEREAS, the FRANCHISEE acknowledges that it would take substantial capital and human resources to develop a business similar to the Cost Cutters business and, as a consequence, the FRANCHISEE desires to acquire the right to use the Marks and the Business System and to own and operate Cost Cutters businesses subject to and under the terms and conditions set forth in this Agreement; and

WHEREAS, the FRANCHISEE acknowledges that COST CUTTERS would not provide the FRANCHISEE with any business information or "know how" about the Cost Cutters Business System unless the FRANCHISEE agreed to comply with all of the terms and conditions of this Agreement and to pay the Development Fee and the other fees specified in this Agreement; and

WHEREAS, the FRANCHISEE has had a full and adequate opportunity to be thoroughly advised of the terms and conditions of this Agreement by its legal counsel or other advisor, and has had sufficient time to evaluate and investigate the Cost Cutters Business System, the financial investment requirements, and the business risks associated with owning and operating Cost Cutters businesses;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth in this Agreement and for other good and valuable consideration, the parties hereby contract as follows:

ARTICLE 1
FRANCHISED AREA

1.1 FRANCHISED AREA. COST CUTTERS hereby grants to the FRANCHISEE, for the term of this Agreement, the nonexclusive right to enter into Franchise Agreements with COST CUTTERS for the operation of Cost Cutters hairstyling businesses (the "Cost Cutters Businesses" or the "Businesses"), to be located only within the following area _____

_____

_____

_____

_____ (the "Geographic Area"), excluding, however, any existing or later developed Mass Merchandiser Locations (as defined in Article 1.3 below) within the Geographic Area (the Geographic Area less any Mass Merchandiser Locations within the Geographic Area is hereinafter referred to as the "Franchised Area"). The Franchised Area may be further described and delineated in Exhibit A, if any, attached hereto and signed by both the FRANCHISEE and COST CUTTERS. The FRANCHISEE acknowledges and agrees that all Mass Merchandiser Locations now existing or later developed are expressly excluded from the definition of the Franchised Area in this Agreement.

1.2 NON-EXCLUSIVE. The rights and privileges granted to the FRANCHISEE in this Agreement are non-exclusive, limited to the Geographic Area, and are subject to the terms and conditions of this Agreement. FRANCHISEE acknowledges the rights of COST CUTTERS and its parent, affiliates, and subsidiaries to acquire, merge with, develop, own, operate, license or franchise anywhere including within the Geographic Area (a) other Cost Cutters Businesses; and (b) any other hair care or hair product businesses, including as described in Article 15.6 of this Agreement.

1.3 MASS MERCHANDISER LOCATIONS. For purposes of this Agreement, the term "Mass Merchandiser Location" shall mean and refer to any location or premises owned or controlled by a national or regional mass merchandiser such as but not limited to Wal-Mart, Target, Venture or Costco. The rights and privileges granted to the FRANCHISEE under this Agreement do not include the right to develop or operate Cost Cutters businesses within any Mass Merchandiser Locations, notwithstanding the fact that such Mass Merchandiser Locations may be located, now or in the future, within the Geographic Area.

1.4 PERSONAL RIGHTS. The FRANCHISEE will not be entitled to franchise, subfranchise, license or sublicense other persons or entities under this Agreement and the FRANCHISEE may open, own and operate Cost Cutters Businesses only in the Franchised Area. The rights, privileges and franchise granted and conveyed to the FRANCHISEE in this Agreement will be strictly for the Franchised Area only and may not be assigned, sold or transferred by the FRANCHISEE, except as specifically provided for in this Agreement.

ARTICLE 2
TERM OF DEVELOPMENT AGREEMENT; RIGHT OF FIRST REFUSAL

2.1 TERM. The term of this Agreement will commence on the date set forth on Page D-1 of this Agreement (the "Commencement Date") and will continue, unless earlier terminated in accordance with Article 6 below or other provisions of this Agreement, until the first to occur of (A) the expiration of the final date set forth in Section 3.4 herein and (B) that date upon which _____ (___) Cost Cutters Businesses owned by the FRANCHISEE are open and operating for business in the Franchised Area

under the terms of this Agreement. This Agreement will not be considered executed and will not be enforceable until: (i) it has been signed by COST CUTTERS and the FRANCHISEE, and, if the FRANCHISEE is a corporation or partnership, the Personal Guarantors; and (ii) the signed Agreement has been delivered to the FRANCHISEE.

2.2 **RIGHT OF FIRST REFUSAL**. At the end of the term of this Agreement, the FRANCHISEE'S development rights with respect to the Franchised Area will automatically terminate, and the FRANCHISEE will not have the right to renew or extend the term of this Agreement. If the FRANCHISEE wishes to acquire the development rights with respect to the Franchised Area following the end of the term of this Agreement, then the FRANCHISEE must so notify COST CUTTERS at least one hundred twenty (120) days prior to the end of the term of this Agreement. Upon being given such notice from the FRANCHISEE, COST CUTTERS will have the right to reevaluate the prospects for the establishment of Cost Cutters businesses in the Franchised Area, and COST CUTTERS may determine that the Franchised Area may, at this time, be further developed by opening additional Cost Cutters businesses in the Franchised Area. In the event COST CUTTERS determines that the Franchised Area may not, at this time, be further developed, or that the FRANCHISEE does not comply with the then-current requirements of COST CUTTERS for area developers, then COST CUTTERS will so notify the FRANCHISEE and all rights of the FRANCHISEE under this Article 2.2 shall terminate. In the event COST CUTTERS determines that the Franchised Area may, at this time, be further developed, and if the FRANCHISEE meets all of the then-current requirements of COST CUTTERS for area developers, then COST CUTTERS will give the FRANCHISEE written notice of its proposal to develop additional Cost Cutters businesses in the Franchised Area and the FRANCHISEE will have thirty (30) days to (A) accept in writing COST CUTTERS' proposal to own and operate further Cost Cutters Businesses in the Franchised Area and (B) sign the then-current form of COST CUTTERS development agreement incorporating the terms of such proposal. If so accepted, the FRANCHISEE will have the right to own and operate Cost Cutters Businesses in the Franchised Area according to the terms and conditions set forth in the development agreement, which may vary in form and substance from the terms, conditions and economics set forth in this Agreement. If the FRANCHISEE fails to accept in writing COST CUTTERS' written proposal and to sign such development agreement within thirty (30) days from the date the written notice of COST CUTTERS' proposal is given to the FRANCHISEE, then all rights of the FRANCHISEE under this Article 2.2 shall automatically terminate. The FRANCHISEE acknowledges that circumstances and judgments may change and that if the FRANCHISEE'S rights under this Article 2.2 have terminated as provided above, then such rights will not be revived in the event COST CUTTERS later determines that the Franchised Area may be further developed.

ARTICLE 3
DEVELOPMENT FEE; INITIAL FEES; DEVELOPMENT SCHEDULE

3.1 **DEVELOPMENT FEE**. On the date this Agreement is executed by the FRANCHISEE, the FRANCHISEE will pay COST CUTTERS a nonrefundable development fee equal to _____ Dollars ($_____) (the "Development Fee").

3.2 **INITIAL FEES**. In addition to the Development Fee, the FRANCHISEE will pay COST CUTTERS an Initial Fee, as defined in COST CUTTERS' then-current standard Franchise Agreement, of _____ Dollars ($_____) in connection with each Franchise Agreement entered into pursuant to this Agreement. The amount of each Initial Fee payable to COST CUTTERS for each Cost Cutters Business opened in the Franchised Area in accordance with the development schedule will be the amount as set forth in this Article 3.2, if any, even if the then-current standard Franchise Agreement signed by the FRANCHISEE specifies an Initial Fee that is greater than or different from the Initial Fee specified herein.

3.3 **PAYMENT OF INITIAL FEES**. The FRANCHISEE must pay COST CUTTERS the Initial Fee set forth in Article 3.2 of this Agreement on or before the date the FRANCHISEE executes the then-current standard Franchise Agreement for each Cost Cutters Business required to be owned and operated in the Franchised Area pursuant to this Agreement. A then-current standard Cost Cutters Franchise Agreement must be executed by the FRANCHISEE for each Cost Cutters Business owned and operated by the FRANCHISEE in the Franchised Area at least ten (10) days prior to the date the FRANCHISEE commences initial business operations at each of its Cost Cutters Businesses in the Franchised Area.

3.4 **DEVELOPMENT SCHEDULE**. The FRANCHISEE acknowledges and agrees that a material provision of this Agreement is that the following number of Cost Cutters Businesses must be opened and continuously operating in the Franchised Area during the term of this Agreement in accordance with the following development schedule:

Period	Number of Cost Cutters Businesses Required to be Opened and Continuously Operating for Business in the Franchised Area During the Period	Cumulative Number of Cost Cutters Businesses Required to be Open and Continuously Operating for Business in the Franchised Area at the end of the Period
By _____		
By _____		
By _____		
By _____		
By _____		
By _____		

For purposes of determining compliance with the development schedule set forth in this Article 3.4, only the FRANCHISEE'S Cost Cutters Businesses actually open and continuously operating for business in the Franchised Area as of the end of a given period will be counted toward the number of Cost Cutters Businesses required to be open and continuously operating for business. FRANCHISEE'S first Cost Cutters Business under this Development Agreement must be open and operating within eighteen (18) months after the Cost Cutters Business under the Franchise Agreement executed contemporaneously with this Agreement is required to be open. FRANCHISEE'S second Cost Cutters Business under this Development Agreement must be open and operating within eighteen (18) months after the date the first required Cost Cutters Business under this Development Agreement is required to be open.

3.5 **REASONABLENESS OF DEVELOPMENT SCHEDULE**. The FRANCHISEE represents that it has conducted its own independent investigation and analysis of the prospects for the establishment

of Cost Cutters Businesses within the Franchised Area, approves of the foregoing development schedule as being reasonable and viable, and recognizes that failure to achieve the results described in the foregoing development schedule will constitute a material breach of this Agreement.

3.6 FAILURE TO COMPLY WITH DEVELOPMENT SCHEDULE. The FRANCHISEE'S failure to comply with the above development schedule will constitute a material breach of this Agreement by the FRANCHISEE and, in that event, COST CUTTERS will have the right to terminate this Agreement as provided herein. Termination of this Agreement as a result of the FRANCHISEE'S failure to meet the development schedule set forth above will not affect the individual Franchise Agreements signed by the FRANCHISEE for the Cost Cutters Businesses opened and operated in the Franchised Area pursuant to this Agreement prior to termination; however, upon termination of this Agreement, all rights to open and operate additional Cost Cutters Businesses in the Franchised Area and all other rights granted to the FRANCHISEE under this Agreement will immediately terminate, without affecting those obligations of the FRANCHISEE that continue beyond the termination of this Agreement.

3.7 TERMINATION FOR FAILURE TO COMPLY WITH DEVELOPMENT SCHEDULE. If this Agreement is terminated by COST CUTTERS because of the FRANCHISEE'S failure to meet the development schedule set forth above, the rights and duties of COST CUTTERS and the FRANCHISEE will be as follows: (A) the FRANCHISEE will have no further rights to open and operate additional Cost Cutters Businesses within the Franchised Area; and (B) the FRANCHISEE will continue to pay all required fees and to operate its Cost Cutters Businesses opened and operated in the Franchised Area pursuant to the terms of the applicable Franchise Agreements signed by the FRANCHISEE prior to the date of the termination of this Agreement.

3.8 COST CUTTERS' RIGHT TO SUSPEND DEVELOPMENT. COST CUTTERS has no obligation to grant FRANCHISEE any additional franchises under this or any other Development Agreement or otherwise if Developer: a) has any accounts receivable with COST CUTTERS that are over 60 days past due; b) has failed to report Gross Revenues for over four consecutive (4) weeks; c) has received three (3) or more default notices or warning of default notices within the most recent twelve (12) month period; d) has not built an existing Cost Cutters salon to the specifications of COST CUTTERS; or e) is not using the COST CUTTERS marketing materials. FRANCHISEE'S failure to timely cure any of the foregoing shall be a material breach of this Development Agreement.

ARTICLE 4
OTHER OBLIGATIONS OF FRANCHISEE

4.1 COMPLIANCE WITH APPLICABLE LAWS. The FRANCHISEE agrees to and will, at its expense, comply with all federal, state, city, municipal and local laws, ordinances, rules and regulations in the Franchised Area pertaining to the operation of its Cost Cutters Businesses, including all laws relating to employees and to the regulation of barbers and cosmetologists and all applicable federal and state environmental laws. The FRANCHISEE will, at its expense, be absolutely and exclusively responsible for determining all licenses and permits required by law for the FRANCHISEE'S Cost Cutters Businesses, for qualifying for and obtaining all such licenses and permits, and for maintaining all such licenses and permits in full force and effect.

4.2 DISTRICT MANAGER. COST CUTTERS encourages the FRANCHISEE to employ at least one (1) full-time person (a "District Manager") for each six (6) Cost Cutters Businesses opened and operated in the Franchised Area pursuant to this Agreement to supervise the FRANCHISEE'S Cost Cutters Businesses in the Franchised Area. Each District Manager will be responsible for the operation and administration of up to six (6) Cost Cutters Businesses under his or her supervision and control in the Franchised Area, including supervision of the managers and assistant managers. The FRANCHISEE'S

District Managers must devote their full time and attention to administering and overseeing the operations of the FRANCHISEE'S Cost Cutters Businesses in the Franchised Area. All District Managers of the FRANCHISEE'S Cost Cutters Businesses must attend and successfully complete the training program required by COST CUTTERS, and be certified and approved by COST CUTTERS in writing.

4.3 **EXECUTION OF FRANCHISE AGREEMENTS**. For each Cost Cutters Business opened, owned, and operated for business by the FRANCHISEE in the Franchised Area, the FRANCHISEE (and, if applicable, the FRANCHISEE'S shareholders, partners or members and Personal Guarantors) must execute COST CUTTERS' then-current standard Franchise Agreement (the "Franchise Agreement"). If the FRANCHISEE fails to provide COST CUTTERS with an executed Franchise Agreement at least ten (10) days prior to the date the FRANCHISEE commences business at each of its Cost Cutters Businesses in the Franchised Areas required by the terms of this Agreement, it will be deemed a material breach of this Agreement and COST CUTTERS will have the right to terminate this Agreement as provided herein.

4.4 **CONTINUING FEES**. During the term of each Franchise Agreement signed by the FRANCHISEE pursuant to this Agreement, the FRANCHISEE will pay to COST CUTTERS weekly Continuing Fees, as defined in the Franchise Agreement, equal to a percentage of the weekly Gross Revenues, as defined in the Franchise Agreement, which are received, billed or generated by or from the FRANCHISEE'S Cost Cutters Businesses in the Franchised Area. Unless the Cost Cutters Business under the Franchise Agreement was formerly a company-owned Cost Cutters store or affiliated branded salon is acquired by FRANCHISEE from COST CUTTERS of its affiliate to be operated as FRANCHISEE's Cost Cutters Business under this Agreement, the first (1st) through the fifty-second (52nd) weeks of the FRANCHISEE'S operation of each of the Cost Cutters Businesses opened and operated pursuant to this Agreement, the FRANCHISEE will pay to COST CUTTERS a weekly Continuing Fee equal to four percent (4%) of the FRANCHISEE'S Gross Revenues. For the fifty-third (53rd) week of the FRANCHISEE'S operation of each of the Cost Cutters Businesses opened and operated pursuant to this Agreement, and thereafter for the balance of the remaining term of the applicable Franchise Agreement, the FRANCHISEE will pay COST CUTTERS a weekly Continuing Fee equal to six percent (6%) of the FRANCHISEE'S Gross Revenues. If FRANCHISEE's Cost Cutters Business hereunder was formerly a company-owned Cost Cutters store or affiliated branded salon acquired by FRANCHISEE from COST CUTTERS or its affiliate to be operated as FRANCHISEE's Cost Cutters Business under this Agreement, then the weekly Continuing Fees will be the greater of six percent (6%) of FRANCHISEE's weekly Gross Revenues and One Hundred Dollars ($100) per week for the entire term of this Agreement. The FRANCHISEE will pay Continuing Fees to COST CUTTERS at the applicable rate stated in the preceding sentences, even if the Franchise Agreements signed by the FRANCHISEE specify Continuing Fees that are greater than or different from the Continuing Fees specified herein. With the possible exception of the percentage of the FRANCHISEE'S Gross Revenues which will be payable to COST CUTTERS, the Continuing Fees for each of the FRANCHISEE'S Cost Cutters Businesses will be payable by the FRANCHISEE according to the terms of the applicable Franchise Agreements signed by the FRANCHISEE pursuant to this Agreement.

4.5 **ADVERTISING FEES**. During the entire term of each Franchise Agreement signed by the FRANCHISEE pursuant to this Agreement, the FRANCHISEE will pay to COST CUTTERS weekly Advertising Fees, as defined in the Franchise Agreement, equal to four percent (4%) of the weekly Gross Revenues, as defined in the Franchise Agreement, which are received, billed or generated by or from the FRANCHISEE'S Cost Cutters Businesses in the Franchised Area. The FRANCHISEE will pay Advertising Fees to COST CUTTERS at the applicable rate stated in the preceding sentence, even if the Franchise Agreements signed by the FRANCHISEE specify Advertising Fees that are greater than or different from the Advertising Fees specified herein. With the possible exception of the percentage of the FRANCHISEE'S Gross Revenues which will be payable to COST CUTTERS, the Advertising Fees for each of the FRANCHISEE'S Cost Cutters Businesses will be payable by the FRANCHISEE according to

the terms of the applicable Franchise Agreements signed by the FRANCHISEE pursuant to this Agreement.

4.6 LOCAL ADVERTISING; OTHER PAYMENTS. During the term of each Franchise Agreement signed by the FRANCHISEE pursuant to this Agreement, the FRANCHISEE will be required to spend monies for items such as grand opening advertising and promotion, local media advertising and promotion, local group advertising and promotion, and other expenses. The FRANCHISEE will pay all such required advertising and promotional fees and expenses at the rates established in, and in accordance with the terms and conditions of, the applicable Franchise Agreement for each of the FRANCHISEE'S Cost Cutters Businesses opened and operated by the FRANCHISEE pursuant to this Agreement.

4.7 MODIFICATIONS TO FRANCHISE AGREEMENT. The FRANCHISEE acknowledges that the Franchise Agreement may be modified from time to time by COST CUTTERS and that reasonable modifications and amendments to the Franchise Agreement will not alter the FRANCHISEE'S obligations under this Agreement.

ARTICLE 5
CONFIDENTIAL OPERATIONS MANUAL AND OTHER INFORMATION

5.1 COMPLIANCE WITH MANUAL. In order to protect the reputation and goodwill of COST CUTTERS and to maintain uniform operating standards under the Marks and the Business System, the FRANCHISEE will, at all times during the term of this Agreement and the terms of the Cost Cutters Franchise Agreements signed by the FRANCHISEE, conduct its Cost Cutters Businesses in accordance with COST CUTTERS' confidential Operations Manual (the "Manual").

5.2 CONFIDENTIALITY OF MANUAL. The FRANCHISEE must, at all times during the term of this Agreement and thereafter, treat the Manual, any other manuals created for or approved for use in the operation of the FRANCHISEE'S Cost Cutters Businesses, and the information contained therein as secret and confidential, and the FRANCHISEE will use all reasonable means to keep such information secret and confidential. Neither the FRANCHISEE nor its employees will make any copy, duplication, record or reproduction of the Manual (or any portion thereof) available to any unauthorized person.

5.3 REVISIONS TO MANUAL. The Manual will, at all times during the term of this Agreement and thereafter, remain the sole and absolute property of COST CUTTERS. COST CUTTERS may from time to time revise the Manual and the FRANCHISEE expressly agrees to operate its Cost Cutters Businesses in accordance with all such revisions. The FRANCHISEE will at all times keep its copy of the Manual current and up-to-date, and in the event of any dispute, the terms of the master copy of the Manual maintained by COST CUTTERS will be controlling in all respects.

5.4 OTHER CONFIDENTIAL INFORMATION. The FRANCHISEE expressly acknowledges and agrees that COST CUTTERS will be disclosing and providing to the FRANCHISEE certain confidential and proprietary information concerning the Business System and the procedures, technology, operations and data used in connection with the Business System. Accordingly, the FRANCHISEE will not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or entity any confidential information, knowledge or know-how concerning the methods of operation of the Cost Cutters Businesses which may be communicated to the FRANCHISEE, or of which the FRANCHISEE may be apprised, by virtue of this Agreement. The FRANCHISEE will divulge such confidential information only to its employees that must have access to it in order to operate the FRANCHISEE'S Cost Cutters Businesses. Any and all information, knowledge and know-how including, without limitation, vendor and supplier lists, customer lists, drawings, materials, equipment, technology, methods, procedures, specifications, techniques, computer programs, systems and other data

which COST CUTTERS designates as confidential or proprietary will be deemed confidential and proprietary for the purposes of this Agreement.

5.5 CONFIDENTIALITY AGREEMENTS WITH EMPLOYEES. The FRANCHISEE will require all of the FRANCHISEE'S employees who have access to the Manual or other confidential information execute an agreement, in the form attached as an Exhibit to the Franchise Agreement or other form satisfactory to COST CUTTERS, where the employees agree to maintain the confidentiality, during the course of their employment and thereafter, of all information designated by COST CUTTERS as confidential. Copies of all executed agreements will be submitted to COST CUTTERS upon request.

5.6 REMEDIES. The FRANCHISEE recognizes that the provisions contained in this Article are necessary for the protection of COST CUTTERS and all of the franchisees who own Cost Cutters businesses. If the FRANCHISEE violates any provisions of this Article, or if any employee of the FRANCHISEE violates his or her confidentiality agreement executed pursuant to Article 5.5, then COST CUTTERS will have the right to: (A) terminate this Agreement (as provided for herein); (B) seek injunctive relief from a Court of competent jurisdiction; (C) commence an action or lawsuit against the FRANCHISEE for damages; and (D) enforce all other remedies against the FRANCHISEE that are available to COST CUTTERS under common law, in equity, and pursuant to any federal and state statutes in an action or lawsuit against the FRANCHISEE.

ARTICLE 6
COST CUTTERS' RIGHT OF TERMINATION

6.1 GROUNDS FOR TERMINATION. In addition to the other rights of termination contained in this Agreement, COST CUTTERS will have the right and privilege to terminate this Agreement if: (A) the FRANCHISEE violates any material provision, term or condition of this Agreement; (B) the FRANCHISEE fails to conform to the Business System, the standards of uniformity and quality for the goods and services or the policies and procedures promulgated by COST CUTTERS in connection with the Business System, or is involved in any act or conduct which materially impairs the goodwill associated with the Marks or the Business System; (C) the FRANCHISEE fails to timely pay any of its uncontested obligations or liabilities due and owing COST CUTTERS, suppliers, banks, purveyors, other creditors or any federal, state and municipal government (including, if applicable, federal and state taxes); (D) the FRANCHISEE is determined to be insolvent within the meaning of any state or federal law or becomes a party to any bankruptcy proceedings, files for bankruptcy, or its adjudicated a bankrupt under any state or federal law; (E) the FRANCHISEE makes an assignment for the benefit of creditors or enters into any similar arrangement for the disposition of its assets for the benefit of creditors; (F) any check issued by the FRANCHISEE is dishonored because of insufficient funds (except where the check is dishonored because of a bookkeeping or accounting error) or closed accounts; (G) any Cost Cutters Franchise Agreement executed by the FRANCHISEE is (1) terminated by COST CUTTERS or (2) wrongfully terminated by the FRANCHISEE; (H) the FRANCHISEE fails to make, when due, any payment pursuant to any Franchise Agreement, promissory note, other contract or other obligation payable by the FRANCHISEE to COST CUTTERS; (I) the FRANCHISEE voluntarily or otherwise abandons, as defined herein, the Franchised Area; or (J) the FRANCHISEE or any of its partners, directors, officers or majority shareholders or members is convicted of, or pleads guilty or no contest to, a charge of violating any law relating to the FRANCHISEE'S Cost Cutters Businesses, or any felony.

6.2 NOTICE OF BREACH. Except as provided for in Article 6.5 and Article 6.6 of this Agreement, COST CUTTERS will not have the right to terminate this Agreement unless and until written notice setting forth the alleged breach in detail has been given to the FRANCHISEE by COST CUTTERS and after having been given such written notice of breach the FRANCHISEE fails to correct the alleged breach within the period of time specified by applicable law. If applicable law does not specify a time

period to correct an alleged breach, then the FRANCHISEE will have thirty (30) days after having been given such written notice to correct the alleged breach. If the FRANCHISEE fails to correct an alleged breach set forth in the written notice as provided herein within the applicable period of time, then this Agreement may be terminated by COST CUTTERS as provided in this Agreement. For the purposes of this Agreement, an alleged breach of this Agreement by the FRANCHISEE will be deemed to be "corrected" if both COST CUTTERS and the FRANCHISEE agree in writing that the alleged breach has been corrected.

6.3 ARBITRATION. If the FRANCHISEE gives notice of arbitration, as provided for in this Agreement, within the time period established in Article 6.2 for correcting the alleged breach, then COST CUTTERS will not have the right to terminate this Agreement until the facts of the alleged breach have been submitted to arbitration as provided for herein, the Arbitrator determines that the FRANCHISEE has breached this Agreement and the FRANCHISEE fails to correct the breach within the applicable time period. If the Arbitrator determines that the FRANCHISEE has breached this Agreement as alleged by COST CUTTERS in the written notice given to the FRANCHISEE, then the FRANCHISEE will have thirty (30) days from the date the Arbitrator issues a written determination on the matter to correct the specified breach or violation of this Agreement, except where applicable law requires a longer cure period in which event the cure period specified by applicable law will apply. If the FRANCHISEE timely corrects the specified breach of this Agreement, then this Agreement will remain in full force and effect. For the purposes of this Agreement, any controversy or dispute on the issue of whether the FRANCHISEE has timely corrected the specified breach of this Agreement will also be subject to arbitration as provided for herein. The time limitations set forth in this Article within which the FRANCHISEE may demand arbitration of a dispute or controversy relating to the right of COST CUTTERS to terminate this Agreement for an alleged breach will be mandatory. If the FRANCHISEE fails to comply with the time limitations set forth in this Article, COST CUTTERS may terminate this Agreement as provided for herein.

6.4 NOTICE OF TERMINATION. If COST CUTTERS has complied with the notice provisions of this Article and the FRANCHISEE has not corrected the alleged breach set forth in the written notice within the time period specified in this Article, then COST CUTTERS will have the absolute right to terminate this Agreement by giving the FRANCHISEE written notice stating to the FRANCHISEE that this Agreement is terminated, and in that event, unless applicable law provides to the contrary, the effective date of termination of this Agreement will be the day the written notice of termination is given to the FRANCHISEE.

6.5 GROUNDS FOR IMMEDIATE TERMINATION. COST CUTTERS will have the absolute right and privilege, unless prohibited by applicable law, to immediately terminate this Agreement if: (A) the FRANCHISEE or any of its partners, directors, officers or majority shareholders or members is convicted of, or pleads guilty or no contest to, a charge of violating any law relating to the FRANCHISEE'S Cost Cutters Businesses, or any felony; (B) the FRANCHISEE voluntarily or otherwise abandons, as defined herein, the Franchised Area; or (C) the FRANCHISEE is involved in any act or conduct which materially impairs the goodwill associated with COST CUTTERS' Marks or Business System, and the FRANCHISEE fails to correct such act or conduct within twenty-four (24) hours of receipt of written notice from COST CUTTERS.

6.6 NOTICE OF IMMEDIATE TERMINATION. If this Agreement is terminated by COST CUTTERS pursuant to Article 6.5 above, COST CUTTERS will give the FRANCHISEE written notice that this Agreement is terminated, and in that event, unless applicable law provides to the contrary, the effective date of termination of this Agreement will be the day the written notice of termination is given to the FRANCHISEE.

6.7 DAMAGES. In the event this Agreement is terminated by COST CUTTERS pursuant to this Article, or if the FRANCHISEE breaches this Agreement by a wrongful termination of this Agreement, then COST CUTTERS will be entitled to seek recovery from the FRANCHISEE for all of the damages that COST CUTTERS has sustained and will sustain in the future as a result of the FRANCHISEE'S breach of this Agreement, which will include damages based upon the Initial Fees, Continuing Fees, Advertising Fees and other fees that would have been payable by the FRANCHISEE pursuant to this Agreement.

6.8 OTHER REMEDIES. Nothing in this Article or this Agreement will preclude COST CUTTERS from seeking other damages or remedies under common law, state or federal laws or this Agreement against the FRANCHISEE including, but not limited to, attorneys' fees, punitive damages and injunctive relief.

ARTICLE 7
FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION

7.1 OBLIGATIONS UPON TERMINATION. In the event this Agreement is terminated for any reason, then the FRANCHISEE will: (A) within five (5) days after termination, pay all amounts due and owing to COST CUTTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to COST CUTTERS; and (B) comply with all other applicable provisions of this Agreement, including those provisions with obligations that continue beyond the termination of this Agreement.

7.2 FRANCHISE AGREEMENTS NOT AFFECTED. The FRANCHISEE will continue to operate the Cost Cutters Businesses owned and operated by the FRANCHISEE in the Franchised Area pursuant to the terms of the applicable Franchise Agreements signed by the FRANCHISEE and COST CUTTERS prior to the termination of this Agreement, and the rights and obligations of the FRANCHISEE and COST CUTTERS with respect to the FRANCHISEE'S Cost Cutters Businesses in the Franchised Area will be governed by the terms of the applicable Franchise Agreements.

ARTICLE 8
FRANCHISEE'S COVENANTS NOT TO COMPETE

8.1 CONSIDERATION. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors acknowledge that the FRANCHISEE, its partners or officers, and its employees will receive specialized training, current and future marketing and advertising plans and strategies, business plans and strategies, business information and procedures, research and development information, operations information, and trade and business secrets from COST CUTTERS pertaining to the Business System and the operation of a Cost Cutters business. In consideration for the use and license of such valuable and confidential information, the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors will comply in all respects with the provisions of this Article. COST CUTTERS has advised the FRANCHISEE that this provision is a material provision of this Agreement.

8.2 IN-TERM COVENANT NOT TO COMPETE. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors will not, during the term of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director, member, or shareholder of any other person, firm, entity, partnership or corporation own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in, or assist any person or entity engaged in any hairstyling, barber or other business that is in any way competitive with (including, but not limited to, over the Internet) or similar to the Cost Cutters businesses conducted by COST CUTTERS or COST

CUTTERS' franchisees (including, but not limited to, the FRANCHISEE), except other salons franchised to FRANCHISEE by COST CUTTERS or its subsidiaries or affiliates.

8.3 **POST-TERM COVENANT NOT TO COMPETE**. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors will not, for a period of two (2) years after the termination or expiration of this Agreement, on their own account or as an employee, agent, consultant, partner, officer, director, member or shareholder of any other person, firm, entity, partnership, limited liability company, or corporation own, operate, lease, franchise, conduct, engage in, be connected with, have any interest in or assist any person or entity engaged in any hairstyling, barber or other business that is in any way competitive with (including, but not limited to, over the Internet) or similar to the Cost Cutters businesses conducted by COST CUTTERS or COST CUTTERS' franchisees which is located either within the Franchised Area, conducted on the Internet or located within six (6) miles of any Cost Cutters business operated by COST CUTTERS or any of COST CUTTERS' franchisees, or which is located within any development area granted by COST CUTTERS or any affiliate or area developer of COST CUTTERS pursuant to any franchise, development, license or other territorial agreement. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors expressly agree that the two (2) year period, the Franchised Area, the Internet and the six (6) mile limit are the reasonable and necessary time and geographical limitations required to protect COST CUTTERS and COST CUTTERS' franchisees if this Agreement expires or is terminated for any reason, and that this covenant not to compete is necessary to permit COST CUTTERS the opportunity to further develop new Cost Cutters businesses in the Franchised Area. This post-term non-compete shall not apply to other salons franchised to FRANCHISEE by COST CUTTERS, its subsidiaries or affiliates.

8.4 **INJUNCTIVE RELIEF**. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors agree that the provisions of this Article are necessary to protect the legitimate business interests of COST CUTTERS and COST CUTTERS' franchisees including, without limitation, preventing damage to and/or loss of goodwill associated with the Marks, preventing the unauthorized dissemination of marketing, promotional and other confidential information to competitors of COST CUTTERS and COST CUTTERS' franchisees, protection of COST CUTTERS' trade secrets, the Business System and the integrity of COST CUTTERS' Business System, and preventing duplication of the Business System. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors also agree that damages alone cannot adequately compensate COST CUTTERS if there is a violation of this Article by the FRANCHISEE and that injunctive relief against the FRANCHISEE is essential for the protection of COST CUTTERS and COST CUTTERS' franchisees. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors agree therefore, that if COST CUTTERS alleges that the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors have breached or violated this Article, then COST CUTTERS will have the right to petition a Court of competent jurisdiction for injunctive relief against the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors, in addition to all other remedies that may be available to COST CUTTERS at law or in equity. Unless provided to the contrary by applicable law, COST CUTTERS will not be required to post a bond or other security in any action where COST CUTTERS is seeking to enjoin the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors from violating this Article. In cases where COST CUTTERS is granted ex parte injunctive relief against the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors, then the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors will have the right to petition the court for a hearing on the merits at the earliest time convenient to the Court.

8.5 **SEVERABILITY**. It is the desire and intent of the parties to this Agreement, including the FRANCHISEE'S shareholders and the Personal Guarantors, that the provisions of this Article be

enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of this Article is adjudicated to be invalid or unenforceable, then this Article will be deemed amended to modify or delete that portion thus adjudicated to be invalid or unenforceable, such modification or deletion to apply only with respect to the operation of this Article and the particular jurisdiction in which said adjudication is made. Further, to the extent any provision of this Article is deemed unenforceable by virtue of its scope or limitation, the parties to this Agreement including the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors agree that the scope and limitation provisions will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought.

ARTICLE 9
INDEPENDENT CONTRACTORS; INDEMNIFICATION

9.1 INDEPENDENT CONTRACTORS. COST CUTTERS and the FRANCHISEE are each independent contractors and, as a consequence, there is no employer-employee or principal-agent relationship between COST CUTTERS and the FRANCHISEE. The FRANCHISEE will not have the right to and will not make any agreements, representations or warranties in the name of or on behalf of COST CUTTERS or represent that their relationship is other than that of franchisor and franchisee. Neither COST CUTTERS nor the FRANCHISEE will be obligated by or have any liability to the other under any agreements or representations made by the other to any third parties.

9.2 INDEMNIFICATION. COST CUTTERS will not be obligated to any person for any damages arising out of, from, in connection with, or as a result of the FRANCHISEE'S negligence or the operation of the FRANCHISEE'S Cost Cutters Businesses that are conducted by the FRANCHISEE pursuant to this Agreement. The FRANCHISEE will defend, indemnify and hold harmless COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents against all claims, lawsuits, damages, obligations, liability, actions and judgments alleged or obtained by any person or entity against COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents arising out of, from, as a result of, or in connection with the FRANCHISEE'S negligence or the operation of the FRANCHISEE'S Cost Cutters Businesses that are conducted by the FRANCHISEE pursuant to this Agreement, including, without limitation, any claims arising from or relating to: (A) any personal injury, property damage, commercial loss or environmental contamination resulting from any act or omission of the FRANCHISEE or any of its employees, agents or representatives; (B) any failure on the part of the FRANCHISEE to comply with any requirement of any governmental authority; (C) any failure of the FRANCHISEE to pay any of its obligations; or (D) any failure or the FRANCHISEE to comply with any requirement or condition of this Agreement or any other agreement with COST CUTTERS or any affiliate of COST CUTTERS. Further, the FRANCHISEE will indemnify and reimburse COST CUTTERS, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents for all such obligations and damages for which COST CUTTERS is held liable and for all costs reasonably incurred by COST CUTTERS in the defense or settlement of any such claims brought against it or in any action arising out of the operation of the FRANCHISEE'S Cost Cutters Businesses in which it is named as a party including, without limitation, costs for attorneys' fees actually incurred, investigation expenses, court costs, deposition expenses and travel and living expenses. COST CUTTERS will have the absolute right to defend and settle any claim made against it that results from the FRANCHISEE'S Cost Cutters Businesses and FRANCHISEE shall indemnify and reimburse COST CUTTERS pursuant to this paragraph 9.2.

9.3 PAYMENT OF COSTS AND EXPENSES. The FRANCHISEE will pay all costs and expenses, including actual attorneys' fees, incurred by COST CUTTERS in enforcing any term, condition

or provision of this Agreement or in seeking to enjoin any violation of this Agreement by the FRANCHISEE.

9.4 CONTINUATION OF OBLIGATIONS. The indemnification and other obligations contained in this Article will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

ARTICLE 10
ASSIGNMENT

10.1 ASSIGNMENT BY FRANCHISOR. This Agreement may be unilaterally assigned and transferred by COST CUTTERS without the FRANCHISEE'S approval or consent, and will inure to the benefit of COST CUTTERS' successors and assigns. COST CUTTERS will provide the FRANCHISEE with written notice of any such assignment or transfer, and the assignee will be required to fulfill COST CUTTERS' obligations under this Agreement.

10.2 ASSIGNMENT BY FRANCHISEE TO CONTROLLED ENTITY. In the event the FRANCHISEE is an individual or a partnership, this Agreement may be transferred or assigned by the FRANCHISEE, without first offering it to COST CUTTERS pursuant to Article 11, to a corporation, limited liability company, partnership or other entity which is owned or controlled (ownership of at least fifty-one percent (51%) of the outstanding ownership interests) by the FRANCHISEE, provided that: (A) the FRANCHISEE and all the holders of the ownership interests of the assignee entity sign or have signed a personal guaranty in the form attached to this Agreement; (B) the FRANCHISEE furnishes prior written proof to COST CUTTERS substantiating that the assignee entity will be financially able to perform all of the terms and conditions of this Agreement; and (C) none of the holders of ownership interests in the entity owns, operates, franchises, develops, manages or controls any hairstyling, barber or other business that is in any way competitive with or similar to a Cost Cutters business. The FRANCHISEE will give COST CUTTERS fifteen (15) days written notice prior to the proposed date of assignment or transfer of this Agreement to an entity owned or controlled by the FRANCHISEE; however, the transfer or assignment of this Agreement will not be valid or effective until COST CUTTERS has received the legal documents which its legal counsel deems necessary to properly and legally document the transfer or assignment of this Agreement to the entity as provided herein.

10.3 ASSIGNMENT UPON DEATH OR DISABILITY OF FRANCHISEE. If the FRANCHISEE is an individual, then this Agreement may be assigned, transferred or bequeathed by the FRANCHISEE to any designated person or beneficiary without first offering it to COST CUTTERS pursuant to Article 11, upon his or her death or permanent disability. However, the assignment of this Agreement to the transferee, assignee or beneficiary of the FRANCHISEE will not be valid or effective until COST CUTTERS has received the properly executed legal documents which its legal counsel deems necessary to properly and legally document the transfer, assignment or bequest of this Agreement, and until the transferee, assignee or beneficiary agrees to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of the FRANCHISEE'S obligations under this Agreement.

10.4 APPROVAL OF TRANSFER; CONDITIONS FOR APPROVAL. This Agreement may be assigned or transferred by the FRANCHISEE only with the prior written approval of COST CUTTERS. COST CUTTERS will not unreasonably withhold its consent to any transfer of this Agreement, provided that the FRANCHISEE and the transferee Franchisee comply with the following conditions: (A) the FRANCHISEE has complied in all respects with Article 11 of this Agreement; (B) all of the FRANCHISEE'S monetary obligations due to COST CUTTERS have been paid in full, and the FRANCHISEE is not otherwise in default under this Agreement; (C) the FRANCHISEE has executed a

written agreement in a form satisfactory to COST CUTTERS in which the FRANCHISEE agrees to observe all applicable obligations and covenants contained in this Agreement; (D) the transferee Franchisee and the holders of its ownership interests agree to be personally liable to discharge all of the FRANCHISEE'S obligations under this Agreement and will enter into a written agreement in a form satisfactory to COST CUTTERS assuming and agreeing to discharge all of the FRANCHISEE'S obligations and covenants under this Agreement; (E) the transferee Franchisee will have demonstrated to COST CUTTERS' satisfaction that he, she or it meets COST CUTTERS' managerial, financial, and business standards for new area franchisees, possesses a good business reputation and credit rating, and possesses the aptitude and ability to conduct the Business franchised hereunder (as may be evidenced by prior related business experience or otherwise); (F) the FRANCHISEE has paid the transfer fee required under Article 10.6; (G) the transferee Franchisee does not own, operate, franchise, develop, manage or control any hairstyling, barber or other business that is in any way competitive with or similar to a Cost Cutters business; and (H) if the transferee Franchisee does not meet COST CUTTERS' net worth requirements for operation of the Cost Cutters Businesses, then the FRANCHISEE and/or the holders of all ownership interests in the transferee franchisee and the Personal Guarantors will execute a written agreement in a form satisfactory to COST CUTTERS agreeing to remain liable to COST CUTTERS for the obligations of the Cost Cutters Businesses.

10.5 **ACKNOWLEDGMENT OF RESTRICTIONS**. The FRANCHISEE acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Cost Cutters Business System and the Marks, as well as COST CUTTERS' reputation and image, and are for the protection of COST CUTTERS, the FRANCHISEE and all other franchisees who own and operate Cost Cutters businesses. Any assignment or transfer permitted by this Article 10 will not be effective until COST CUTTERS receives a completely executed copy of all transfer documents and COST CUTTERS consents to the transfer in writing, and any attempted assignment or transfer made without complying with the requirements of this Article 10 will be void.

10.6 **TRANSFER FEE**. If, pursuant to the terms of this Article, this Agreement is assigned, transferred or bequeathed to another person or entity, or if the holders of Ownership Interests in the FRANCHISEE representing more than fifty percent (50%) of voting power in the FRANCHISEE transfer their interest in the FRANCHISEE to another person or entity, then the FRANCHISEE will pay COST CUTTERS a transfer fee of Two Thousand Five Hundred Dollars ($2,500). This fee is to cover the costs incurred by COST CUTTERS for attorneys' fees, accountants' fees, out-of-pocket expenses, long distance telephone calls, administrative expenses, and the time of its employees and officers.

ARTICLE 11
COST CUTTERS' RIGHT OF FIRST REFUSAL TO PURCHASE

11.1 **NOTICE OF PROPOSED SALE.** The FRANCHISEE will not sell, pledge, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of the FRANCHISEE'S Business Assets, as defined in this provision, without first offering the same to COST CUTTERS by written notice that contains all material terms and conditions of the proposed sale or transfer, including price and payment terms. "Business Assets" shall mean (A) this Agreement or (B) any capital stock or other ownership interest in the FRANCHISEE. Within ten (10) business days after receipt by COST CUTTERS of the FRANCHISEE'S written offer specifying the proposed price and terms of the proposed sale, COST CUTTERS will give the FRANCHISEE written notice which will either waive its right of first refusal to purchase or will state an interest in negotiating to purchase according to the proposed terms. If COST CUTTERS commences negotiations to purchase the FRANCHISEE'S Business Assets as set forth herein, then the FRANCHISEE may not sell the Business Assets to a third party for at least sixty (60) days or until COST CUTTERS and the FRANCHISEE agree in writing that the negotiations have terminated, whichever comes earlier. If COST CUTTERS waives its right to purchase, then the

FRANCHISEE will have the right to complete the sale or transfer of the Business Assets according to the terms set forth in the written notice to COST CUTTERS; however, any such sale, transfer or assignment to a third party is expressly subject to the terms and conditions set forth in Article 10 of this Agreement. If the FRANCHISEE does not consummate the sale to a third party upon the terms and conditions previously presented to COST CUTTERS in writing, but negotiates a sale price with a third party that is lower or on different terms than the stated price or terms presented to COST CUTTERS, then the modified offer must be recommunicated or made to COST CUTTERS by the FRANCHISEE. COST CUTTERS will give the FRANCHISEE written notice within fifteen (15) business days thereafter which will state whether or not it is interested in purchasing the Business Assets according to the proposed new terms.

11.2 COMPLIANCE WITH AGREEMENT. The FRANCHISEE'S obligations under this Agreement including, but not limited to, its obligations to pay the Continuing Fees, the Advertising Fees and to operate the Cost Cutters Businesses under the applicable Franchise Agreements, will in no way be affected or changed because of COST CUTTERS' nonacceptance of the FRANCHISEE'S written offer to purchase the FRANCHISEE'S interests or assets, and, as a consequence, the terms and conditions of this Agreement will remain in full force and effect. COST CUTTERS' decision not to exercise the rights granted to it pursuant to this Article will not, in any way, be deemed to grant the FRANCHISEE the right to terminate this Agreement and will not affect the term of this Agreement. Moreover, if COST CUTTERS does not exercise the rights granted to it pursuant to this Article and if the FRANCHISEE complies with Article 10 and sells or otherwise disposes of its interests or assets to a third party, then both the FRANCHISEE and the third party purchaser will be required to comply in all respects with the terms and conditions of this Agreement, and the sale of the interests or assets will not relieve the FRANCHISEE of its obligations under this Agreement. Any sale, transfer or assignment of the business or assets of the FRANCHISEE'S salon development business that does not include assignment of this Agreement to the transferee will constitute a wrongful termination of this Agreement.

11.3 TRANSFER OF AGREEMENT TO CONTROLLED ENTITY. If the FRANCHISEE is an individual or a partnership, then the FRANCHISEE will have the right to assign and transfer this Agreement to a corporation, limited liability company or other entity in which the FRANCHISEE owns and controls at least fifty-one percent (51%) of the entity's issued and outstanding capital shares, membership interests or ownership interests ("Ownership Interests") pursuant to Article 10.2 of this Agreement. If the FRANCHISEE transfers this Agreement to an entity owned or controlled by the FRANCHISEE pursuant to Article 10.2, which will not excuse or release the FRANCHISEE from any obligations under this Agreement, then the Ownership Interests of the FRANCHISEE'S entity may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by the FRANCHISEE until the Ownership Interests have been first offered to COST CUTTERS in writing under the same terms and conditions offered to any third party as provided for in Article 11.1.

11.4 SALE OF OWNERSHIP INTEREST IN FRANCHISEE. If the FRANCHISEE is a corporation, limited liability company, partnership or other, then the Ownership Interests in the FRANCHISEE may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by the holders thereof until the Ownership Interests have been first offered to COST CUTTERS in writing under the same terms and conditions applicable if Business Assets were proposed to be sold under Article 11.1 above. Notwithstanding the terms of this Article, a holder of Ownership Interests may bequeath, sell, assign, trade or transfer their Ownership Interests without first offering them to COST CUTTERS (a) to the other holders of the Ownership Interests because of the death or permanent disability of such holder or (b) to a spouse or child of the holder; provided however, that each proposed transferee of an Ownership Interest who will be involved in the operations or management of the Cost Cutters Businesses has successfully completed COST CUTTERS' training program and has been certified by COST CUTTERS and is, in COST CUTTERS' reasonable judgment, qualified from a managerial and financial standpoint to

operate the Cost Cutters Businesses in an economic and businesslike manner. The FRANCHISEE and the holders of Ownership Interests must provide COST CUTTERS with written notice of all such transactions, and the proposed transferee holder of Ownership Interests must agree to be personally liable under this Agreement and enter into a written agreement where such holder agrees to perform all the terms and conditions contained in this Agreement. All certificates representing Ownership Interests issued by the FRANCHISEE to its owners must bear the following legend:

> The ownership interests represented by this certificate are subject to a written Development Agreement which grants The Barbers, Hairstyling for Men & Women, Inc., the right of first refusal to purchase these interests from the holder. Any person acquiring the ownership interests represented by this certificate will be subject to the terms and conditions of the Development Agreement between the company named on the face of this certificate and The Barbers, Hairstyling for Men & Women, Inc., which includes provisions containing covenants not to compete that apply to all holders of ownership interests in this company.

11.5 ACKNOWLEDGMENT OF RESTRICTIONS. The FRANCHISEE acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and are necessary to protect the Cost Cutters Business System and the Marks, as well as COST CUTTERS' reputation and image, and are for the protection of COST CUTTERS, the FRANCHISEE and all other Franchisees who own and operate Cost Cutters businesses. Any assignment or transfer permitted by Article 11 will not be effective until COST CUTTERS receives a completely executed copy of all transfer documents and COST CUTTERS consents to the transfer in writing.

11.6 SELLING HOLDERS SUBJECT TO COVENANT NOT TO COMPETE. Any holder of Ownership Interests in the FRANCHISEE that sells or assigns any Ownership Interests in the FRANCHISEE will continue to be subject to provisions of Article 8 of this Agreement after the sale or assignment.

11.7 RIGHT OF COST CUTTERS TO PURCHASE FRANCHISE ASSETS. If this Agreement expires or is terminated by either COST CUTTERS or the FRANCHISEE for any reason whatsoever, or if the FRANCHISEE wrongfully terminates this Agreement by failing to comply with Article 10 or otherwise, or if the FRANCHISEE at any time ceases to do business as developer of Cost Cutters Businesses, then COST CUTTERS will have the right, but not the obligation, to purchase the then-usable furniture, supplies, inventory, fixtures and equipment, and all other assets that are required by COST CUTTERS for a standard Cost Cutters business and owned by the FRANCHISEE but are not presently being used in any of the FRANCHISEE'S existing Cost Cutters Businesses (the "Franchise Assets"). COST CUTTERS will not purchase any assets from the FRANCHISEE that are not part of the standard Cost Cutters business. The FRANCHISEE must give COST CUTTERS written notice listing the cost of each of the Franchise Assets in detail and the FRANCHISEE'S asking price for the Franchise Assets within twenty-four (24) hours after the FRANCHISEE ceases to do business as a developer of Cost Cutters Businesses, or after this Agreement expires or is terminated by either party, or is wrongfully terminated by the FRANCHISEE.

11.8 DETERMINATION OF FAIR MARKET VALUE. If the FRANCHISEE fails to give COST CUTTERS written notice of the asking price of the Franchise Assets, or if COST CUTTERS and the FRANCHISEE cannot agree on the price of the Franchise Assets, then either party will have the right to demand that the price of the Franchise Assets be determined by arbitration in accordance with the Rules and Regulations of the American Arbitration Association. The arbitration hearing will be held as soon as possible, but in no event later than seven (7) business days from the date arbitration is demanded by either party. The Arbitrator will determine the fair market value of the Franchise Assets. The Arbitrator will not consider any value for goodwill associated with the names Cost Cutters® or Cost Cutters Family Hair

Salon® or for going concern value in determining the fair market value of the Franchise Assets since the right of purchase granted to COST CUTTERS pursuant to this provision applies only after this Agreement has expired or has been terminated, or the FRANCHISEE has ceased doing business as a developer. If the Arbitrator is unable to determine the fair market value of any of the Franchise Assets, then they will be valued at book value (cost less depreciation). COST CUTTERS will have the right, but not the obligation, to purchase any or all of the Franchise Assets from the FRANCHISEE for cash within fifteen (15) business days after the fair market value of the Franchise Assets has been established by the Arbitrator in writing. Nothing in this Article will prohibit COST CUTTERS from enforcing the terms and conditions of this Agreement, including the covenants not to compete contained in Article 8.

ARTICLE 12
ARBITRATION

12.1 DISPUTES SUBJECT TO ARBITRATION. Except as expressly provided to the contrary in this Agreement, all disputes and controversies between the parties, including allegations of fraud, misrepresentation or violation of any state or federal laws or regulations, arising under, as a result of, or in connection with this Agreement, the Franchised Area or the FRANCHISEE'S Cost Cutters Businesses will be resolved and determined exclusively by arbitration in accordance with the Commercial Rules and Regulations of the American Arbitration Association.

12.2 NOTICE OF DISPUTE. The party alleging the breach, claim, dispute or controversy ("dispute") must give the other party written notice setting forth the alleged dispute in detail. The party who has been given such written notice alleging the dispute will have thirty (30) days after having been given such written notice from the complaining party to correct or resolve the dispute specified in the written notice.

12.3 DEMAND FOR ARBITRATION. If the dispute alleged by either party has not been corrected, settled or compromised within the time period provided for in this Agreement, then either party may notice arbitration by giving the other party written notice demanding arbitration. Within ten (10) days after a written demand for arbitration has been given by the party demanding arbitration, either party will have the right to request the appropriate office of the American Arbitration Association to initiate the procedures necessary to appoint an Arbitrator. The Arbitrator will be appointed within sixty (60) days after a written demand for arbitration has been made in accordance with the Commercial Rules and Regulation of the American Arbitration Association.

12.4 VENUE AND JURISDICTION. All arbitration hearings will take place exclusively in Minneapolis, Minnesota. COST CUTTERS and the FRANCHISEE and their officers, directors and shareholders or partners and the Personal Guarantors acknowledge that the FRANCHISEE and its officers, directors and employees have had substantial business and personal contacts with COST CUTTERS in Minnesota, do hereby agree and submit to personal jurisdiction in Minnesota in connection with any arbitration hearings hereunder and any suits or actions brought to enforce the decision of the Arbitrator, and do hereby waive any rights they may have to contest venue and jurisdiction in Minnesota and any claims that venue and jurisdiction in Minnesota are invalid.

12.5 POWERS OF ARBITRATOR. The authority of the Arbitrator will include making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement and include any questions related to its formation, existence, validity, breach or termination. The Federal Rules of Evidence (the "Rules") will apply to all arbitration hearings and the introduction of all evidence, testimony, records, affidavits, documents and memoranda in any arbitration hearing must comply in all respects with the Rules and the legal precedents interpreting the Rules. Both parties will have the absolute right to cross-examine any person who testified against them or in favor of

the other party. The Arbitrator will not have the authority or right to add to, delete, amend or modify in any manner the terms, conditions and provisions of this Agreement. All findings, judgments, decisions and awards of the Arbitrator will be limited to the dispute set forth in the written demand for arbitration, and the Arbitrator will not have the authority to decide any other issues. The Arbitrator will not have the right or authority to award punitive damages to COST CUTTERS or the FRANCHISEE or their officers, directors, shareholders or partners and Personal Guarantors, and COST CUTTERS and FRANCHISEE and their officers, directors, shareholders or partners, and Personal Guarantors expressly waive their rights to plead or seek punitive damages. All findings, judgments, decisions and awards by the Arbitrator will be in writing, will be made within sixty (60) days after the arbitration hearings have been completed, and will be final and binding on COST CUTTERS and the FRANCHISEE, except as provided for in Article 12.8. The written decision of the Arbitrator will be deemed to be an order, judgment and decree and may be entered as such in any Court of competent jurisdiction by either party.

12.6 DISPUTES NOT SUBJECT TO ARBITRATION. The disputes and controversies between COST CUTTERS and the FRANCHISEE which are set forth in Article 13.1 and the following disputes between COST CUTTERS and the FRANCHISEE will not be subject to arbitration: (A) any dispute involving the Marks; (B) any dispute involving immediate termination of this Agreement by COST CUTTERS pursuant to Article 6.5 and Article 6.6 of this Agreement; (C) any dispute involving enforcement of the confidentiality provisions set forth in Article 5 of this Agreement; and (D) any dispute involving enforcement of the covenants not to compete set forth in Article 8 of this Agreement.

12.7 NO COLLATERAL ESTOPPEL OR CLASS ACTIONS. Except as provided herein, all arbitration findings and awards expressly made by the Arbitrator will be final and binding on COST CUTTERS and the FRANCHISEE and their officers, directors, shareholders or partners, and Personal Guarantors; however, such arbitration findings and awards may not be used to collaterally estop either party from raising any like or similar issues, claims or defenses in any other or subsequent arbitration, litigation, court hearing or other proceeding involving third parties or other franchisees. No party except COST CUTTERS, the FRANCHISEE, and their officers, directors, shareholders or partners, and Personal Guarantors will have the right to join in any arbitration proceeding arising under this Agreement, and, therefore, the Arbitrator will not be authorized to permit or approve class actions or to permit any person or entity that is not a party to this Agreement to be involved in or to participate in any arbitration hearings conducted pursuant to this Agreement.

12.8 DE NOVO HEARING ON MERITS. If the Arbitrator awards either COST CUTTERS or the FRANCHISEE damages (including actual damages, costs and attorneys' fees) in excess of One Hundred Thousand Dollars ($100,000) in any arbitration proceeding commenced pursuant to this Agreement, then the party who has been held liable by the Arbitrator will have the right to a de novo hearing on the merits by commencing an action in a court of competent jurisdiction in accordance with the provisions of this Agreement. If the party held liable by the Arbitrator commences a court action as provided for herein, then neither party will have the right to introduce the Arbitrator's decision or findings in any such court action and the Arbitrator's decision and findings will be of no force and effect and will not be final or binding on either COST CUTTERS or the FRANCHISEE. If the party who has been held liable by the Arbitrator for over One Hundred Thousand Dollars ($100,000) in damages fails to commence a court action within thirty (30) days after the Arbitrator issues his or her award in writing, then the Arbitrator's findings, judgments, decisions and awards will be final and binding on COST CUTTERS and the FRANCHISEE.

12.9 CONFIDENTIALITY. All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any arbitration hearing between COST CUTTERS and the FRANCHISEE will be secret and confidential in all respects. COST CUTTERS and the FRANCHISEE will not disclose the decision or award of the Arbitrator and will not disclose any evidence, testimony,

records, documents, findings, orders, or other matters from the arbitration hearing to any person or entity except as required by law.

12.10 SEVERABILITY. It is the desire and intent of the parties to this Agreement that the provisions of this Article be enforced to the fullest extent permissible under the laws and public policy applied in each jurisdiction in which enforcement is sought. Accordingly, if any part of this Article is adjudicated to be invalid or unenforceable, then this Article will be deemed amended to delete that portion thus adjudicated to be invalid or unenforceable to the extent required to make this Article valid and enforceable. Any such deletion will be effective only in the particular jurisdiction in which the adjudication is made. Further, to the extent any provision of this Article is deemed unenforceable by virtue of its scope, the parties to this Agreement agree that the same will, nevertheless, be enforceable to the fullest extent permissible under the laws and public policies applied in such jurisdiction where enforcement is sought, and the scope in such a case will be determined by arbitration as provided herein.

ARTICLE 13
ENFORCEMENT

13.1 INJUNCTIVE RELIEF. In addition to the provisions of Article 11, COST CUTTERS will be entitled to petition a Court of competent jurisdiction for the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to: (A) the FRANCHISEE'S improper or unauthorized use of the Marks and the Business System; (B) the obligations of the FRANCHISEE upon termination or expiration of this Agreement; (C) the transfer or assignment of this Agreement, the Franchised Area or ownership interests of the FRANCHISEE; (D) the FRANCHISEE'S violation of the provisions of this Agreement relating to confidentiality and covenants not to compete; and (E) any act or omission by the FRANCHISEE or the FRANCHISEE'S employees that, (1) constitutes a violation of any applicable law, ordinance or regulation, (2) is dishonest or misleading to customers of the FRANCHISEE'S Cost Cutters Businesses or other Cost Cutters businesses, (3) constitutes a danger to the employees, public or customers of the FRANCHISEE'S Cost Cutters Businesses, or (4) may impair the goodwill associated with the Marks and the Business System. In any action brought under this provision where COST CUTTERS prevails against the FRANCHISEE, the FRANCHISEE will indemnify COST CUTTERS for all costs that it incurs in any such proceedings including, without limitation, attorneys' fees actually incurred, expert witness fees, costs of investigation, court costs, travel and living expenses, and all other costs incurred by COST CUTTERS. Unless provided to the contrary by applicable law, COST CUTTERS will be entitled to obtain injunctive relief without the posting of any bond or security.

13.2 SEVERABILITY. All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable. If any applicable law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required hereunder or the taking of some other action not required hereunder, or if under any applicable and binding laws of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by COST CUTTERS is invalid or unenforceable, the prior notice or other action required by such law or rule will be substituted for the notice requirements hereof, or such invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. Such modifications to this Agreement will be effective only in such jurisdiction and will be enforced as originally made and entered into in all other jurisdictions.

13.3 WAIVER. COST CUTTERS and the FRANCHISEE may, by written instrument signed by COST CUTTERS and the FRANCHISEE, waive any obligation of or restriction upon the other under this

Agreement. Acceptance by COST CUTTERS of any payment by the FRANCHISEE and the failure, refusal or neglect of COST CUTTERS to exercise any right under this Agreement or to insist upon full compliance by the FRANCHISEE of its obligations hereunder will not constitute a waiver by COST CUTTERS of any provision of this Agreement. COST CUTTERS will have the right to waive obligations or restrictions for other area franchisees under their Development Agreements without waiving those obligations or restrictions for the FRANCHISEE and, except to the extent provided by law, COST CUTTERS will have the right to negotiate terms and conditions, grant concessions and waive obligations for other area franchisees of COST CUTTERS without granting those same rights to the FRANCHISEE and without incurring any liability to the FRANCHISEE whatsoever.

13.4 NO RIGHT TO OFFSET. The FRANCHISEE will not, on grounds of the alleged nonperformance by COST CUTTERS of any of its obligations under this Agreement, any other contract between COST CUTTERS and the FRANCHISEE, or for any other reason, withhold payment of any amounts due COST CUTTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to COST CUTTERS. The FRANCHISEE will not have the right to "offset" any liquidated or unliquidated amounts allegedly due to the FRANCHISEE from COST CUTTERS against any payments due to COST CUTTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to COST CUTTERS.

13.5 COST CUTTERS' RIGHTS CUMULATIVE. The rights of COST CUTTERS hereunder are cumulative and no exercise or enforcement by COST CUTTERS of any right or remedy hereunder will preclude the exercise or enforcement by COST CUTTERS of any other right or remedy hereunder or which COST CUTTERS is entitled by law to enforce.

13.6 VENUE AND JURISDICTION. Unless otherwise required by applicable law, all arbitration hearings, litigation, court hearings or other hearings initiated by either party against the other party must and will be venued exclusively in Minneapolis County, Minnesota. The FRANCHISEE, each of its officers, directors and shareholders, partners or members and the Personal Guarantors: (A) acknowledge that Minneapolis, Minnesota is a mutually convenient location for the venue and conduct of any legal or enforcement proceedings; (B) do hereby agree and submit to personal jurisdiction in the State of Minnesota for the purposes of any arbitration hearings, litigation, court hearings or other hearings brought to enforce or construe the terms of this Agreement or to resolve any dispute or controversy arising under, as a result of, or in connection with this Agreement, the Franchised Area or the FRANCHISEE'S Cost Cutters Businesses; and (C) do hereby agree and stipulate that any arbitration hearings, litigation, court hearings and other hearings will be venued and held exclusively in Minneapolis, Minnesota, and waive any rights to contest such venue and jurisdiction and any claims that such venue and jurisdiction are invalid.

13.7 AGREEMENT BINDING ON HEIRS AND ASSIGNS. This Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest.

13.8 JOINT AND SEVERAL LIABILITY. If the FRANCHISEE consists of more than one person, their liability under this Agreement will be deemed to be joint and several.

13.9 ENTIRE AGREEMENT. This Agreement supersedes and terminates all prior agreements relating to the rights granted herein, either oral or in writing, between the parties and therefore, any representations, inducements, promises or agreements between the parties not contained in this Agreement or not in writing signed by the President or a Vice President of COST CUTTERS and the FRANCHISEE will not be enforceable. This Agreement will not supersede or terminate any written Development Agreement relating to another Franchised Area or Franchise Agreement(s) executed prior to the date of this Agreement relating to other Cost Cutters franchises operated by the FRANCHISEE that

are or will be owned and operated by the FRANCHISEE. The preambles are a part of this Agreement, which constitutes the entire agreement of the parties, and there are no other oral or written understandings or agreements between COST CUTTERS and the FRANCHISEE relating to the subject matter of this Agreement. Nothing in the Agreement waives the FRANCHISEE'S reliance on the representations made in the Franchise Disclosure Document.

13.10 CONTROLLING AGREEMENT. The rights and obligations of the FRANCHISEE and COST CUTTERS with respect to the operation of each Cost Cutters Business opened in the Franchised Area by the FRANCHISEE will be governed by the terms and conditions of each Cost Cutters Franchise Agreement executed by the FRANCHISEE. In the event there is a conflict between the terms of this Agreement and the terms of any Cost Cutters Franchise Agreement executed by the FRANCHISEE, then unless specified otherwise herein, the terms of this Agreement will control.

13.11 HEADINGS; TERMS. The headings of the Articles and the provisions thereof are for convenience only and do not define, limit or construe the contents of such Articles. The term "FRANCHISEE" as used herein is applicable to one or more individuals, a corporation or a partnership, as the case may be, and the singular usage includes the plural, and the masculine usage includes the neuter and the feminine and the neuter usage includes the masculine and the feminine. References to "FRANCHISEE" which are applicable to an individual or individuals will mean the principal owner or owners of the equity or operating control of the FRANCHISEE if the FRANCHISEE is a corporation or partnership. If the FRANCHISEE consists of more than one individual, then all individuals will be bound jointly and severally by the terms and conditions of this Agreement.

13.12 NO ORAL MODIFICATION. No modification, change, addition, rescission, release, amendment or waiver of, and no approval, consent or authorization required by any provision of this Agreement may be made except by a written agreement subscribed to by duly authorized officers or partners of the FRANCHISEE and the President or a Vice President of COST CUTTERS. COST CUTTERS and the FRANCHISEE will not have the right to amend or modify this Agreement orally or verbally, and any attempt to do so will be void in all respects.

ARTICLE 14
NOTICES AND EMAIL

14.1 NOTICES. All notices to COST CUTTERS will be in writing and will be made by personal service upon an officer or director of COST CUTTERS or sent by prepaid registered or certified United States mail addressed to COST CUTTERS at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. All notices to the FRANCHISEE will be by personal service upon the FRANCHISEE, a District Manager or a salon manager or assistant manager, (or, if applicable, an officer or director of the FRANCHISEE), or sent by prepaid registered or certified United States mail addressed to the FRANCHISEE at the first Cost Cutters Business opened by the FRANCHISEE in the Franchised Area or such other address as the FRANCHISEE may designate in writing, or by delivery to any employee of the FRANCHISEE by a recognized overnight delivery service (such as Federal Express or UPS) which requires a written receipt of delivery from the addressee. Notice by mail is effective upon depositing the same in the mail in the manner provided above, notice by personal service is effective upon obtaining service and notice by overnight delivery service is effective upon delivery by such overnight delivery service.

14.2 EMAIL. In addition to using customary means of communications (e.g. telephone, facsimile, U.S. mail), FRANCHISEE shall establish, maintain and use an active email account for routine communications with Franchisor. FRANCHISEE shall provide Franchisor with prompt notice of such active email account and notice of any changes to such email account.

ARTICLE 15
ACKNOWLEDGMENTS

15.1 BUSINESS RISKS; NO FINANCIAL PROJECTIONS. The FRANCHISEE acknowledges that it has conducted an independent investigation of the prospects for the establishment of Cost Cutters Businesses within the Franchised Area, and recognizes that the business venture contemplated by this Agreement involves business and economic risks and that its financial and business success will be primarily dependent upon the personal efforts of the FRANCHISEE, its management and employees. COST CUTTERS expressly disclaims the making of, and the FRANCHISEE acknowledges that it has not received, any estimates, projections, warranties or guaranties, express or implied, regarding potential Gross Revenues, profits, earnings or the financial success of the FRANCHISEE'S Cost Cutters Businesses, except as expressly set forth in writing in COST CUTTERS' Franchise Disclosure Document, receipt of which is acknowledged by the FRANCHISEE.

15.2 NO INCOME OR REFUND WARRANTIES. The FRANCHISEE acknowledges that COST CUTTERS does not warrant or guarantee to the FRANCHISEE that the FRANCHISEE will derive income or profit from the FRANCHISEE'S Cost Cutters Businesses or that COST CUTTERS will refund all or part of the Development Fee or the price paid for the FRANCHISEE'S Cost Cutters Businesses or repurchase any of the products, merchandise, furniture, fixtures, equipment, supplies or chattels supplied by COST CUTTERS or an approved supplier if the FRANCHISEE is unsatisfied with its Cost Cutters Businesses.

15.3 TERMS OF OTHER DEVELOPMENT AGREEMENTS MAY DIFFER. The FRANCHISEE acknowledges that other area franchisees of COST CUTTERS have or will be granted Development Agreements at different times and in different situations, and further acknowledges that the terms and conditions of such Development Agreements may vary substantially in form and substance from those contained in this Agreement.

15.4 RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT. The FRANCHISEE acknowledges that it received a Cost Cutters Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

15.5 POTENTIAL INCREASES IN INVESTMENT REQUIREMENTS. The FRANCHISEE recognizes and acknowledges that this Agreement requires it to open additional Cost Cutters Businesses in the future pursuant to the development schedule set forth in Article 3. The FRANCHISEE further acknowledges that the estimated expenses and investment requirements set forth in Items 6 and 7 of COST CUTTERS' Franchise Disclosure Document are subject to increase over time, and that future Cost Cutters Businesses opened and operated by the FRANCHISEE may involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to the FRANCHISEE prior to the execution of this Agreement.

15.6 NON-EXCLUSIVE RIGHTS. FRANCHISEE acknowledges and agrees that COST CUTTERS, its parent, affiliates and subsidiaries have the absolute right to develop, own, operate, manage, acquire, merge with, license and franchise anywhere and through any channel of distribution in the world including the Geographic Area and over the internet: (a) other Cost Cutters businesses; and (b) any other hair care and/or hair product businesses under any trademark now and in the future, including without limitation, Pro-Cuts, Supercuts, Roosters, Mastercuts, Hairmasters, and SmartStyle. FRANCHISEE hereby acknowledges that such businesses may be competitive with the Cost Cutters Businesses developed hereunder and FRANCHISEE hereby waives any and all rights that it may have or allege against COST CUTTERS, its parent, affiliates, and subsidiaries resulting from the opening and/or

operation of any such hair care or hair product businesses, including in the Geographic Area or near, adjacent to, or contiguous with any of FRANCHISEE's Cost Cutters Businesses hereunder.

ARTICLE 16
DISCLAIMER; FRANCHISEE'S LEGAL COUNSEL

16.1 **DISCLAIMER BY FRANCHISOR.** COST CUTTERS expressly disclaims the making of any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, or value of the FRANCHISEE'S Businesses, except those expressly set forth in Item 19 of the Cost Cutters Franchise Disclosure Document received by the FRANCHISEE.

16.2 **ACKNOWLEDGMENTS BY FRANCHISEE.** The FRANCHISEE acknowledges that it has not received any express or implied representations or warranties regarding the sales, earnings, income, profits, Gross Revenues, business or financial success, value of the Businesses or any other matters pertaining to the Cost Cutters Businesses from COST CUTTERS or any of COST CUTTERS' officers, employees or agents that were not contained in writing in the Franchise Disclosure Document (including this Agreement) received by the FRANCHISEE ("representations or warranties"). The FRANCHISEE further acknowledges that if it had received any representations or warranties not contained in COST CUTTERS' Franchise Disclosure Document, it would not have executed this Agreement, and the FRANCHISEE would have: (A) promptly notified the President of COST CUTTERS in writing of the person or persons making such representations or warranties; and (B) provided to COST CUTTERS a specific written statement detailing the representations or warranties made that were not contained in the Franchise Disclosure Document received by the FRANCHISEE.

16.3 **LEGAL REPRESENTATION.** The FRANCHISEE acknowledges that this Agreement constitutes a legal document which grants certain rights to and imposes certain obligations upon the FRANCHISEE. The FRANCHISEE was advised by COST CUTTERS to consult an attorney or other advisor prior to the execution of this Agreement to review COST CUTTERS' Franchise Disclosure Document, to review this Agreement in detail, to review the economics, operations and other business aspects of the Cost Cutters Businesses, to determine compliance with franchising and other applicable laws, to advise the FRANCHISEE about all federal, state and local laws, rules, ordinances, special regulations and statutes that apply to the FRANCHISEE'S Cost Cutters Businesses and to advise the FRANCHISEE about the economic risks, liabilities, obligations and rights under this Agreement. The name of the FRANCHISEE'S attorney or other advisor is:

Name: _____

Name of Firm: _____

Address: _____

City, State, Zip Code: _____

Telephone Number: (_____) _____

Fax Number: (_____) _____

ARTICLE 17
GOVERNING LAW; STATE MODIFICATIONS

17.1 **GOVERNING LAW**. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between COST CUTTERS and the FRANCHISEE will be governed by the laws of the state in which the Franchised Area is located. If the Franchised Area contains more than one state, then the laws of the state in which the FRANCHISEE'S principal place of business is located will govern. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. All other provisions of this Agreement will be enforceable as originally made and entered into upon the execution of this Agreement by the FRANCHISEE and COST CUTTERS.

17.2 **STATE MODIFICATIONS**. Some states may have statutes, regulations, and court decisions which may supersede the provisions of this Agreement in the FRANCHISEE'S relationship with COST CUTTERS including the areas of termination and renewal of the Franchise.

17.3 **SEVERABILITY**. The severability provisions of this Agreement contained in Article 8.5, Article 12.10 and Article 13.2 of this Agreement will pertain to all of the applicable laws which conflict with or modify the provisions of this Agreement including, but not limited to, the provisions of this Agreement specifically addressed in Article 17.2 above.

ARTICLE 18
DEFINITIONS

18.1 **ABANDON**. "Abandon" as used in this Agreement will mean the conduct of the FRANCHISEE, including acts of omission as well as commission, indicating the willingness, desire or intent of the FRANCHISEE to discontinue the opening and operating of Cost Cutters Businesses in the Franchised Area in accordance with the terms of this Agreement.

18.2 **TERMS DEFINED IN FRANCHISE AGREEMENT**. Capitalized terms used but not defined in this Agreement will, if defined in the Franchise Agreement, have the meanings ascribed to such terms in the Franchise Agreement.

IN WITNESS WHEREOF, COST CUTTERS, the FRANCHISEE, and the shareholders or partners of the FRANCHISEE have executed this Agreement effective as of the day and year first above written.

"FRANCHISOR"
The Barbers, Hairstyling for Men & Women, Inc.

By:_____
Title:_____

"FRANCHISEE"

By:_____
Print Name:_____
Title:_____

The undersigned individual shareholders, members or partners of the FRANCHISEE hereby agree to be bound by the terms and conditions of this Agreement.

Shareholders/Members	Percentage of Ownership
_____	_____%
_____	_____%
_____	_____%
_____	_____%

The undersigned spouse(s) of the individual FRANCHISEE(S) hereby agree to be bound by the terms and conditions of this Agreement regarding confidentiality of information and covenants not to compete.

_____ _____

Print Name Print Name

PERSONAL GUARANTY AND AGREEMENT TO BE BOUND PERSONALLY BY THE TERMS AND CONDITIONS OF THE DEVELOPMENT AGREEMENT

In consideration of the execution of this Agreement by COST CUTTERS, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guaranty for the payment of all amounts and the performance of the covenants, terms and conditions in this Agreement, to be paid, kept and performed by the FRANCHISEE.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in this Agreement and agree that this PERSONAL GUARANTY will be construed as though the undersigned and each of them executed an Agreement containing the identical terms and conditions of this Agreement.

If the FRANCHISEE breaches the terms and conditions of this Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay to COST CUTTERS all monies due and payable to COST CUTTERS under the terms and conditions of this Agreement.

In addition, if the FRANCHISEE fails to comply with any other terms and conditions of this Agreement, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to comply with the terms and conditions of this Agreement for and on behalf of the FRANCHISEE.

In addition, should the FRANCHISEE at any time be in default on any obligation to pay monies to COST CUTTERS or any subsidiary or affiliate of COST CUTTERS, whether for merchandise, products, supplies, furniture, fixtures, equipment or other goods purchased by the FRANCHISEE from COST CUTTERS or any subsidiary or affiliate of COST CUTTERS or for any other indebtedness of the FRANCHISEE to COST CUTTERS or any subsidiary or affiliate of COST CUTTERS, then the undersigned, their heirs, successors and assigns, do hereby, individually, jointly and severally, promise and agree to pay all such monies due and payable from the FRANCHISEE to COST CUTTERS or any subsidiary or affiliate of COST CUTTERS.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this GUARANTY will inure to the benefit of the successors and assigns of COST CUTTERS. Each of the undersigned hereby submits to personal jurisdiction in the state or federal courts of Minnesota with respect to any litigation pertaining to this GUARANTY, and agrees that all litigation pertaining to this GUARANTY will and must be venued exclusively in Minneapolis, Minnesota.

PERSONAL GUARANTORS

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

Individually

Address

City State Zip Code

Telephone

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City State Zip Code

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Individually

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City State Zip Code

Telephone

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F: COST CUTTERS SUBLEASE

COST CUTTERS SUBLEASE

THIS SUBLEASE, dated this _____ day of _____, 20____ by and between THE BARBERS, HAIRSTYLING FOR MEN & WOMEN, INC., a Minnesota corporation ("Sublessor"), and _____ ("Subtenant").

W I T N E S S E T H:

WHEREAS, under the terms of the Lease which is attached hereto as Exhibit "A" (Prime Lease), Sublessor, identified in the Prime Lease as "Tenant", leases certain premises located at _____, ("Leased Premises"), from _____ ("Landlord"); and

WHEREAS, Sublessor desires to sublease to Subtenant and Subtenant desires to sublease from Sublessor all of the Leased Premises pursuant to the terms set forth in this Sublease; and

WHEREAS, Subtenant is a franchisee of Sublessor pursuant to the terms and conditions of the Cost Cutters® Franchise Agreement dated _____, 20____, ("Franchise Agreement") executed by Sublessor and Subtenant;

NOW, THEREFORE, in consideration of the rents, mutual covenants and agreements hereinafter set forth, the parties agree as follows:

ARTICLE 1

SUBLEASE; USE; TERMS

1.1 Grant of Sublease. Sublessor hereby subleases to Subtenant, and Subtenant hereby rents from Sublessor, all of the Leased Premises for the identical purposes and uses set forth in the Prime Lease pursuant to each and every term, covenant, condition and obligation imposed upon Sublessor pursuant to the Prime Lease except as such terms, covenants and conditions are specifically modified by this Sublease.

1.2 Compliance with Prime Lease. During the term of the Prime Lease, or any extension or renewal thereof, Subtenant covenants and agrees: (A) to perform and observe all of the terms, covenants, conditions and agreements of the Prime Lease designated therein to be performed by Sublessor as Tenant with respect to the Leased Premises during the term of this Sublease, to the extent that they are not modified or amended by this Sublease and any extension or renewal thereof; (B) that with respect to the Leased Premises, Subtenant shall not do or suffer or permit anything to be done which would constitute a default under the Prime Lease or might cause the Prime Lease to be canceled, terminated or forfeiture reserved or vested in Landlord under the Prime Lease; and (C) to indemnify and hold Sublessor harmless from and against any and all claims, liabilities, losses and damages of any kind whatsoever that Sublessor may incur by reason of, resulting from or rising out of a failure by Subtenant to comply with the provisions of this Sublease.

1.3 No Surrender. Sublessor represents, covenants and agrees that, so long as Subtenant is not in default hereunder, the provisions of the Prime Lease shall not be expressly waived, modified, amended or surrendered by Sublessor in any manner so as to prevent or adversely affect the use by Subtenant of the Leased Premises in accordance with the terms of this Sublease, or so as to impose a greater obligation on Subtenant than is imposed hereunder, without the prior written consent of Subtenant in each instance.

1.4 Monthly Sales Report. Subtenant shall provide to Sublessor a written statement of its monthly gross sales as defined in the Prime Lease. This statement shall be provided to Sublessor by the fifth (5th) day of each and every month, for the proceeding month, during the primary term of the lease and any extensions thereto. Should Subtenant fail to provide such report by the fifth day of the month,

Sublessor shall be entitled to additional rent in the amount of One Hundred Dollars ($100) per month; and for every month thereafter that Subtenant fails to provide said statement of gross sales, an additional rent of One Hundred Dollars ($100) is due and payable to Sublessor.

1.5 Prime Lease to Control. To the extent that any provisions of the Prime Lease may conflict or be inconsistent with the provisions of any term of this Sublease, whether or not such inconsistencies are expressly noted herein, the provisions of this Sublease shall in all instances prevail; provided, however, insofar as the Prime Lease shall impose additional or more stringent obligations upon Sublessor than those imposed upon Subtenant in this Sublease, such provisions of the Prime Lease shall be deemed to be superior to and thus modify any such inconsistent or conflicting provisions of this Sublease. Notwithstanding the foregoing, it is understood by Subtenant that any services, repairs and alterations to be furnished pursuant to the Prime Lease will, in fact, be furnished by Landlord and not by Sublessor. Except as may result from the wrongful act of Sublessor, Sublessor shall in no event be liable to Subtenant, nor shall the obligations of Subtenant be impaired or the performance thereof be excused, because of any failure or delay on the part of Landlord in furnishing any such service or in making any such repairs or alterations including, but not limited to, the failure or delay of Landlord in furnishing insurance, elevator, electric, heating, air-conditioning, cleaning, painting, window washing services, maintenance or repairs in or to one Leased Premises.

1.6 Default by Landlord. If Landlord defaults in any of its obligations with respect to the Leased Premises, Subtenant shall be entitled to participate with Sublessor in the enforcement of Sublessor's rights. If Sublessor shall take, or participate in, any legal action in the enforcement of Sublessor's rights against Landlord for the benefit of Sublessor and Subtenant, Subtenant shall, promptly upon demand reimburse Sublessor for all expenses incurred by Sublessor including, without limitation, attorneys' fees and court costs.

1.7 Acceptance of Lease Premises. Subtenant has inspected the Leased Premises and accepts the same in its present condition "as is" and without any representation or warranty whatsoever by Sublessor.

ARTICLE 2

TERM

This Sublease shall begin and be of full force and effect as to both Sublessor and Subtenant as of the date hereof. The term of this Sublease shall be for a term coterminous to the term of the Prime Lease, unless sooner terminated as herein expressly provided. In the event the Prime Lease contains any renewal options, Subtenant agrees to notify Sublessor of Subtenant's desire to exercise any such option at least one hundred and eighty (180) days prior to the date upon which Sublessor must notify the Landlord of an intention to exercise the option to renewal set forth in Prime Lease. If the Prime Lease is terminated for any reason, then, without any further obligations or liability on the part of Sublessor, this Sublease shall simultaneously terminate.

ARTICLE 3

RENT

3.1 Fixed Minimum Rent. Subtenant shall pay to Landlord, as Fixed Minimum Rent for the term of the Sublease, an amount equal to one hundred percent (100%) of the Fixed Minimum Rent (as the same may be increased) payable by Sublessor pursuant to the Prime Lease. This amount shall be payable in equal, consecutive monthly installments. Subtenant shall also pay Percentage Rent in the amount payable by Sublessor pursuant to the Prime Lease, as well as all other payments and amounts required to be paid or incurred by Sublessor under the Prime Lease. All payments shall be made in advance on the first day of each and every month, commencing as of the Commencement Date (as defined in the Prime Lease) directly to Landlord at the office of Landlord, or at such other address as may be designated hereafter in writing by Sublessor to Subtenant.

3.2 Electronic Fund Transfer. Sublessor has the right and option to require Subtenant to pay all sums due hereunder to Sublessor for payment to Landlord under the Prime Lease. If Sublessor exercises such right and option, Subtenant hereby authorizes Sublessor to withdraw each month from the bank accounts of Subtenant an amount sufficient to pay all sums due from Subtenant hereunder, including, but not limited to, all fixed, percentage and additional rent, common area costs (CAM) and taxes due under the terms of this Sublease. Such automated withdrawal may be electronic or paper, as determined by Sublessor. Subtenant also agrees to execute whatever documentation may be necessary to evidence such authorization and to complete any transaction.

ARTICLE 4

SUBORDINATION

Subtenant acknowledges that this Sublease is subject and subordinate to the Prime Lease, to all terms, covenants and conditions contained therein and to any extension, renewal, amendment or modification thereof. To the extent that the Prime Lease is also subject and subordinate to such instruments, this Sublease is also subject and subordinate to all ground and underlying leases and all mortgages which might now or hereafter affect such leases, leasehold estate or estates thereby created or the real property of which the Leased Premises forms a part, and to any and all renewals, modifications, consolidations, replacements and extensions thereof.

ARTICLE 5

DEFAULT BY SUBTENANT; REMEDIES OF SUBLESSOR

5.1 Rights and Remedies Under Prime Lease. In the event of a default or breach by Subtenant of this Sublease, Sublessor shall, subject to the rights of the FRANCHISOR as provided in Article 6 below, have the option, but not the obligation, to exercise against Subtenant any remedy or right given to the Landlord under the Prime Lease in the event of a default by Sublessor, such remedies or rights to be in addition to, and not in limitation of, any other remedy or right permitted by law, in equity or by this Sublease. All such rights and remedies of Landlord under the Prime Lease shall be enforceable by Sublessor in its own name and right, as against Subtenant, as though set forth in their entirety in this Sublease. Any breach by Subtenant of any term, condition, or obligation of the Franchise Agreement shall constitute a breach of this Sublease.

5.2 Additional Rights and Remedies. In addition to the rights and remedies provided in Article 5.1 above, and not in limitation thereof, if:

(A) Subtenant fails to pay any installment of rent or any other amounts due hereunder, or under the Prime Lease, or any portion thereof when due; or

(B) Subtenant fails to perform or comply with any other provision of this Sublease or the Prime Lease and does not cure such failure within fifteen (15) days, or within with shorter period as specified in the Prime Lease, after Sublessor, by written notice, has informed Subtenant of such nonperformance or noncompliance; or

(C) Subtenant becomes insolvent or unable to pay its debts as they mature, or suspends business or commences proceedings under any bankruptcy, reorganization, arrangement, insolvency, or readjustment of debt, dissolution or liquidation laws, either of the United States or any state hereof; or

(D) Any such proceedings as set forth in **Article 5.2 (C)** shall be commenced against Subtenant, and Subtenant consents thereto, or does not, within thirty (30) days after such commencement, have the proceedings dismissed, or an order is entered in any proceeding adjudicating Subtenant a bankrupt or insolvent or approving the petition in such proceeding; or

(E) Subtenant makes an assignment for the benefit of creditors, or a receiver or trustee is appointed for Subtenant, or for any substantial part of a property of Subtenant; or

(F) The Franchise Agreement expires or terminates;

then Sublessor may elect either (i) to cancel and terminate this Sublease and this Sublease shall not be treated as an asset of Subtenant's bankruptcy estate, or (ii) to terminate Subtenant's right to possession only without canceling and terminating Subtenant's continued liability under this Sublease. Notwithstanding the fact that initially Sublessor elects under **Article 5.2** to terminate Subtenant's right to possession only, Sublessor shall have the continuing right to cancel and terminate this Sublease by serving five (5) days' written notice on Subtenant of such further election, and shall have the right to pursue any remedy at law or in equity that may be available to Sublessor.

5.3 Right of Re-entry. In the event of election under **Article 5.2 (ii)** to terminate Subtenant's right to possession only, Sublessor may, at Sublessor's option, enter into the Leased Premises and take and hold possession thereof, and such entry into possession shall not terminate this Sublease or release Subtenant in whole or in part from Subtenant's obligation to pay the rent and all other amounts due hereunder for the full stated term. Upon such re-entry, Sublessor may remove all persons and property from the Leased Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Subtenant, and Sublessor shall not be liable for any loss or damage which may be occasioned thereby. Upon and after entry into possession without termination of the Sublease, Sublessor may, but is not obligated to, relet the Leased Premises, or any part thereof, to any person, firm or corporation, for such rent, for such time and upon such terms as Sublessor, in Sublessor's sole discretion, shall determine, but Sublessor shall not be required to accept any tenant offered by Subtenant or to observe any instruction given by Subtenant about such reletting. Sublessor may make alterations and repairs, and redecorate the Leased Premises to the extent deemed necessary and desirable by Sublessor.

5.4 Damages. Upon any such re-entry pursuant to **Article 5.3**, Subtenant shall be liable to Sublessor as follows:

(A) for the unpaid installments of rent and other unpaid sums which were due prior to such re-entry, which sums shall be payable forthwith;

(B) for the installments of rent and other sums falling due pursuant to the provisions of this Sublease for the periods after re-entry during which the Leased Premises remain vacant, which sums shall be payable as they become due hereunder;

(C) for all expenses, including without limitation leasing commissions, attorneys' fees (including without limitation attorneys' fees of Landlord payable by Sublessor pursuant to the Prime Lease), costs of alterations, repairs and redecorating costs, which shall be payable by Subtenant as they are incurred by Sublessor; and

(D) while the Leased Premises are subject to any new lease made pursuant to this Article, for the amount by which the monthly installments payable under such new lease is less than the monthly installment for all charges payable pursuant to this Sublease, which deficiencies shall be payable monthly. No such re-entry or taking possession of the Leased Premises by Sublessor shall be construed as an election on its part to terminate this Sublease or Subtenant's continued liability hereunder unless a written notice of such intention signed by Sublessor be given to Subtenant.

ARTICLE 6

RIGHTS OF FRANCHISOR

6.1 Assumption of Sublease. If the Franchise Agreement expires or is terminated by either party for any reason, or if the Subtenant's right to possession of the Leased Premises is terminated by

Sublessor for any reason, and if Sublessor is no longer the franchisor under the Franchise Agreement ("Franchisor") shall have the right and option, but not the obligation, to assume this Sublease for its remaining term under the same terms and conditions, including without limitation, the same rental terms, as originally contracted by Subtenant, and shall have sixty (60) days from the date of such expiration or termination within which to exercise such right and option. In the case of the termination of Subtenant's right to possession of the Leased Premises by Sublessor, Sublessor shall give written notice to the FRANCHISOR of such event and the sixty (60) day period shall not commence until such notice is given.

6.2 Notice. In the event the FRANCHISOR elects to exercise such right and option to assume this Sublease, the FRANCHISOR shall give Subtenant and Sublessor written notice within such sixty (60) day period which shall state: (A) that the FRANCHISOR is taking and assuming this Sublease from the Subtenant; (B) the date that the FRANCHISOR will take physical possession of the Leased Premises; and (C) that the FRANCHISOR agrees to be bound by the terms and conditions of this Sublease. At the time the FRANCHISOR takes physical possession of the Leased Premises pursuant to the exercise of such right as provided herein, all charges, real estate taxes, utilities, rentals and other costs and expenses relating to the Leased Premises shall be prorated between the FRANCHISOR and Subtenant, and the FRANCHISOR shall have no obligation to any person or entity, including, without limitation, Sublessor, to pay any of such costs and expenses that accrue prior to such date that the FRANCHISOR takes physical possession of the Leased Premises.

6.3 Right to Inspect. In addition to the foregoing rights of the FRANCHISOR, the FRANCHISOR shall have the right to enter the Leased Premises to conduct inspections thereof and of Subtenant's "Sublessor" retail business at any time during regular business hours. During the term of the Franchise Agreement, Sublessor and Subtenant agree that Subtenant's interest in this Sublease and in the Leased Premises shall not be transferred in whole or in part without the FRANCHISOR's prior written consent. Sublessor and Subtenant have agreed to the terms and conditions expressed in this and the two foregoing paragraphs for the benefit of the FRANCHISOR and, consequently, hereby agree that such terms and conditions will not be amended or modified in any way without the prior written consent of the FRANCHISOR.

ARTICLE 7

TRANSFER

7.1 Definition. A "transfer", as used in this Sublease, shall mean any assignment or other transfer or hypothecation of this Sublease, or the subletting or making of franchise or concession agreements respecting the Leased Premises, by Subtenant or, if Subtenant or any guarantor of its obligations hereunder is a corporation or partnership, the transfer of any interest in more than twenty-five percent (25%) of the total outstanding voting stock of or interests in Subtenant or such guarantor.

7.2 No Transfer. No transfer of this Sublease or of Subtenant's interest in the Leased Premises may be made by Subtenant without first procuring the written consent of Sublessor, which consent may be withheld in Sublessor's sole discretion. Any attempted transfer without Sublessor's consent shall be void and confer no rights upon any third person. If Sublessor consents to any transfer, Subtenant shall not thereby be relieved of any obligation, liability or responsibility under this Sublease, nor shall Sublessor's consent to any transfer be deemed a waiver of or eliminate the need for obtaining Sublessor's consent to any subsequent transfer.

7.3 Rent to Increase. In the event Subtenant shall make a permitted transfer hereunder, then the Fixed Minimum Rent shall be increased upon the effective date of such transfer to the highest of (A) the annual rental payable by the transferee pursuant to such transfer, or (B) an amount equal to the total of the Fixed Minimum Rent plus percentage rent required to be paid by Subtenant pursuant to this Sublease during the 12-month period immediately preceding such transfer, subject to the adjustments to be made pursuant to the terms hereof. In addition, Subtenant shall pay to Sublessor any and all sums received by Subtenant from the transferee as consideration for the transfer of this Sublease.

7.4 Documentation. Each transfer to which Sublessor has consented shall be evidenced by an instrument in writing in a form satisfactory to Sublessor, executed by Subtenant and the transferee in each instance, and the transferee shall agree in writing for the benefit of Sublessor and Landlord to assume, perform and abide by all of the terms, covenants and conditions of this Sublease to be done, kept and performed by Subtenant, including the payment of all amounts due or to become due under this Sublease directly to Sublessor. One fully executed copy of such written instrument shall be delivered to Sublessor. Subtenant agrees to reimburse Sublessor's reasonable attorneys' fees incurred in conjunction with the processing of and documentation for any such requested transfer in an amount not to exceed $500.

7.5 Transfer by Landlord or Sublessor. In the event of any sale, exchange or other transfer of the Leased Premises by Sublessor or Landlord or an assignment by Sublessor or Landlord of its interest in this Sublease or the Prime Lease, respectively, Sublessor and Landlord shall be and are hereby entirely freed and relieved of all liability under any and all of their covenants and obligations contained in or derived from this Sublease or the Prime Lease, or arising out of any act, occurrence or omission relating to the Premises or occurring after the effective date of such assignment or other transfer.

ARTICLE 8

CLAIMS; INDEMNIFICATION

All persons and property that may be on or at the Leased Premises shall be at the sole risk of Subtenant, or those claiming through or under Subtenant. Sublessor shall not be liable to Subtenant, or to any other person or entity for any claim arising out of the use or occupancy of the Leased Premises during the term of this Sublease or any extension or renewal thereof, including but not limited to claims due to: (a) damage, loss or injury, either to person or persons; (b) loss of property sustained by Subtenant, or by any other person or entity in or upon the Leased Premises; (c) equipment, fixtures, appliances or machinery in or upon the Leased Premises or the building of which the Leased Premises are a part, or the halls, passageways, areas, areaways, sidewalks or streets adjoining or appurtenant to the Leased Premises, being or becoming out of repair or defective; (d) the happening of any accident, however occurring; (e) any act or neglect of Subtenant, of any other tenant or occupant of the building of which the Leased Premises are a part, or of any other person or entity; (f) water, snow, rain, backing up of sewers, gas, odors, electricity or electric current, bursting, stoppage or leaking of pipes, radiators, plumbing, sinks and fixtures in or about the Leased Premises or the building of which the Leased Premises are a part; (g) any burglary, theft, robbery, assault or other criminal act; (h) the use or misuse of any instrumentality or agency in or connected with the Leased Premises or the building of which the Leased Premises are a part; or (i) any nuisance made or suffered in, on or at the Leased Premises. Subtenant hereby releases and waives any such claim, and agrees to indemnify, defend and hold Sublessor harmless from any such claims.

ARTICLE 9

NOTICES

9.1 Notices Under Sublease. Wherever in this Sublease it shall be required or permitted that notice, approval, consent or demand be given or served by either party to this Sublease to or on the other, such notice, approval, consent or demand shall be in writing and served by personal service or forwarded by certified or registered mail, return receipt requested, addressed to Sublessor or Subtenant at the address specified below. Notice by mail shall be deemed to have been given upon mailing. Either party may change its address for notices by written notice to the other.

To Sublessor: 3701 Wayzata Boulevard, Suite 500
Minneapolis, Minnesota 55416

To Subtenant: The mailing address of the Leased Premises, or:

9.2 Notices Under the Prime Lease. Sublessor and Subtenant agree to promptly send to one another a copy of any notice, letter or other communication from or given to Landlord relative to the Prime Lease or the Leased Premises.

ARTICLE 10

CONSENTS

Subtenant acknowledges and agrees that in any case where the provisions of this Sublease require the consent or approval of Sublessor prior to the taking of any action, it shall be a condition precedent to the taking of such action that the prior written consent or approval of Landlord shall have been obtained if Landlord's consent must be obtained under the Prime Lease in such case. Subtenant agrees that Sublessor shall not have any duty or responsibility with respect to obtaining the consent or approval of Landlord when the same is required under the terms of the Prime Lease, other than the transmission by Sublessor to Landlord of Subtenant's request for such consent or approval. Nothing contained in this paragraph or in this Sublease shall be construed to require Sublessor to grant its consent or approval in the event Landlord grants its consent or approval.

ARTICLE 11

COVENANTS BENEFITING LANDLORD

In the event of default by Sublessor under the Prime Lease, Subtenant agrees, for the benefit of Landlord, to assume, perform and abide by all of the terms, covenants and conditions of the Prime Lease to be done, kept and performed by Sublessor, as tenant thereunder, including the payment of all amounts due or to become due under the Prime Lease directly to Landlord.

ARTICLE 12

CONSTRUCTION

Subtenant, at its cost and expense and with no right of reimbursement from Sublessor, shall undertake, complete and pay for any and all improvements to and equipping of the Leased Premises, in a timely manner, all of which shall be consistent with the applicable provisions of the Prime Lease and the Franchise Agreement. Subtenant's work, including without limitation any remodeling or redecorating work that may be performed on the Leased Premises from time to time, shall be performed in a good and workmanlike manner, shall be in conformity with the Prime Lease, the Franchise Agreement and all applicable federal, state and local laws, ordinances, building codes and fire regulations, and shall be free of all liens for labor and material.

ARTICLE 13

INSURANCE

All policies of insurance required by the terms of this Sublease or the Prime Lease shall name, in addition to the Landlord, Sublessor as an additional insured and shall grant to Sublessor all rights and benefits under such policies of insurance that are required to be granted or afforded to Landlord pursuant to the Prime Lease.

ARTICLE 14

ENFORCEMENT

Sublessee shall pay to Sublessor, upon demand, as additional rent, all costs and expenses, including without limitation attorney's fees and other costs of litigation, incurred by Sublessor in enforcing any of the terms or conditions of this Sublease, including without limitation, collecting any unpaid or delinquent rent. Sublessor may charge Subtenant interest, at the highest rate permitted by law, on all sums not paid when due from Subtenant hereunder.

ARTICLE 15

MISCELLANEOUS

Time is of the essence in the performance of all obligations under this Sublease. If Subtenant consists of more than one individual or entity, then all such individuals and entities will be bound jointly and severally by the terms and conditions of this Sublease. The headings contained in this Sublease are for convenience only and shall not define, limit or construe the contents of the applicable articles or sections. This Sublease may be amended only by a writing executed by the party against whom enforcement is sought. The failure, refusal or neglect of Sublessor to exercise any right under this Sublease or to insist on full compliance by Subtenant of its obligations hereunder will not constitute a waiver by Sublessor of any provision of this Sublease. Subtenant shall not right to offset or withhold any liquidated or unliquidated amounts allegedly due to Subtenant from Sublessor against sums due Sublessor under this Sublease. The rights of Sublessor hereunder are cumulative and no exercise or enforcement by Sublessor or any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy hereunder or provided by law.

IN WITNESS WHEREOF, the parties hereto have duly executed this Sublease effective as of the date and year first above written.

Sublessor:

THE BARBERS, HAIRSTYLING FOR
MEN & WOMEN, INC.

By_____
Its_____

Subtenant:

By_____
Its_____

GUARANTY AND ASSUMPTION OF OBLIGATIONS

SUBLEASE

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS given this _____ day of ____ _____, 20____, by _____.

(Individual, husband and wife, partners, shareholders, members)

In consideration of, and as an inducement to, the execution of that certain Sublease of even date herewith (the "Agreement") by The Barbers, Hairstyling For Men & Women, Inc., a Minnesota corporation (the "Franchisor"), each of the undersigned hereby, jointly and severally, and unconditionally (a) guarantees to the Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that_____("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her direct and immediate liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor 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, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

The undersigned hereby agree that (a) the Percentage of Ownership in Franchisee set forth below equals 100% of the ownership of Franchisee and (b) notwithstanding any percentage of ownership stated below, such percentage shall in no way limit each of the undersigned's liability under the terms of this Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP IN FRANCHISEE
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G: REGIS SUBLEASE FOR WAL-MART SITES

COST CUTTERS SUBLEASE

THIS SUBLEASE, dated this _____ day of _____, 20____, (the "Sublease") by and between REGIS CORPORATION, a Minnesota corporation ("Sublessor"), and _____. ("Subtenant").

W I T N E S S E T H:

WHEREAS, under the terms of the Lease which is attached hereto as Exhibit "A" (Prime Lease"), Sublessor, identified in the Prime Lease as "Tenant", leases certain premises located in Wal-Mart Supercenter #_____ at _____, ("Leased Premises"), from Wal-Mart Stores, Inc. ("Landlord"); and

WHEREAS, Sublessor desires to sublease to Subtenant and Subtenant desires to sublease from Sublessor all of the Leased Premises pursuant to the terms set forth in this Sublease; and

WHEREAS, Subtenant is a franchisee pursuant to the terms and conditions of a Cost Cutters® Franchise Agreement dated _____, 20_____, ("Franchise Agreement") executed by The Barbers, Hairstyling for Men & Women, Inc. ("Franchisor") and Subtenant; and

WHEREAS, Sublessor is the sole shareholder of Franchisor.

NOW, THEREFORE, in consideration of the rents, mutual covenants and agreements hereinafter set forth, the parties agree as follows:

ARTICLE 1

SUBLEASE; USE; TERMS

1.1 Grant of Sublease. Sublessor hereby subleases to Subtenant, and Subtenant hereby rents from Sublessor, all of the Leased Premises for the identical purposes and uses set forth in the Prime Lease pursuant to each and every term, covenant, condition and obligation imposed upon Sublessor pursuant to the Prime Lease except as such terms, covenants and conditions are specifically modified by this Sublease.

1.2 Compliance with Prime Lease. During the term of the Prime Lease, or any extension or renewal thereof, Subtenant covenants and agrees: (A) to perform and observe all of the terms, covenants, conditions and agreements of the Prime Lease designated therein to be performed by Sublessor as Tenant with respect to the Leased Premises during the term of this Sublease, to the extent that they are not modified or amended by this Sublease and any extension or renewal thereof; (B) that with respect to the Leased Premises, Subtenant shall not do or suffer or permit anything to be done which would constitute a default under the Prime Lease or might cause the Prime Lease to be canceled, terminated or forfeiture reserved or vested in Landlord under the Prime Lease; and (C) to indemnify and hold Sublessor harmless from and against any and all claims, liabilities, losses and damages of any kind whatsoever that Sublessor may incur by reason of, resulting from or rising out of a failure by Subtenant to comply with the provisions of this Sublease.

1.3 No Surrender. Sublessor represents, covenants and agrees that, so long as Subtenant is not in default hereunder, the provisions of the Prime Lease shall not be expressly waived, modified, amended or surrendered by Sublessor in any manner so as to prevent or adversely affect the use by Subtenant of the Leased Premises in accordance with the terms of this Sublease, or so as to impose a greater obligation on Subtenant than is imposed hereunder, without the prior written consent of Subtenant in each instance.

1.4 Monthly Sales Report. Subtenant shall provide to Sublessor a written statement of its monthly gross sales as defined in the Prime Lease. This statement shall be provided to Sublessor by the tenth (10th) day of each and every month, for the proceeding month, during the primary term of the lease and any extensions thereto. Should Subtenant fail to provide such report by the tenth (10th) day of the month, Sublessor shall be entitled to additional rent in the amount of One Hundred Dollars ($100) per day; and for every day thereafter that Subtenant fails to provide said statement of gross sales, an additional rent of One Hundred Dollars ($100) is due and payable to Sublessor.

1.5 Prime Lease to Control. To the extent that any provisions of the Prime Lease may conflict or be inconsistent with the provisions of any term of this Sublease, whether or not such inconsistencies are expressly noted herein, the provisions of this Sublease shall in all instances prevail; provided, however, insofar as the Prime Lease shall impose additional or more stringent obligations upon Sublessor than those imposed upon Subtenant in this Sublease, such provisions of the Prime Lease shall be deemed to be superior to and thus modify any such inconsistent or conflicting provisions of this Sublease. Notwithstanding the foregoing, it is understood by Subtenant that any services, repairs and alterations to be furnished pursuant to the Prime Lease will, in fact, be furnished by Landlord and not by Sublessor. Except as may result from the wrongful act of Sublessor, Sublessor shall in no event be liable to Subtenant, nor shall the obligations of Subtenant be impaired or the performance thereof be excused, because of any failure or delay on the part of Landlord in furnishing any such service or in making any such repairs or alterations including, but not limited to, the failure or delay of Landlord in furnishing insurance, elevator, electric, heating, air-conditioning, cleaning, painting, window washing services, maintenance or repairs in or to one Leased Premises.

1.6 Default by Landlord. If Landlord defaults in any of its obligations with respect to the Leased Premises, Subtenant shall be entitled to participate with Sublessor in the enforcement of Sublessor's rights. If Sublessor shall take, or participate in, any legal action in the enforcement of Sublessor's rights against Landlord for the benefit of Sublessor and Subtenant, Subtenant shall, promptly upon demand reimburse Sublessor for all expenses incurred by Sublessor including, without limitation, attorneys' fees and court costs.

1.7 Acceptance of Lease Premises. Subtenant has inspected the Leased Premises and accepts the same in its present condition "as is" and without any representation or warranty whatsoever by Sublessor.

ARTICLE 2

TERM

This Sublease shall begin and be of full force and effect as to both Sublessor and Subtenant as of the date hereof. The term of this Sublease shall be for a term coterminous to the term of the Prime Lease, unless sooner terminated as herein expressly provided. In the event the Prime Lease contains any renewal options, Subtenant agrees to notify Sublessor of Subtenant's desire to exercise any such option at least one hundred and eighty (180) days prior to the date upon which Sublessor must notify the Landlord of an intention to exercise the option to renewal set forth in Prime Lease. If the Prime Lease is terminated for any reason, then, without any further obligations or liability on the part of Sublessor, this Sublease shall simultaneously terminate.

ARTICLE 3

RENT AND SURCHARGE

3.1 Fixed Minimum Rent. Subtenant shall pay to Sublessor, as Fixed Minimum Rent for the term of the Sublease, an amount equal to one hundred percent (100%) of the Fixed Minimum Rent (as the same may be increased) payable by Sublessor pursuant to the Prime Lease. This amount shall be payable in equal, consecutive monthly installments. Subtenant shall also pay Percentage Rent in the amount payable by Sublessor pursuant to the Prime Lease, as well as all other payments and amounts required to be paid or incurred by Sublessor under the Prime Lease. All payments shall be made in advance on the first day of each and every month, commencing as of the Commencement Date (as defined in the Prime Lease) at the office of Sublessor, or at such other address as may be designated hereafter in writing by Sublessor to Subtenant, or directly to Landlord if so requested by Sublessor.

3.2 Additional Rent. In addition to the Fixed Minimum Rent and all other payments required by the Prime Lease, Subtenant hereby agrees to pay to Sublessor an amount equal to Three Hundred Dollars ($300) per month as additional rent due and payable on the first day of each and every month. This additional rent shall be paid throughout the primary term of the lease and any extensions thereto to compensate Sublessor for providing the guarantee of the Prime Lease and the administration of the monthly rentals.

3.3 Electronic Fund Transfer. Subtenant hereby authorizes Sublessor to withdraw each month from the bank accounts of Subtenant an amount sufficient to pay all sums due from Subtenant hereunder, including, but not limited to, all fixed, percentage and additional rent, common area costs (CAM) and taxes due under the terms of this Sublease. Such automated withdrawal may be electronic or paper, as determined by Sublessor. Subtenant also agrees to execute whatever documentation may be necessary to evidence such authorization and to complete any transaction.

ARTICLE 4

SUBORDINATION

Subtenant acknowledges that this Sublease is subject and subordinate to the Prime Lease, to all terms, covenants and conditions contained therein and to any extension, renewal, amendment or modification thereof. To the extent that the Prime Lease is also subject and subordinate to such instruments, this Sublease is also subject and subordinate to all ground and underlying leases and all mortgages which might now or hereafter affect such leases, leasehold estate or estates thereby created or the real property of which the Leased Premises forms a part, and to any and all renewals, modifications, consolidations, replacements and extensions thereof.

ARTICLE 5

DEFAULT BY SUBTENANT; REMEDIES OF SUBLESSOR

5.1 Rights and Remedies Under Prime Lease. In the event of a default or breach by Subtenant of this Sublease, Sublessor shall, subject to the rights of the FRANCHISOR as provided in Article 6 below, have the option, but not the obligation, to exercise against Subtenant any remedy or right given to the Landlord under the Prime Lease in the event of a default by Sublessor, such remedies or rights to be in addition to, and not in limitation of, any other remedy or right permitted by law, in equity or by this Sublease. All such rights and remedies of Landlord under the Prime Lease shall be enforceable by Sublessor in its own name and right, as against Subtenant, as though set forth in their entirety in this Sublease.

5.2 Additional Rights and Remedies. In addition to the rights and remedies provided in Article 5.1 above, and not in limitation thereof, if:

(A) Subtenant fails to pay any installment of rent or any other amounts due hereunder, or under the Prime Lease, or any portion thereof when due; or

(B) Subtenant fails to perform or comply with any other provision of this Sublease or the Prime Lease and does not cure such failure within fifteen (15) days, or within with shorter period as specified in the Prime Lease, after Sublessor, by written notice, has informed Subtenant of such nonperformance or noncompliance; or

(C) Subtenant becomes insolvent or unable to pay its debts as they mature, or suspends business or commences proceedings under any bankruptcy, reorganization, arrangement, insolvency, or readjustment of debt, dissolution or liquidation laws, either of the United States or any state hereof; or

(D) Any such proceedings as set forth in **Article 5.2 (C)** shall be commenced against Subtenant, and Subtenant consents thereto, or does not, within thirty (30) days after such commencement, have the proceedings dismissed, or an order is entered in any proceeding adjudicating Subtenant a bankrupt or insolvent or approving the petition in such proceeding; or

(E) Subtenant makes an assignment for the benefit of creditors, or a receiver or trustee is appointed for Subtenant, or for any substantial part of a property of Subtenant; or

(F) The Franchise Agreement expires or terminates;

then Sublessor may elect either (i) to cancel and terminate this Sublease and this Sublease shall not be treated as an asset of Subtenant's bankruptcy estate, or (ii) to terminate Subtenant's right to possession only without canceling and terminating Subtenant's continued liability under this Sublease. Notwithstanding the fact that initially Sublessor elects under **Article 5.2** to terminate Subtenant's right to possession only, Sublessor shall have the continuing right to cancel and terminate this Sublease by serving five (5) days' written notice on Subtenant of such further election, and shall have the right to pursue any remedy at law or in equity that may be available to Sublessor.

5.3 Right of Re-entry. In the event of election under **Article 5.2 (ii)** to terminate Subtenant's right to possession only, Sublessor may, at Sublessor's option, enter into the Leased Premises and take and hold possession thereof, and such entry into possession shall not terminate this Sublease or release Subtenant in whole or in part from Subtenant's obligation to pay the rent and all other amounts due hereunder for the full stated term. Upon such re-entry, Sublessor may remove all persons and property from the Leased Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Subtenant, and Sublessor shall not be liable for any loss or damage which may be occasioned thereby. Upon and after entry into possession without termination of the Sublease, Sublessor may, but is not obligated to, relet the Leased Premises, or any part thereof, to any person, firm or corporation, for such rent, for such time and upon such terms as Sublessor, in Sublessor's sole discretion, shall determine, but Sublessor shall not be required to accept any tenant offered by Subtenant or to observe any instruction given by Subtenant about such reletting. Sublessor may make alterations and repairs, and redecorate the Leased Premises to the extent deemed necessary and desirable by Sublessor.

5.4 Damages. Upon any such re-entry pursuant to **Article 5.3**, Subtenant shall be liable to Sublessor as follows:

(A) for the unpaid installments of rent and other unpaid sums which were due prior to such re-entry, which sums shall be payable forthwith;

(B) for the installments of rent and other sums falling due pursuant to the provisions of this Sublease for the periods after re-entry during which the Leased Premises remain vacant, which sums shall be payable as they become due hereunder;

(C) for all expenses, including without limitation leasing commissions, attorneys' fees (including without limitation attorneys' fees of Landlord payable by Sublessor pursuant to the Prime Lease), costs of alterations, repairs and redecorating costs, which shall be payable by Subtenant as they are incurred by Sublessor; and

(D) while the Leased Premises are subject to any new lease made pursuant to this Article, for the amount by which the monthly installments payable under such new lease is less than the monthly installment for all charges payable pursuant to this Sublease, which deficiencies shall be payable monthly. No such re-entry or taking possession of the Leased Premises by Sublessor shall be construed as an election on its part to terminate this Sublease or Subtenant's continued liability hereunder unless a written notice of such intention signed by Sublessor be given to Subtenant.

ARTICLE 6

RIGHTS OF FRANCHISOR

6.1 Assumption of Sublease. If the Franchise Agreement expires or is terminated by the Franchisor, or if the Subtenant's right to possession of the Leased Premises is terminated by Sublessor, then either the Franchisor or Sublessor shall have the right and option, but not the obligation, to assume this Sublease for its remaining term.

6.2 Right to Inspect. Either the FRANCHISOR or Sublessor shall have the right to enter the Leased Premises to conduct inspections thereof and of Subtenant's retail business at any time during regular business hours. During the term of the Franchise Agreement, Sublessor and Subtenant agree that Subtenant's interest in this Sublease and in the Leased Premises shall not be transferred in whole or in part without the FRANCHISOR's prior written consent. Sublessor and Subtenant have agreed to the terms and conditions expressed in this and the foregoing paragraphs for the benefit of the FRANCHISOR and, consequently, hereby agree that such terms and conditions will not be amended or modified in any way without the prior written consent of the FRANCHISOR.

ARTICLE 7

TRANSFER

7.1 Definition. A "transfer", as used in this Sublease, shall mean any assignment or other transfer or hypothecation of this Sublease, or the subletting or making of franchise or concession agreements respecting the Leased Premises, by Subtenant or, if Subtenant or any guarantor of its obligations hereunder is a corporation or partnership, the transfer of any interest in more than twenty-five percent (25%) of the total outstanding voting stock of or interests in Subtenant or such guarantor.

7.2 No Transfer. No transfer of this Sublease or of Subtenant's interest in the Leased Premises may be made by Subtenant without first procuring the written consent of Sublessor, which consent may be withheld in Sublessor's sole discretion. Any attempted transfer without Sublessor's consent shall be void and confer no rights upon any third person. If Sublessor consents to any transfer, Subtenant shall not thereby be relieved of any obligation, liability or responsibility under this Sublease, nor shall Sublessor's consent to any transfer be deemed a waiver of or eliminate the need for obtaining Sublessor's consent to any subsequent transfer.

7.3 Rent to Increase. In the event Subtenant shall make a permitted transfer hereunder, then the Fixed Minimum Rent shall be increased upon the effective date of such transfer to the highest of (A) the annual rental payable by the transferee pursuant to such transfer, or (B) an amount equal to the total of the Fixed Minimum Rent plus percentage rent required to be paid by Subtenant pursuant to this Sublease during the 12-month period immediately preceding such transfer, subject to the adjustments to be made pursuant to the terms hereof. In addition, Subtenant shall pay to Sublessor any and all sums received by Subtenant from the transferee as consideration for the transfer of this Sublease.

7.4 Documentation. Each transfer to which Sublessor has consented shall be evidenced by an instrument in writing in a form satisfactory to Sublessor, executed by Subtenant and the transferee in each instance, and the transferee shall agree in writing for the benefit of Sublessor and Landlord to assume, perform and abide by all of the terms, covenants and conditions of this Sublease to be done, kept and performed by Subtenant, including the payment of all amounts due or to become due under this Sublease directly to Sublessor. One fully executed copy of such written instrument shall be delivered to Sublessor. Subtenant agrees to reimburse Sublessor's reasonable attorneys' fees incurred in conjunction with the processing of and documentation for any such requested transfer in an amount not to exceed $500.

7.5 Transfer by Landlord or Sublessor. In the event of any sale, exchange or other transfer of the Leased Premises by Sublessor or Landlord or an assignment by Sublessor or Landlord of its interest in this Sublease or the Prime Lease, respectively, Sublessor and Landlord shall be and are hereby entirely freed and relieved of all liability under any and all of their covenants and obligations contained in or derived from this Sublease or the Prime Lease, or arising out of any act, occurrence or omission relating to the Premises or occurring after the effective date of such assignment or other transfer.

ARTICLE 8

CLAIMS; INDEMNIFICATION

All persons and property that may be on or at the Leased Premises shall be at the sole risk of Subtenant, or those claiming through or under Subtenant. Sublessor shall not be liable to Subtenant, or to any other person or entity for any claim arising out of the use or occupancy of the Leased Premises during the term of this Sublease or any extension or renewal thereof, including but not limited to claims due to: (a) damage, loss or injury, either to person or persons; (b) loss of property sustained by Subtenant, or by any other person or entity in or upon the Leased Premises; (c) equipment, fixtures, appliances or machinery in or upon the Leased Premises or the building of which the Leased Premises are a part, or the halls, passageways, areas, areaways, sidewalks or streets adjoining or appurtenant to the Leased Premises, being or becoming out of repair or defective; (d) the happening of any accident, however occurring; (e) any act or neglect of Subtenant, of any other tenant or occupant of the building of which the Leased Premises are a part, or of any other person or entity; (f) water, snow, rain, backing up of sewers, gas, odors, electricity or electric current, bursting, stoppage or leaking of pipes, radiators, plumbing, sinks and fixtures in or about the Leased Premises or the building of which the Leased Premises are a part; (g) any burglary, theft, robbery, assault or other criminal act; (h) the use or misuse of any instrumentality or agency in or connected with the Leased Premises or the building of which the Leased Premises are a part; or (i) any nuisance made or suffered in, on or at the Leased Premises. Subtenant hereby releases and waives any such claim, and agrees to indemnify, defend and hold Sublessor harmless from any such claims.

ARTICLE 9

NOTICES

9.1 Notices Under Sublease. Wherever in this Sublease it shall be required or permitted that notice, approval, consent or demand be given or served by either party to this Sublease to or on the other, such notice, approval, consent or demand shall be in writing and served by personal service or forwarded by certified or registered mail, return receipt requested, addressed to Sublessor or Subtenant at the address specified below. Notice by mail shall be deemed to have been given upon mailing. Either party may change its address for notices by written notice to the other.

To Sublessor: 3701 Wayzata Boulevard, Suite 500
Minneapolis, Minnesota 55416

To Subtenant: The mailing address of the Leased Premises, or:

9.2 Notices Under the Prime Lease. Sublessor and Subtenant agree to promptly send to one another a copy of any notice, letter or other communication from or given to Landlord relative to the Prime Lease or the Leased Premises.

ARTICLE 10

CONSENTS

Subtenant acknowledges and agrees that in any case where the provisions of this Sublease require the consent or approval of Sublessor prior to the taking of any action, it shall be a condition precedent to the taking of such action that the prior written consent or approval of Landlord shall have been obtained if Landlord's consent must be obtained under the Prime Lease in such case. Subtenant agrees that Sublessor shall not have any duty or responsibility with respect to obtaining the consent or approval of Landlord when the same is required under the terms of the Prime Lease, other than the transmission by Sublessor to Landlord of Subtenant's request for such consent or approval. Nothing contained in this paragraph or in this Sublease shall be construed to require Sublessor to grant its consent or approval in the event Landlord grants its consent or approval.

ARTICLE 11

COVENANTS BENEFITING LANDLORD

In the event of default by Sublessor under the Prime Lease, Subtenant agrees, for the benefit of Landlord, to assume, perform and abide by all of the terms, covenants and conditions of the Prime Lease to be done, kept and performed by Sublessor, as tenant thereunder, including the payment of all amounts due or to become due under the Prime Lease directly to Landlord.

ARTICLE 12

CONSTRUCTION

Subtenant, at its cost and expense and with no right of reimbursement from Sublessor, shall undertake, complete and pay for any and all improvements to and equipping of the Leased Premises, in a timely manner, all of which shall be consistent with the applicable provisions of the Prime Lease and the Franchise Agreement. Subtenant's work, including without limitation any remodeling or redecorating work that may be performed on the Leased Premises from time to time, shall be performed in a good and workmanlike manner, shall be in conformity with the Prime Lease, the Franchise Agreement and all applicable federal, state and local laws, ordinances, building codes and fire regulations, and shall be free of all liens for labor and material.

ARTICLE 13
INSURANCE

All policies of insurance required by the terms of this Sublease or the Prime Lease shall name, in addition to the Landlord, Sublessor as an additional insured and shall grant to Sublessor all rights and benefits under such policies of insurance that are required to be granted or afforded to Landlord pursuant to the Prime Lease.

ARTICLE 14
ENFORCEMENT

Sublessee shall pay to Sublessor, upon demand, as additional rent, all costs and expenses, including without limitation attorney's fees and other costs of litigation, incurred by Sublessor in enforcing any of the terms or conditions of this Sublease, including without limitation, collecting any unpaid or delinquent rent. Sublessor may charge Subtenant interest, at the highest rate permitted by law, on all sums not paid when due from Subtenant hereunder.

ARTICLE 15
MISCELLANEOUS

Time is of the essence in the performance of all obligations under this Sublease. If Subtenant consists of more than one individual or entity, then all such individuals and entities will be bound jointly and severally by the terms and conditions of this Sublease. The headings contained in this Sublease are for convenience only and shall not define, limit or construe the contents of the applicable articles or sections. This Sublease may be amended only by a writing executed by the party against whom enforcement is sought. The failure, refusal or neglect of Sublessor to exercise any right under this Sublease or to insist on full compliance by Subtenant of its obligations hereunder will not constitute a waiver by Sublessor of any provision of this Sublease. Subtenant shall not right to offset or withhold any liquidated or unliquidated amounts allegedly due to Subtenant from Sublessor against sums due Sublessor under this Sublease. The rights of Sublessor hereunder are cumulative and no exercise or enforcement by Sublessor or any right or remedy hereunder will preclude the exercise or enforcement of any other right or remedy hereunder or provided by law.

IN WITNESS WHEREOF, the parties hereto have duly executed this Sublease effective as of the date and year first above written.

Sublessor:

REGIS CORPORATION

By_____

Title_____

Subtenant:

By_____

Title_____

EXHIBIT A

AUTHORIZATION FOR DIRECT PAYMENT OF RENT

REGIS CORPORATION
3701 Wayzata Boulevard, Suite 500
Minneapolis, MN 55416

Phone: (952) 947-7777 FAX: (952) 995-3080

AUTHORIZATION FOR DIRECT PAYMENT

I hereby authorize Regis Corporation to initiate Electronic Funds Transfer (EFT) or Automated Clearing House (ACH) transactions against my checking/savings account and I instruct the financial institution named below to honor said transactions. This authorization shall remain in force until revocation in writing.

	Salon Number	Salon Location
_____	_____	_____
Name of Franchisee (Please print)	_____	_____
	_____	_____
_____ _____	_____	_____
Signature of Franchisee Date		

_____
State Date (for internal use only)

_____
Name of Financial Institution

_____
Street Address of Financial Institution

_____
City/State/Zip of Financial Institution

ACH for:

Royalty/AD fund	_____
Training	_____
Product	_____
Miscellaneous	_____

Account Number:_____ Checking_____ Savings_____

Bank Routing Number (ABA):_____

STAPLE VOIDED CHECK HERE:

Note: Please submit one form per bank account. Make additional copies of this form if necessary.

GUARANTY AND ASSUMPTION OF OBLIGATIONS

SUBLEASE

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS given this _____ day of ____ _____, 20____, by _____.

(Individual, husband and wife, partners, shareholders, members)

In consideration of, and as an inducement to, the execution of that certain Sublease of even date herewith (the "Agreement") by The Barbers, Hairstyling For Men & Women, Inc., a Minnesota corporation (the "Franchisor"), each of the undersigned hereby, jointly and severally, and unconditionally (a) guarantees to the Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that_____("Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, including both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Each of the undersigned waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of obligations hereby guaranteed; (4) any right he/she may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which he/she may be entitled.

Each of the undersigned consents and agrees that: (1) his/her direct and immediate liability under this guaranty shall be joint and several; (2) he/she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor 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, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

The undersigned hereby agree that (a) the Percentage of Ownership in Franchisee set forth below equals 100% of the ownership of Franchisee and (b) notwithstanding any percentage of ownership stated below, such percentage shall in no way limit each of the undersigned's liability under the terms of this Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OF OWNERSHIP IN FRANCHISEE
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%
Signature _____ (Printed Name _____)	_____%

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H: FRANCHISEE QUESTIONNAIRE

FRANCHISEE QUESTIONNAIRE

As you know, THE BARBERS, HAIRSTYLING FOR MEN & WOMEN, INC. (the "Franchisor") and you are preparing to enter into a Development Agreement (the "Agreement") for the operation of multiple Cost Cutters Family Hair Care® franchised businesses (the "Franchise"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

QUESTION		YES	NO
1.	Have you received and personally reviewed the Franchisor's Disclosure Document (the "FDD") provided to you?		
2.	Did you sign a receipt for the FDD indicating the date you received it?		
3.	Do you understand the information contained in the FDD?		
4.	Do you understand the terms of and your obligations under the Development Agreement?		
5.	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
6.	Have you discussed the benefits and risks of operating the Franchise with any existing franchisees?		
7.	Do you understand the risks associated with operating the Franchise?		
8.	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
9.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the FDD?		
10.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the FDD?		
11.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the FDD?		
12.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the FDD?		

QUESTION		YES	NO
13.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding breaking even or any estimated time frame for breaking even in your Franchised Location?		
14.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the FDD?		
15.	Do you understand that it is your responsibility to research and comply with your state's barber and cosmetology laws?		
16.	Do you understand that the amount of time that it takes to locate a suitable site we approve for your Franchised Location varies from market to market and may take anywhere from 6-12 months (or longer)?		
17.	Do you understand that the Initial Franchise Fee and Development Fee that you will pay to Franchisor are fully earned and are non-refundable?		
18.	Do you understand that if you have chosen the single store program, you cannot "convert" your single-store agreement to the 3-store program?		

If you answered "Yes" to any of questions nine (9) through fourteen (14) or "No" to questions fifteen (15) through eighteen (18), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

_____

_____

_____

_____

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 responded truthfully to the above questions.

_____ _____

Print Name:_____ Print Name:_____

FRANCHISE APPLICANT FRANCHISE APPLICANT

Date:_____, _____ Date:_____, _____

If the Agreement is governed by the laws of the State of Maryland, then your answers to these questions shall not act as a release, estoppel or waiver of your rights under the Maryland Franchise Registration and Disclosure Law.

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I: STATE ADDENDA

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA

This Addendum pertains to franchises sold in the State of California and is for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. The covenant not to compete upon termination or expiration of this Agreement contained in Article 8.3 may be unenforceable, except in certain circumstances provided by law.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

This Addendum pertains to franchises sold in the State of California and is for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The covenant not to compete upon termination or expiration of this Agreement contained in Article 12.3 may be unenforceable, except in certain circumstances provided by law.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS

This Addendum pertains to franchises sold in the State of Illinois and is for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 13.6 is inapplicable and all litigation must be commenced in Illinois; and

2. For Illinois franchisees, Illinois law governs the Development Agreement; and

3. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void," accordingly any acknowledgments contained in Article 15.2, Article 15.4, Article 16.2, and the second sentence of Article 15.1 will be unenforceable against the FRANCHISEE.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS

This Addendum pertains to franchises sold in the State of Illinois and is for the purpose of complying with Illinois statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 24.6 is inapplicable and all litigation must be commenced in Illinois;

2. For Illinois franchisees, Illinois law governs the Franchise Agreement; and

3. Section 41 of the Illinois Franchise Disclosure Act states that "any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act is void," accordingly any acknowledgments contained in Article 26.2, Article 26.4, Article 27.2, and the second sentence of Article 26.1 will be unenforceable against the FRANCHISEE.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF ILLINOIS

The following information applies to franchises and franchisees subject to Illinois statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

Item 17

Section 4 of the Illinois Franchise Disclosure Act of 1987 provides that the provisions of the Franchise Agreement and Development Agreement which designate jurisdiction or venue in a forum outside of Illinois are void.

All litigation must be commenced in Illinois.

Illinois law governs the Franchise Agreement and Development Agreement.

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND

This Addendum pertains to franchises sold in the State of Maryland and is for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. The acknowledgments made by the FRANCHISEE contained in Article 15 and Article 16 of this Agreement and any written instrument executed by the FRANCHISEE pursuant to Article 13.3 of this Agreement, will not be construed to act as a waiver of the FRANCHISEE'S rights under the Maryland Franchise Registration and Disclosure Law, Md. Ann. Code, Article 56, §345 et seq.; and

2. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 12.4 and 13.6 will be inapplicable and the FRANCHISEE will be permitted to commence litigation in Maryland; provided, however, that such inapplicability in the State of Maryland will not be construed to mean that venue in Hennepin County, Minnesota is improper, or that the FRANCHISEE, its officers, directors and shareholders and the Personal Guarantors are not subject to jurisdiction in Hennepin County, Minnesota, or in any other state.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

This Addendum pertains to franchises sold in the State of Maryland and is for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The acknowledgments made by the FRANCHISEE contained in Article 26 and Article 27 of this Agreement and any written instrument executed by the FRANCHISEE pursuant to Article 24.3 of this Agreement will not be construed to act as a waiver of the FRANCHISEE'S rights under the Maryland Franchise Registration and Disclosure Law, Md. Ann. Code, Article 56, §345 et seq.;

2. The one year limitation period set forth in Article 10.4 will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law; and

3. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 23.4 and 24.6 will be inapplicable and the FRANCHISEE will be permitted to commence litigation in Maryland; provided, however, that such inapplicability in the State of Maryland will not be construed to mean that venue in Hennepin County, Minnesota is improper, or that the FRANCHISEE, its officers, directors and shareholders and the Personal Guarantors are not subject to jurisdiction in Hennepin County, Minnesota, or in any other state.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

The following information applies to franchises and franchisees subject to Maryland statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

Item 17

Under Maryland law, a franchisee may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. Article 6.2 will be amended to require that, except as set forth in Article 6.5 and Article 6.6, in the event COST CUTTERS gives the FRANCHISEE written notice that the FRANCHISEE has breached this Agreement, such written notice will be given to the FRANCHISEE at least ninety (90) days prior to the date this Agreement is terminated by COST CUTTERS, and the FRANCHISEE will have sixty (60) days after having been given such written notice within which to correct the breach specified in the written notice; and

2. Notwithstanding any provisions of this Agreement to the contrary, a Court of competent jurisdiction will determine whether COST CUTTERS will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by COST CUTTERS against the FRANCHISEE or the FRANCHISEE'S shareholders.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Article 2 of this Agreement will be amended to provide that, except in certain circumstances specified by law, COST CUTTERS must provide the FRANCHISEE with at least one hundred eighty (180) days prior written notice of nonrenewal of the franchise; and

2. Article 9.2 will be amended to require that, except as set forth in Article 9.5 and 9.6, in the event COST CUTTERS gives the FRANCHISEE written notice that the FRANCHISEE has breached this Agreement, such written notice will be given to the FRANCHISEE at least ninety (90) days prior to the date this Agreement is terminated by COST CUTTERS, and the FRANCHISEE will have sixty (60) days after having been given such written notice within which to correct the breach specified in the written notice; and

3. Notwithstanding any provisions of this Agreement to the contrary, a Court of competent jurisdiction will determine whether COST CUTTERS will be required to post a bond or other security, and the amount of such bond or other security, in any injunctive proceeding commenced by COST CUTTERS against the FRANCHISEE or the FRANCHISEE'S shareholders.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA

The following information applies to franchises and franchisees subject to Minnesota statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

Item 17

With respect to franchises governed by Minnesota law, COST CUTTERS 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 non-renewal of the franchise agreement.

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. The covenant not to compete upon termination or expiration of this Agreement contained in Article 8.3 may be unenforceable, except in certain circumstances provided by law;

2. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 13.6 may be inapplicable; provided, however, that such inapplicability in the State of North Dakota will not be construed to mean that venue in Hennepin County, Minnesota is improper, or that the FRANCHISEE and its officers, directors and shareholders are not subject to jurisdiction in Hennepin County, Minnesota, or in any other state;

3. The provisions of Article 12 requiring arbitration hearings to take place in Minneapolis, Minnesota will be inapplicable and in the event of arbitration between COST CUTTERS and the FRANCHISEE, such arbitration will be conducted in Fargo, North Dakota or at a mutually agreed upon location; and

4. The parties' waiver of their right to claim punitive damages, as set forth in Article 12.5, may not be enforceable under North Dakota law.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The covenant not to compete upon termination or expiration of this Agreement contained in Article 12.3 may be unenforceable, except in certain circumstances provided by law;

2. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 24.6 may be inapplicable; provided, however, that such inapplicability in the State of North Dakota will not be construed to mean that venue in Hennepin County, Minnesota is improper, or that the FRANCHISEE and its officers, directors and shareholders are not subject to jurisdiction in Hennepin County, Minnesota, or in any other state;

3. The provisions of Article 23 requiring arbitration hearings to take place in Minneapolis, Minnesota will be inapplicable and in the event of arbitration between COST CUTTERS and the FRANCHISEE, such arbitration will be conducted in Fargo, North Dakota or at a mutually agreed upon location; and

4. The parties' waiver of their right to claim punitive damages, as set forth in Article 23.5, may not be enforceable under North Dakota law.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NORTH DAKOTA

The following information applies to franchises and franchisees subject to North Dakota statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

Item 17

Covenants not to compete upon termination or expiration of the Franchise Agreement may be unenforceable in the State of North Dakota except in certain circumstances provided by law;

The execution of a general release upon renewal, assignment or termination will be inapplicable to franchises operating under the North Dakota Franchise Investment Law.

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

This Addendum pertains to franchises sold in the State of New York and is for the purpose of complying with New York statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Article 20.1 will be amended to reflect that COST CUTTERS may not assign this Agreement unless in its reasonable judgment the assignee is able to perform the franchisor's obligations under this Agreement.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

The following information applies to franchises and franchisees subject to New York statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

1. Item 3.

Other than the litigation disclosed in Item 3 of the Franchise Disclosure Document, neither COST CUTTERS, its affiliates or any person identified in Item 2 of this Franchise Disclosure Document:

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 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.

2. Item 4.

Neither COST CUTTERS, its affiliates or any officers identified in Item 2 of this Franchise Disclosure Document has, during the 10-year period preceding the date of this

Franchise Disclosure Document: (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 one year after the officer of franchisor held this position in the company.

3. Item 17.

There is no restriction on COST CUTTERS' right to assign the Franchise Agreement and the Development Agreement. However, no assignment will be made by COST CUTTERS except to an assignee who, in COST CUTTERS' good faith judgment, is willing and able to assume COST CUTTERS' obligations under the Franchise Agreement and/or Development Agreement.

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF NORTH DAKOTA

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The covenant not to compete upon termination or expiration of this Agreement contained in Article 12.3 may be unenforceable, except in certain circumstances provided by law;

2. The consent by the FRANCHISEE to jurisdiction and venue in Hennepin County, Minnesota contained in Article 24.6 may be inapplicable; provided, however, that such inapplicability in the State of North Dakota will not be construed to mean that venue in Hennepin County, Minnesota is improper, or that the FRANCHISEE and its officers, Directors and shareholders are not subject to jurisdiction in Hennepin County, Minnesota, or in any other state;

3. The provisions of Article 23 requiring arbitration hearings to take place in Minneapolis, Minnesota will be inapplicable and in the event of arbitration between COST CUTTERS and the FRANCHISEE, such arbitration will be conducted in Fargo, North Dakota or at a mutually agreed upon location; and

4. The parties' waiver of their right to claim punitive damages, as set forth in Article 23.5, may not be enforceable under North Dakota law.

5. The first sentence of Section 28.1 of this Agreement is hereby amended to read as follows:

"Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §1051 et seq.), this Agreement and the relationship between COST CUTTERS and the FRANCHSIEE will be governed by the laws of the state of North Dakota."

6. In regard to Section 10.4 of this Agreement, the statute of limitations under North Dakota law will apply.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF RHODE ISLAND

This Addendum pertains to franchises sold in the State of Rhode Island and is for the purpose of complying with Rhode Island statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. Any provision of this Agreement which restricts jurisdiction or venue to a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF RHODE ISLAND

This Addendum pertains to franchises sold in the State of Rhode Island and is for the purpose of complying with Rhode Island statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. Any provision of this Agreement which restricts jurisdiction or venue to a forum outside the State of Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF RHODE ISLAND

The following information applies to franchises and franchisees subject to Rhode Island statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

Item 17

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that any provision of the Franchise Agreement or Development Agreement which restricts jurisdiction or venue to a forum outside Rhode Island is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE COMMONWEALTH OF VIRGINIA

This Addendum pertains to franchises sold in the Commonwealth of Virginia and is for the purpose of complying with Virginia statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. The following sentence is hereby added to the end of Section 6 of the Development Agreement:

> Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Development Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail franchising Act or the laws of Virginia, that provision may not be enforceable.

Initials:

Franchisor: _____

Franchisee: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE COMMONWEALTH OF VIRGINIA

This Addendum pertains to franchises sold in the Commonwealth of Virginia and is for the purpose of complying with Virginia statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The following language is added at the end of Section 9.1 of the Franchise Agreement:

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

Initials:

Franchisor: _____

Franchisee: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE DISCLOSURE DOCUMENT
FOR THE COMMONWEALTH OF VIRGINIA

The following information applies to franchises and franchisees subject to Virginia statutes and regulations. The Item number corresponds to the Item in the main body of the Franchise Disclosure Document.

Item 17.

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

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF WASHINGTON

This Addendum pertains to franchises sold in the State of Washington and is for the purpose of complying with Washington statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. In any arbitration involving a franchise purchased in Washington, the arbitration site will be either in the State of Washington, in a place mutually agreed upon at the time of the arbitration, or as determined by the Arbitrator;

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

3. A release or waiver of rights executed by the FRANCHISEE will not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after this Agreement is in effect and where the parties are represented by independent counsel;

4. Provisions of this Agreement which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, rights or remedies under the Washington Franchise Investment Act such as a right to a jury trial may not be enforceable; and

5. Transfer fees are collectible by COST CUTTERS to the extent that they reflect COST CUTTERS' reasonable estimated or actual costs in effecting a transfer.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which 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 involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

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

A release of waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this _____ day of _____, 20___.

_____
Franchisor

_____
Franchisee

ADDENDUM TO COST CUTTERS®
DEVELOPMENT AGREEMENT
FOR THE STATE OF WISCONSIN

This Addendum pertains to franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything which may be contained in the body of the Development Agreement to the contrary, the Development Agreement is amended as follows:

1. The provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of this Agreement.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

ADDENDUM TO COST CUTTERS®
FRANCHISE AGREEMENT
FOR THE STATE OF WISCONSIN

This Addendum pertains to franchises sold in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement is amended as follows:

1. The provisions of the Wisconsin Fair Dealership Law, Wis. Stat. Chapter 135, will supersede any conflicting terms of this Agreement.

Initials:

COST CUTTERS: _____

FRANCHISEE: _____

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J: STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT J

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

California

Commissioner of the Department of Business Oversight:
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

1515 K Street, Suite 200
Sacramento, California 95814-4052
(916) 445-7205

San Diego

1350 Front Street, Rm. 2034
San Diego, California 92101-3697
(619) 525-4233

San Francisco

One Sansome Street, Suite 600
San Francisco, California 94105-2980
(415) 972-8559

Hawaii

(for service of process)
Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

(for other matters)
Commissioner of Securities
Business Registration Division
Department of Commerce
and Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2722

Illinois

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

Indiana

(for service of process)

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

(state agency)

Indiana Secretary of State
Securities Division
Room E-111
302 West Washington Street
Indianapolis, IN 46204
(317)232-6681

Maryland

(state agency)

Office of the Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

(for service of process)

Maryland Securities Commissioner
at the Office of Attorney General-
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2021
(410) 576-6360

Michigan

Corporations Division
Franchise
P.O. Box 30054
Lansing, MI 48909
(517) 373-7117

Minnesota

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(651) 296-6328

New York

(for service of process)

New York Department of State
Division of Corporations, State Records & Uniform Commercial Code
One Commerce Plaza
99 Washington Ave., 6th Floor
Albany, New York 12231
(518) 474-4770

(for other matters)

New York State Department of Law
Investor Protection and Securities Bureau
120 Broadway, 23rd Floor
New York, New York 10271-0332
(212) 416-8000

North Dakota

(state agency)

North Dakota Securities Department
600 East Boulevard Avenue State Capitol
Fifth Floor Dept 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

(for service of process)

Securities Commissioner
600 East Boulevard Avenue State Capitol
Fifth Floor Dept 414
Bismarck, North Dakota 58505-0510
(701) 328-4712

Oregon

Oregon Division of Finance and Corporate Securities
350 Winter Street NE, Room 410
Salem, Oregon 97301-3881
(503) 378-4387

Rhode Island

Securities Division
Department of Business Regulations
1511 Pontiac Avenue
John O. Pastore Complex-Building 69-1
Cranston, RI 02920
(401) 462-9500

South Dakota

Department of Labor and Regulation
Division of Insurance Securities Regulation
124 S. Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Virginia

(for service of process)

Clerk, State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9733

(for other matters)

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street
Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

Washington

(for service of process)

Director Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

(for other matters)

Department of Financial Institutions
Securities Division
P. O. Box 9033
Olympia, Washington 98501-9033
(360) 902-8760

Wisconsin

Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 266-8557

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K: POINT OF SALE SYSTEM RENTAL AGREEMENTS

EXHIBIT K-1

SOFTWARE AND HARDWARE AGREEMENT

This Sales Agreement ("the Agreement") is entered into by and between ProPoint Solutions, LLC a Delaware company with a principal place of business at 314 First Avenue North, Suite 300, Minneapolis, MN 55401 ("ProPoint"), and the following customer ("Customer"):

Company Name:	
Owner or Principal	
Address:	
Address:	
City, State and Zip:	
Location Name / Names:	

RECITALS:

WHEREAS, ProPoint currently owns, licenses and allows others to use ProPoint's SuperSalon point of sale software ("Licensed Software") and related add-on features and maintenance services;

WHEREAS, ProPoint wishes to grant to Customer the right to use the Licensed Software, add-on features and to receive maintenance services, and to lease certain hardware components from ProPoint, on the terms and subject to the conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Customer and ProPoint agree to the following:

TERMS AND CONDITIONS

1. PRODUCTS AND SERVICES DELIVERED

By way of this agreement, Customer is buying a non-exclusive, non-transferable, terminable license to use ProPoint's SuperSalon point of sale software ("Licensed Software") at the Location identified above during the Term of this Agreement and ongoing maintenance services relating to that Licensed Software. Customer may also opt to buy certain add-on features and services, as reflected in Appendix A of this Agreement. Customer may also opt to lease from ProPoint certain hardware or other product bundles, as reflected in Appendix B to this Agreement ("Leased Hardware"). All licenses and leases are subject to the terms of this Agreement.

2. TERM

2.1 Licensed Software. The Licensed Software Term of this agreement shall be 12 months. The term shall begin upon _____ and continue for 12 months thereafter, unless otherwise terminated consistent with this Agreement. Unless customer notifies ProPoint in writing at least 90 days

prior to expiration, upon expiration the Licensed Software Term shall automatically renew for a further 12-month period, subject to the Terms and Conditions of this Agreement.

2.2 Leased Hardware: The Leased Hardware Term of this agreement shall be 5 years. The term shall begin upon receipt of equipment by the Customer and continue for 60 months thereafter, unless otherwise terminated consistent with this Agreement.

3. FEES AND PAYMENTS

- Licensed Software. Customer has selected the _____ package, for $_____ per location per _____. Customer further agrees to pay the additional monthly fees in attached Appendix A for any ad-hoc features or services Customer elects to use. All payments and monthly fees for Licensed Software are subject to increases solely at ProPoint's discretion, subject to a maximum increase of the lesser of the previous year's CPI or 5%, and a maximum frequency of once annually. These monthly fee restrictions are only in place if ProPoint is designated as the exclusive provider for point of sale software for Regis's franchisees during the term of this Agreement and any price increases will be effective if ProPoint gives franchisees at least 120 days' notice of any such price increases prior to the end of the then-current term.

- Leased Hardware. With regard to any Leased Hardware, Customer agrees to pay ProPoint the total lease fee for the Hardware Term in the amount of $ ____ per month for months, plus all implementation fees. All implementation fees shall be due on the date of execution of this Agreement.

- Payments. Payment for all invoices is due upon receipt, in US dollars. If payment is past thirty (30) days beyond the date of the invoice, a late fee of 5% of the invoice balance will be added.

- Onsite Installation Failure to Perform & Cancellation Fees. In the event that Customer's actions prevent or delay ProPoint and its installation partners from installing the Licensed Software and related Point of Sale equipment during the scheduled installation or service call, Customer must pay ProPoint $500 for the aborted installation service call and $150 per hour for any additional time required to complete the installation at a later date. These actions include, but not limited to, failure to have fully functioning equipment, failure to have operating internet connectivity at the Location or failing to have the Location properly staffed. Any Customer modification of a scheduled installation with less than 14 days' notice of the scheduled appointment time shall be deemed a cancellation and rebooking, and Customer will pay ProPoint a cancellation fee according to the following schedule:

- Cancellation 9-14 days prior to scheduled installation: $125

- Cancellation 3-8 days prior to scheduled installation: $250

- Cancellation less than 3 days prior to scheduled installation: $375

- Cancellation on the day of the scheduled installation: $500

- System Imaging Fees. ProPoint performs initial system imaging and database installation services at no cost on hardware sourced from ProPoint; in the event Customer sources equipment from a third party, ProPoint will assign resources to perform these services remotely and Customer agrees to pay ProPoint a fee of $200.00 for these services.

4. LICENSE

4.1 License Grant. In exchange for the payment provided in Section 3(a), ProPoint hereby grants to Customer a non-exclusive, non-transferable, terminable license to use Licensed Software at the Location during the Licensed Software Term of this Agreement, and each licensed add-on feature or service identified in the attached Appendix A during the Licensed Software Term of this Agreement.

4.2 Single Use. Only Customer may use the Licensed Software. Customer may install, register, activate, and use one copy of the Licensed Software, on a single computer in a specific physical location as registered in the product registration. Changes to the original registration information and/or physical location must be reported to ProPoint and are subject to registration change fees, and such change request may be denied at the sole discretion of ProPoint.

4.3 Trial and Conversion. Some or all of the Licensed Software may be licensed on a trial basis. Customer's right to use the Licensed Software on a trial basis is limited to the trial period. The Licensed Software subject to the trial and the length of the trial period are set forth during the activation process. Customer may have the option to convert the trial license to subscription or perpetual rights. Conversion options will be presented upon request.

4.4 ProPoint Controls the Licensed Software. ProPoint may change, suspend or discontinue any aspect of the Licensed Software any time, including the availability of any Licensed Software feature, database or content, but may not materially decrease the functionality of the Licensed Software.

5. CUSTOMER OBLIGATIONS AND PERMISSIONS

5.1 PCI Compliance. Customer is responsible for performing and maintaining the PCI-DSS and PA-DSS installation of the Licensed Software. Customer indemnifies and holds harmless ProPoint, its shareholders, officers, agents, and employees from and against any claims, demands, liabilities, or expenses, including attorneys' fees and costs, for all actions arising out of or relating to the PCI-DSS and PA-DSS installation of the Licensed Software.

5.2 Security. Customer is responsible for maintaining the security of its software and network.

5.3 Mandatory Activation. Activation associates the use of the Licensed Software with a specific device. During activation, the Licensed Software may send information about the Licensed Software and / or the device to ProPoint. This information includes the version, the license version and the product ID of the Licensed Software, Internet Protocol address of the device and information derived from the hardware configuration. BY USING THE LICENSED SOFTWARE, CUSTOMER CONSENTS TO THE TRANSMISSION OF THIS INFORMATION.

5.4 Validation. The Licensed Software may from time to time validate Customer's license rights. Validation verifies that the Licensed Software has been activated and is properly licensed. Validation also permits Customer to use certain features of the Licensed Software or to obtain additional benefits. During a validation check, the Licensed Software will send information about the Licensed Software to ProPoint. This information includes the version of the Licensed Software and the product key. BY USING THE LICENSED SOFTWARE, CUSTOMER CONSENTS TO THE TRANSMISSION OF THIS INFORMATION TO PROPOINT.

6. SUPPORT SERVICES

6.1 ProPoint will provide Customer with support services related to the Licensed Software ("Support Services"). The provision and use of Support Services is governed by the ProPoint policies and programs described in the Licensed Software user manual and/or in "online" documentation. Any supplemental software code provided to Customer as part of the Support Services shall be considered part of the Licensed Software and subject to the terms and conditions of this Agreement. With respect to technical information Customer provides to ProPoint as part of the Support Services, ProPoint may use such information for its business purpose, including for product updates and development. ProPoint will use commercially reasonable efforts to not utilize such technical information in a form that personally identifies Customer.

6.2 Maintenance Scheduling. ProPoint reserves the right to determine a proper maintenance schedule for the Licensed Software, and may carry out scheduled and unscheduled maintenance that may temporarily result in the unavailability or limited accessibility of some or all services. Changes or modifications, including updates, to the Licensed Software will be pushed out on a schedule determined by ProPoint unless otherwise stated. ProPoint will use commercially reasonable efforts to schedule maintenance times one week prior to the maintenance time, but reserves the right to conduct maintenance without notice to Customer.

7. OWNERSHIP AND INTELLECTUAL PROPERTY RIGHTS

7.1 ProPoint Owns the Licensed Software and Data. This Agreement gives Customer a limited right to use the Licensed Software. All right, title and interest in and to the Licensed Software, user displays, and any accompanying materials are and will remain the property of ProPoint. This includes but is not limited to all copyrights, patent rights, trademark and service mark rights, trade secret rights, know-how and other intellectual property rights. Customer shall not remove, alter or otherwise modify any copyright, trademark or other notices of proprietary interest contained in the Licensed Software. Customer, and any of its officers, directors, assigns, agents, or employees, may not sell, assign, pledge, lease, transfer, distribute, license, sublicense, copy, modify, reverse compile, create derivative works of, disassemble, or otherwise reverse engineer or attempt to reconstruct the Licensed Software, in whole or in part or in any way encumber the Licensed Software, except as otherwise allowed in this Agreement. ProPoint shall have a non-exclusive, royalty free right to use the data that originates from Customer solely to provide services to Customer and/or Regis.

7.2 ProPoint Owns Modifications of the Licensed Software. ProPoint retains the right to modify or change the Licensed Software, any licensed add-on features or services, or the maintenance services offered under this contract, at its sole discretion, provided that ProPoint will not materially decrease the features or functionality of any of the foregoing. Modifications include, but are not limited to, updating functionality and modifying the user interface. ProPoint shall own all intellectual property rights in any work, improvements, updates, changes, alterations, revisions, error corrections, bug fixes, patches, releases and/or subsequent modifications of any type, including copyrights, patents, trade secrets, trademarks and other intellectual property.

7.3 Use of Trademarks and Logos. Customer grants ProPoint the right to use Customer's name and logo on and in connection with ProPoint's marketing materials, website or other consumer-facing materials.

8. TERMINATION

8.1 Termination of Software License. With respect to the Licensed Software Term, this

Agreement may be terminated by either party if the other party materially breaches this Agreement and does not cure the breach within 30 days after receiving written notice thereof from the non-breaching party. Failure to pay license or service fees when due shall constitute a material breach. In the event any fees are not paid when due, ProPoint shall have the further right to suspend Customer's access to the Licensed Software or maintenance services until payment is made and/or to terminate this Agreement. ProPoint shall have the right to terminate this agreement with one full billing cycle notice if Regis no longer designates ProPoint as the exclusive provider of point of sale software to Regis's franchisees. Upon any termination of this Agreement, without prejudice to any other rights or remedies which the parties may have, (a) all rights licensed and obligations required hereunder shall immediately cease (including Customer's right to access and use the Licensed Software and ProPoint's services), and (b) Customer shall pay to ProPoint any outstanding fees that have accrued prior to the date of termination, and (c) Customer shall pay ProPoint the lesser of either 25% of the total fees owed to ProPoint over the Licensed Software Term, or the entirety of the remaining balance due to ProPoint through the end of the Licensed Software Term. Bankruptcy or insolvency of either party shall be deemed grounds for termination of this Agreement by the other party.

8.2 Termination of Hardware Lease. With respect to the Leased Hardware Term, either party may terminate this agreement prior to the end of the Term with written permission of the non-terminating party. Should Customer exercise this termination option, Customer shall pay ProPoint the lesser of either 25% of the total fees owed to ProPoint over the Leased Hardware Term, or the entirety of the remaining balance due to ProPoint through the end of the Leased Hardware Term.

8.3 Bankruptcy. Bankruptcy or insolvency of either party shall be deemed grounds for termination of this Agreement by the other party.

8.4 Destruction of Materials. Upon termination, Customer must destroy all copies of the Licensed Software and all of its component parts; to this end Customer grant to ProPoint the right to, with or without notice, monitor Customer's Internet accessible activities for the purpose of verifying Licensed Software performance and/or Customer's compliance with the terms hereof, including, but not limited to the remote monitoring and verification of Customer's implementation, use and duplication of the Licensed Software. ProPoint does not accept any returns and/or refunds for the Licensed Software under any circumstances.

9. WARRANTIES AND EXCLUSIONS

9.1 Licensed Software Warranty. ProPoint warrants that it shall provide the Licensed Software, and any licensed add-on features or services, other related products features and services, and perform all related services in a professional and workmanlike manner. If the Licensed Software, licensed add-on features or services do not conform to the foregoing warranty, and Customer informs ProPoint within 14 days of delivery or performance, ProPoint will re-perform the service. Customer agrees that the forgoing constitutes Customer's sole and exclusive remedy for breach by ProPoint of any warranties under this Agreement. This warranty does not cover problems caused by Customer's acts (or failures to act), the acts of others, or events beyond ProPoint's reasonable control.

9.2 Exclusive Warranty. The express warranty in this section is the exclusive warranty offered by ProPoint and all other express or implied conditions and warranties, including, without limitation, any conditions or warranties of fitness for a particular purpose, non-infringement, accuracy, quiet enjoyment, title, merchantability and those that arise from any course of dealing or course of performance are hereby disclaimed. ProPoint does not warrant that Customer's use of the Licensed Software, any licensed add-on features, or services, will be uninterrupted or error-free, that errors will be

corrected, that the Licensed Software, add-on features or services will meet Customer's requirements (including but not limited to any regulatory or compliance standard), or that they will be free of viruses or other harmful components.

9.3 Leased Hardware Warranty. All Leased Hardware comes with a manufacturer's warranty upon delivery to Customer. If the Leased Hardware fails to meet the warranty set forth herein, ProPoint will at its expense and its option, either repair or replace the Leased Hardware to the extent necessary to bring same into conformity with the foregoing warranty. EXCEPT AS SET FORTH IN THIS AGREEMENT, THERE ARE NO OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTY OF MERCHANTABILITY AND WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. No defect in, unfitness of or inability of Customer to use any Leased Hardware, howsoever caused, shall relieve Customer from its obligations to pay all fees hereunder or from any other obligations of Customer hereunder. ProPoint's warranty obligation will not apply and does not extend to any adjustment, repair or replacement required because of Customer's negligence, misuse, handling, failure to follow the routine maintenance schedule and operating instructions and/or repairs or alterations made in a manner inconsistent with the provisions of this Agreement.

9.4 Applicability of Warranty and Exclusions. This limited warranty gives Customer specific legal rights. Customer may have others that vary from state/jurisdiction to state/jurisdiction. Some states and jurisdictions do not allow disclaimers of or limitations on the duration of an implied warranty, so the above limitation may not apply to Customer.

10. LIMITATION OF LIABILITY

10.1 Limitation of Liability. To the extent permitted by law, in no event shall ProPoint be liable to Customer, users or to any third party in connection with this Agreement, including the Licensed Software, add-on features, services, leased hardware and intellectual property provided hereunder, whether under theory of contract, tort or otherwise (a) for any indirect, incidental, punitive, consequential, or special damages (including any damage to business reputation, business interruption, lost profits or lost data), whether foreseeable or not and whether ProPoint is advised of the possibility of such damages or (b) any amounts in excess of the total of the fees actually paid and the fees payable to ProPoint by Customer under this Agreement during the three (3) month period prior to the date that such liability first arises. This includes any injury, loss, claim or damage arising out of or that is any way connected with (1) the licenses and services under this Agreement; (2) any use of the Licensed Software or Licensed Hardware or the support services; (3) any alleged failure or delay by ProPoint; (4) the performance or non-performance of any salon or business in connection with the Licensed Software; or (5) any use of Customer's data.

10.2 No Liability for Third Party Materials. The Licensed Software, add-on features, services or Leased Hardware may contain features, functionality and information that are provided through or by third-party content, software, web sites, and/or systems ("Third-Party Materials"). Customer's use and access of these features and functionality are subject to the terms published or otherwise made available by the third-party providers of Third-Party Materials. ProPoint has no responsibility for any Third-Party Materials, including servicing or performing maintenance for the Third-Party Materials, and Customer irrevocably waives any claim against ProPoint with respect to such Third-Party Materials.

10.3 Without limiting the foregoing, we are not responsible or liable for any malicious code, delays, inaccuracies, errors, or omissions arising out of Customer's use of the Licensed Software or

related services.

10.4 The terms of this section apply in equal force to ProPoint's related companies, successors or assigns, officers, directors, employees, agents, representatives, licensors, operational service providers, advertisers, or suppliers.

11. SPECIFIC DISCLAIMERS

11.1 The following is a non-exclusive list of obligations with which Customer are solely responsible for compliance, and which ProPoint disclaims all liability:

A. Credit card transactions not deposited to Customer's account.

B. Performance or maintenance of PC Operating systems. This disclaimer includes updates, bugs, viruses, spyware or other malware. Customer shall ensure that Windows is set to update automatically and that it is receiving and installing updates and other maintenance releases.

C. Hardware repairs or damages. All such hardware warranty repairs shall be made in accordance with the equipment manufacturer's repair policies.

D. ProPoint does not support hardware that was not purchased from ProPoint.

E. Configuration and troubleshooting of hardware provided by Internet Service Providers or telephone companies, including without limitation hubs, routers, networking equipment, and phone lines.

F. Accuracy of payroll charges.

G. Sales tax and royalty rates settings for each of Customer's locations. Customer must verify that all taxes and royalty rates are set correctly.

H. Integrated processing over dial-up connections. If Customer is unable to use a high-speed Internet connection, such as cable or DSL, ProPoint recommends Customer use a processor-supplied terminal.

I. Use of unencrypted readers on existing or new system

J. Sending or receiving email, SMS, or MMS messages.

12. INDEMNIFICATION

Customer, at Customer's expense, shall indemnify, defend and hold ProPoint and its officers, directors, owners, employees, and affiliates harmless from and against all liability, damages, injuries, losses, costs and expenses (including attorney's fees) arising out of or relating to Customer's use of, repair, maintenance and/or operation of ProPoint's Licensed Software, add-on features, services and/or

Leased Hardware, including but not limited to liability, damages, injuries, losses, costs and expenses arising from any claims relating to: (a) Customer's breach of any representations, warranties, or covenants in this Agreement, (b) Customer's failure to adhere to industry standards of any sort, (c) Customer's compliance with applicable laws and regulations, or (d) Customer's data. ProPoint shall provide Customer with prompt written notice of any such claim.

13. CONFIDENTIALITY.

ProPoint's Licensed Software, add-on features, and services and all other business information is confidential and proprietary. Customer shall not disclose or disseminate, or permit any employee, agent or other party working under Customer's direction to disclose or disseminate, the substance of any such confidential information of ProPoint. The commitments in this Agreement will not impose any obligations on Customer with respect to any portion of the received information which, as evidenced by independent documentation: (a) is now generally known or available or which hereafter, through no act or failure to act on Customer's part, becomes generally known or available; or (b) is rightfully known to Customer at the time of receiving such information. Customer acknowledges that monetary damages may not be a sufficient remedy for unauthorized disclosure or use of ProPoint's confidential information and that ProPoint may seek, without waiving any other rights or remedies, such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction.

14. ARBITRATION

14.1 ARBITRATION AGREEMENT AND JURY TRIAL WAIVER, CLASS ACTION WAIVER, AND FORUM SELECTION CLAUSE: All controversies, disputes, demands, counts, claims, or causes of action between ProPoint and Customer, including disputes arising out of, under, or related in any way to the Terms of Use, the ProPoint's websites or mobile applications, the use of ProPoint's websites or mobile applications, or the validity of this Terms of Use, shall exclusively be settled through binding arbitration. Arbitration shall be subject to the Federal Arbitration Act and not any state arbitration law. The arbitration shall be conducted before one commercial arbitrator with substantial experience in resolving commercial contract disputes from the American Arbitration Association ("AAA"). As modified by these Terms of Use, and unless agreed upon by the parties in writing, the arbitration will be governed by the AAA's Commercial Arbitration Rules and, if the arbitrator deems them applicable, the Supplementary Procedures for Consumer Related Disputes (collectively "Rules and Procedures").

14.2 Customer is thus GIVING UP CUSTOMER'S RIGHT TO GO TO COURT to assert or defend Customer's rights under this contract EXCEPT for matters that may be taken to small claims court. Customer's rights will be determined by a NEUTRAL ARBITRATOR and NOT a judge or jury.

14.3 Claims of defamation, violation of the Computer Fraud and Abuse Act, and infringement or misappropriation of the other party's patent, copyright, trademark, or trade secret shall not be subject to this arbitration agreement. Such claims shall be exclusively brought in the state or federal courts located in Delaware. Additionally, notwithstanding this agreement to arbitrate, either party may seek emergency equitable relief before the state or federal courts located in Delaware in order to maintain the status quo pending the arbitrator's ruling, and hereby agree to submit to the personal jurisdiction of the courts located within Delaware. A request for interim measures shall not be deemed a waiver of the right to arbitrate.

14.4 If any part of this arbitration provision is deemed to be invalid, unenforceable or illegal,

or otherwise conflicts with the Rules and Procedures, then the balance of this arbitration provision shall remain in effect and shall be construed in accordance with its terms as if the invalid, unenforceable, illegal or conflicting provision were not contained herein. In the event this agreement to arbitrate is held unenforceable by a court, or in the event AAA refuses to arbitrate the Dispute, all controversies, disputes, demands, counts, claims, or causes of action between ProPoint and CUSTOMER shall be exclusively brought in the state or federal courts located in Minnesota. For more information on AAA, its Rules and Procedures, and how to file an arbitration claim, Customer may call AAA at 800-778-7879 or visit the AAA website at http://www.adr.org.

15. GENERAL PROVISIONS

15.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subjects herein, and cancels and supersedes all prior agreements and understandings of the parties in connection therewith, whether oral or written.

15.2 Force Majeure. Neither party shall be liable for any failure or delay in the performance of its obligations (except for payment obligations hereunder) due to causes beyond the reasonable control of the party affected, including but not limited to war, sabotage, insurrection, riot or other act of civil disobedience, strikes or other labor shortages, act of any government affecting the terms hereof, acts of terrorism, accident, fire, explosion, flood, hurricane, severe weather or other act of God, failure of telecommunication, internet service providers, or other utility providers. The obligations and rights of the party so excused will be extended on a day-to-day basis for the period of time equal to that of the underlying cause of the delay.

15.3 Independent Contractor Relationship. The parties are independent contractors with respect to each other, and nothing in this Agreement shall be construed as creating an employer-employee relationship, a partnership, agency relationship or a joint venture between the parties.

15.4 Binding and Assignment. This Agreement controls the actions of all party representatives, officers, agents, employees and associated individuals. The terms of this Agreement shall be binding on the parties, and all successors to the foregoing. Customer will not assign, transfer or delegate its rights or obligations under this Agreement (in whole or in part), including the leased hardware itself, without ProPoint's prior written consent. Any attempted assignment, transfer or delegation in violation of the foregoing shall be null and void.

15.5 Waivers. All modifications to or waivers of any terms of this Agreement must be in a writing that is signed by the parties hereto and expressly references this Agreement

15.6 Governing Law. In case of any dispute, this Agreement will be governed by the law of the State of Delaware. All parties expressly waive all other jurisdictions.

15.7 Survival. If any part, term or provision of this Agreement shall be invalid or unenforceable, the validity or enforceability of the remaining parts, terms and provisions shall not be affected thereby, and the rights and obligations of the parties shall be construed as if the Agreement did not contain the invalid or unenforceable part, term or provision. This Agreement, together with the AGREEMENT, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements or communications, including, without limitation, any quotations or proposals submitted by ProPoint.

EXHIBIT K-1

15.8 Notices. All notices, consents and approvals under this Agreement must be delivered in writing by courier, by facsimile, or by certified or registered mail, (postage prepaid and return receipt requested) to the other party at its main corporate headquarters and sent to the attention of such party's Chief Executive Officer.

The parties have caused this Agreement to be executed by their respective authorized representatives.

	ProPoint Solutions, LLC
_____	_____
Signature	Signature
_____	_____
By: Name	By: Name
_____	_____
Its: Title	Its: Title
_____	_____
Date	Date

EXHIBIT K-1

APPENDIX A: IMPLEMENTATION SERVICES

Definition of Service Offerings

All implementation service offerings include the following deliverables:

Installation
Installing and configuring hardware is a complicated process involving a lot of moving parts and systems. Our team of professional installers will give you peace of mind knowing that your hardware will be connected, configured and operational in the shortest amount of time possible. Installation includes:

- Installation and connection of POS hardware
- Configuration and verification of communication between hardware elements as well as successful connection to ProPoint servers
- Connection of other hardware elements, including check in kiosk, video menu board and credit card terminal
- Update SuperSalon software settings based on hardware configuration
- Download, install and configure software database
- Download install and configure remote deployment software
- Register and activate SuperSalon software
- Install recommended touchscreen drivers; remove and replace existing as necessary
- Calibrate touchscreen operation

Site-Specific Training
SuperSalon is designed to be intuitive and easy to learn, but even the simplest systems require training to ensure a successful start. ProPoint Solutions provides site specific training for salon staff which is built around the most common and essential functions of SuperSalon. The goal of site-specific training is to ensure you and your staff can perform all basic functions necessary to operate the salon from the moment the salon opens, and avoid time consuming and costly errors. To accommodate the different uses of the software, we provide three one-hour live training sessions via web conference:

- Operators (2)
  Operators, including salon owners and managers, will receive training necessary to perform essential managerial functions, including:
  - Search Sales
  - Paid ins and outs
  - Closing out for the day
  - Voiding tickets
  - Entering and editing employees
  - Entering discounts
  - Managing inventory
  - Employee scheduling
  - Editing pay plans
  - Tip reporting
  - Time card editing

- Stylists
  Stylists will be trained on how to use the POS to perform all functions they can expect to encounter during any given work day, including:
  - Clocking in and out
  - Opening the till for the day
  - Understanding Wait/Serve screens
  - Adding new guests
  - Editing existing guests
  - Checking guests in and out
  - Using discounts

- Processing a Quick Sale
- Giving refunds

Continuous Learning
Understanding the basics of SuperSalon is critical from the moment you start using the software, but continuing education is necessary for long-term success with the product. SuperSalon is a rich suite of systems that affect nearly every part of your business. Our Knowledge Base is unique in the industry, and includes responsive and interactive content accessible from any internet connected device:

- Role-specific curriculums for rapid onboarding of new employees
- 80+ unique topics that cover SuperSalon basics and advanced tasks
- Full suite of video and interactive content to provide hands-on experience without risk
- A 150 entry glossary of terms that cover everything from report terminology to commission templates
- Modular design for quick and easy access to point-in-time information needs

Ongoing Professional Training
ProPoint complements our Continuous Learning offering with bi-weekly access to SuperSalon professional trainers on a bi-weekly basis during regular role-specific trainings delivered via web conference for Operators and Stylists. Whether onboarding a new employee, refreshing your knowledge of the software, or learning about new capabilities and features, regular access to our subject matter experts will ensure you receive optimal value from the product.

Options & Pricing:

_____ Turn-key Implementation Service Price Per Location: $899.00

This offering includes all of the above services, as well as performance of the Installation Services by professional installer onsite at the salon location.

_____ Guided Implementation Service Price Per Location: $399.00 - $899.00*

This offering is for skilled operators with experience installing Point of Sale equipment and SuperSalon software that purchase their Point of Sale equipment from SuperSalon. The offering includes all of the above services and up to one hour of live virtual guidance from a ProPoint Support Technician to complete the Installation Services. If the live virtual guidance required by ProPoint doesn't exceed 60-minutes, a $500 credit will be applied to our standard implementation fee of $899.

EXHIBIT K-1

PRICING PLANS

Start package	Start package	Start package
$125/month $1,375 annual ($125 savings)	$165/month $1,815 annual ($165 savings)	$185/month $2,035 annual ($185 savings)
• Integrated point of sale • iOffice back office management • Cloud-based data backup and recovery • SMS messaging • RateMyVisit customer feedback • 24/7 support	• Integrated point of sale • iOffice back office management • Cloud -based data backup and recovery • SMS messaging • RateMyVisit customer feedback • 24/7 support • Online booking and check in • Customer check in kiosk • Video menu board	• Integrated point of sale • iOffice back office management • Cloud -based data backup and recovery • SMS messaging • RateMyVisit customer feedback • 24/7 support • Online booking and check in • Mobile app • Customer check in kiosk • Video menu board • Centralized customer database • Multi-store loyalty

EXHIBIT K-1

APPENDIX B: ADD-ON FEATURE OFFERINGS

Definitions of Features:

_____Customer Self Check-in Kiosk Price Per Month $ _10.00__
The Customer Self Check-In Kiosk is an add-on that extends the capabilities of SuperSalon POS check in and customer entry functions to one or multiple customer facing PC's. This tool is applicable for walk-in salons that rely on unscheduled visits or may not have a receptionist.

_____Video Menu Board Price Per Month $ _10.00__
The Video Menu Board add-on improves the customer experience by providing entertainment with an attractive presentation with your specific messaging. The direct feed into the SuperSalon POS streams the current waiting list with the services menu alongside other content.

_____Mobile Apps Price Per Month $ _10.00__
Mobile Apps is an appointment setting and check-in app for smartphones. Works in tandem with the SalonCheckin feature to allow clients to book appointments and check in for service via an iPhone or Android device.

_____Rate My Visit Price Per Month $ _10.00__
Rate My Visit is a fully integrated customer feedback and ranking system for all salon locations, designed to increase repeat visits and customer loyalty by understanding the customer experience.

_____Salon Checkin Price Per Month $ _20.00_
The Salon Checkin add-on allows customers to set appointments and check-in online through a customizable webpage. Includes the ability to search for locations nearest to the customer via GPS capability.

_____Multi-Store Loyalty Programs Price Per Month $_10.00__
The Multi-Store Loyalty Program add-on allows salons with multiple locations to track customer profiles and points associated with loyalty programs across several locations.

_____Centralized Customer Database Price Per Month $ _10.00__
The Centralized Customer Database allows salons with multiple locations or franchisees to create and share a unified customer list.

_____Global Gift Certificates Price Per Month $ _10.00__
The Global Gift Certificate add-on allows salons to implement a unified system of gift certificates across all salon locations, making marketing or promotional campaigns more effective. This add-on uses the Centralized Customer Database as back-end support.

_____SMS Reminders Price Per Month $ _Per Unit__
The SMS Reminders add-on allows salons to send automatic SMS notifications to send alerts, greetings, confirm appointments and remind customers of upcoming appointments.

_____Tablet Power Tool Price Per Month $ _10.00__
The Tablet Power Tool allows salons to extend most SuperSalon POS system capabilities to an iOS or Android tablet, allowing customer check-in and point of service on a tablet configuration.

EXHIBIT K-1

_____Membership System Price Per Month $ _10.00__
The Membership System add-on supports provides integrated support for membership programs within the SuperSalon POS system.

_____Hot Swap Program Price Per Month $ __Varies__
Hot Swap Program provides customers with replacement of defective hardware used to operate and run SuperSalon, any add-on features and related services via overnight shipping, all shipping costs paid by ProPoint. Further detail provided in Appendix C.

EXHIBIT K-1

APPENDIX C: LEASED HARDWARE

Quantity	Item

For customers who elect to participate in the Hot Swap Program, the following terms apply. The Hot Swap Program provides customers with replacement of defective hardware used to operate and run the Licensed Software, any add-on features and related services via overnight shipping, all shipping costs paid by ProPoint. The Hot Swap Program is only available for hardware that has been owned and used by the Customer for less than five (5) years, and election of participation in the Hot Swap Program must be made at the time of original purchase. Hardware that is defective upon receipt must be returned within thirty (30) days to avoid charges for said hardware. The Hot Swap Program only covers manufacturing defects, and not loss or malfunction due to any other reason.

EXHIBIT K-1

APPENDIX D: AUTOMATIC PAYMENT INFORMATION

Option one (auto payment via credit or debit card) please fill in information below.

Card Type Visa/Mc/Amex: _____

Name on Card: _____

Card Number: _____

Expiration Date: _____

Security Code (CVV): _____

Signature: _____

Option two (automatic payment via checking account) please follow directions below
1. Please attach a voided blank check to this form (must have check for this option)
2. Please provide the following information:

Bank Name: _____

Bank Address: _____

City: _____ State: _____ Zip: _____

Bank Phone Number: _____

Signature authorizing auto draft: _____

Print Name: _____

Bank Routing Number: _____

Bank Account Number: _____

Indicate payment option and fill in requested information above:

[ ] Automatic Payment via Credit or Debit Card
[ ] Automatic Payment via Checking Account

EXHIBIT K-2

OPENSALON PRO SAAS AND HARDWARE AGREEMENT

THIS OPENSALON PRO SAAS AND HARDWARE AGREEMENT (the "**Agreement**") is made and entered into by and between Client and Fremont Software, LLC, a Delaware limited liability company ("Fremont"), and is effective as of the date of Client's signature ("Effective Date"). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Certain Definitions

1.1. **"Affiliate"** means any entity that directly or indirectly, Controls, is Controlled by, or is under common Control with the subject entity.

1.2. **"Control"** or **"Controlled"**, for purposes of this definition, means direct or indirect ownership or control of more than 50% of the voting interest in the applicable entity.

1.3. **"Client"** means the entity named as the Client on the signature page to this Agreement.

1.4. **"Client Data"** means all electronic information, including customer personal information, collected under this Agreement.

1.5. **"Documentation"** means Fremont's standard read-me and online help materials, user documentation and training materials normally made available by Fremont in connection with a specific Product.

1.6. **"Hardware"** is defined in Addendum C.

1.7. **"Modification"** means change, alteration, addition, derivative work, derivation, enhancement and/or improvement of any kind to or of or from or based on or related to a Product, and/or any part thereof, in any form or format. For the avoidance of doubt, configuration of the base Software is not a Modification.

1.8. **"Order Summary"** a summary of Client's order from Fremont as set forth on Addendum D attached hereto and made a part hereof.

1.9. **"Product(s)"** means, collectively, Software, Software Support, Services, Subscription Services.

1.10. **"Services"** means the professional services that may be furnished by Fremont to Client as specified in an Addendum, but excludes Subscription Services.

1.11. **"Software"** means the specific application software products or modules furnished by Fremont to Client as part of Subscription Services, as set forth in the Subscription and Software Pricing Schedule attached as Addendum A.

1.12. **"Software Update"** means a patch, workaround, improvement, correction, Modification or derivative to the Software that is made generally available by Fremont as part of a Support subscription or Subscription Services.

1.13. **"Software Support"** means the support services Fremont provides for Client related to the Software furnished as part of the Subscription Services and as further described in the Software Support Addendum attached as Addendum B.

1.14. **"Subscription Services"** means software delivered on a software as a service (SaaS) basis and application management or similar services performed on subscription basis as set forth in Addendum A.

1.15. **"Territory"** means the salon location at Client's address listed on the signature page to this Agreement, which may be in the United States or Canada.

1.16. **"Third Party Software"** means Software that is licensed by Client directly from a third-party vendor under a separate end user license agreement and/or maintenance and support agreements (as may be denoted in Addendum A), even if Fremont arranges for the license of such third-party software to Client and invoices Client for such Third-Party Software.

1.17. **"Third Party Services"** means services provided by a third-party, which may be under a separate agreement with Client, and which may be denoted in Addendum A. The relationship for the provision of Third-Party Services is between the third-party vendor and Client, even if Fremont arranges for the provision of the Third-Party Services to Client and invoices Client for such Third- Party Services.

2. Subscription Services.

2.1. **Grant.** Subject to the terms and conditions herein and any limitations set forth in Addendum A, Fremont grants Client a personal, non-transferable, non-perpetual, terminable and non-exclusive right to access and use the Subscription Services and the applicable Documentation throughout the Territory.

2.2. **Third-Party Software and Third-Party Services.** Client, at its own cost, may be required to license Third Party Software and make use of Third-Party Services to make use of the Subscription Services under this Agreement.

2.3. **Fees.** Fees for the Subscription Services are listed in Addendum A.

2.4. **Internal Use.** The rights granted in Section 2.1 are granted solely to Client to use at the point of sale with consumers. Client shall not: (a) make the Subscription Services available to anyone other than its authorized users, or (b) sell, resell, rent or lease the Subscription Services. Client shall use all reasonable efforts to prevent unauthorized access to or use of the Subscription Services, and shall notify Fremont promptly of any such unauthorized access or use.

2.5. **Exclusions.** Fremont exercises no control over, and accepts no responsibility for, the content of the information passing through the Internet. Client assumes responsibility for its use of the Subscription Services and the Internet. Fremont is not responsible for the content of any data transferred either to or from Client or stored by Client or via the Subscription Services by Fremont.

2.6. **Subscription Services Warranties.**

2.6.1. Fremont warrants that during the Term, the Subscription Services will substantially conform to the Documentation under normal use.

2.6.2. Fremont's entire liability for the breach of any warranty made in Section 2.6.1 is to use commercially reasonable efforts to resolve any error in the Subscription Services in a timely manner; provided, however, that Fremont is not responsible to correct, cure or otherwise remedy any error in the Subscription Services resulting from: (a) an alteration, Modification, addition, adjustment or repair to the Subscription Services that is not performed by Fremont or its Affiliates, or (b) misuse, damage or unlicensed use of the Subscription Services by Client or a third-party.

2.7. **Hardware.** Hardware recommended by Fremont is described in Addendum C along with pricing and other terms specific to the purchase, installation and use of the Hardware.

3. **Software Support.** Fremont's delivery of Software Support services is subject to the additional terms, conditions and fees contained in the Software Support Addendum attached as Addendum B.

4. Payments

4.1. **Pricing; Payment Terms.** Except as may otherwise be agreed to by the parties, all payments shall be paid monthly, and payment shall be remitted via ACH or via any other payment method that Fremont may permit.

4.2. **Taxes.** All prices are exclusive of all applicable country, provincial, state and local sales, use, value added, excise, privilege, franchise and similar taxes (**"Taxes"**). Client shall be responsible for all Taxes however designated or levied, against the sale, licensing, delivery, or use of the Products (other than Taxes based upon Fremont's net income).

5. Confidentiality

5.1. **Confidential Information.** As used herein, **"Confidential Information"** means all non-public business related information disclosed by a party (**"Disclosing Party"**) to the other party (**"Receiving Party"**) in connection with this Agreement. Confidential Information includes, without limitation, the Software and Documentation, copies or abstracts made thereof as well as any modules, samples, prototypes or parts thereto, details of the employees of the parties or their respective Affiliates, and Client Data. Confidential Information does not include any information that: (i) is already known to the Receiving Party or received by the Receiving Party from a third party, free of any obligation to keep it confidential; (ii) becomes publicly known through no wrongful act of the Receiving Party; (iii) is independently developed by the Receiving Party without the use of the Disclosing Party's Confidential Information; or (iv) is approved for release by written authorization of the Disclosing Party.

5.2. **Confidentiality.** The Receiving Party shall not disclose or use any Confidential Information of the Disclosing Party for any purpose outside the scope of this Agreement without the Disclosing Party's prior written permission; provided, however, that Fremont may use the Client Data in any manner during the term of this Agreement and after termination hereof.

5.3. **Protection.** The Receiving Party shall keep confidential all Confidential Information disclosed to it by the Disclosing Party, and shall protect the confidentiality thereof in the same manner as it protects the confidentiality of its own, similar information, using at least reasonable care in doing so.

5.4. **Compelled Disclosure.** If the Receiving Party is compelled by law to disclose Confidential Information of the Disclosing Party, it shall provide the Disclosing Party with prior notice of such compelled disclosure (to the extent legally permitted) and reasonable assistance, at Disclosing Party's cost, if the Disclosing Party wishes to contest the disclosure. Any such disclosure will be to the minimum extent legally required.

5.5. **Return.** Receiving Party will return all originals, copies and summaries of the Confidential Information upon termination or expiration of this Agreement or upon Disclosing Party's request, or in the alternative, destroy the same and certify in writing to Disclosing Party that all such Confidential Information has been destroyed. Notwithstanding the foregoing, the Receiving Party may retain electronic copies of the Confidential Information solely for its archival records (including backup systems) that it keeps in the ordinary course of its business to the extent not readily accessible, provided that the Receiving Party may not be entitled to retain Client Data if a consumer has exercised certain rights under relevant law.

5.6. **Duration.** The obligations with respect to Confidential Information will continue until such time it ceases to be considered confidential under Section 5.1.

5.7. **Marketing.** Notwithstanding anything to the contrary in this Section 5 or any other provision of this Agreement, Fremont may include Client's name and logo in Fremont's published client list.

6. Proprietary Rights; Client Data; Usage Restrictions

6.1. **Ownership.** Fremont retains sole and exclusive ownership in and to the Software and Documentation (except for the Third-Party Software and related documentation) developed, created or furnished by Fremont hereunder and will own all intellectual property rights, title and interest in any ideas, concepts, know how, trade secrets, documentation or techniques that may be developed by Fremont under this Agreement. All rights not expressly granted in this Agreement are reserved by Fremont and its Affiliates.

6.2. **Trademark and Copyright Notices.** Client shall not remove, alter or destroy any proprietary, trademark or copyright notices placed upon or contained within any Documentation. Client does not and shall not acquire any rights of any kind

in or to any trademark, trade name, logo or product designation under which the Software was or is marketed and may not make any use of the same for any purposes.

6.3. **Client Data.** Client is and shall be: (i) responsible for its users' compliance with this Agreement, and (ii) solely responsible for the accuracy, quality, integrity and legality of the Client Data and of the means by which Client acquires the Client Data.

6.4. **Usage Restrictions.** Client shall use the Software only in accordance with the Documentation and applicable laws and government regulations, and shall not use the Software or Documentation for any purpose that may: (a) menace or harass any person or cause damage or injury to any person or property, (b) involve the publication of any material that is false, defamatory, harassing or obscene, (c) violate privacy rights or promote bigotry, racism, hatred or harm, (d) constitute unsolicited bulk e-mail, "junk mail", "spam" or chain letters, (e) constitute an infringement of intellectual property or other proprietary rights, or (f) otherwise violate applicable laws, ordinances or regulations. In addition to any other rights afforded to Fremont under this Agreement, Fremont reserves the right to remove or disable access to any material that violates the foregoing restrictions. Fremont shall have no liability to Client in the event that Fremont takes such action.

6.5. **Prohibited Actions.** Except to the extent permitted by law without the possibility of contractual waiver, Client may not reverse engineer, decrypt, extract, disassemble, or decompile any Software, or permit anyone else to do so (a **"Prohibited Action"**). Before Client exercises any legal right to conduct a Prohibited Action it must provide Fremont with reasonable prior written notice and will not unreasonably refuse to accept any alternative course of action that Fremont proposes to satisfy Client's legal rights in lieu of conducting a Prohibited Action.

7. **Data Privacy and Cybersecurity**

7.1. Client shall comply with all applicable laws, rules, regulations and industry standards related to privacy, cybersecurity, and data protection, including, but not limited to, laws, rules and regulations regarding the collection, data subject notice requirements, protection, processing, use, transfer, sharing, and disclosure of personal information, as well as requirements to notify consumers of the same.

7.2. Client represents and warrants that it is PCI compliant.

7.3. Client's use of the Software and Subscription Services under this Agreement may involve collecting, generating, processing, storing, transferring, or accessing the Client Data, which may include, without limitation, third-party data, data uploaded through a third-party services or other online service, any of which may include non-public, individually identifiable information created or received from a customer, or received by Client from Fremont related to any individual, including without limitation, contact information, Social Security number, credit card, debit card, or other financial account number with or without any required security code, access code, or password, and credit information.

7.4. Client Data will reside in the Software once entered based on the SaaS offering. On written request, Client will provide Fremont with the Client Data and with a summary of any the Client Data, along with an electronic copies of the same.

7.5. Client may use, store, share, and disclose Client Data only: (i) as reasonably required in performance of its obligations under this Agreement; (ii) to comply with documented reasonable instructions provided by Fremont; and (iii) as required by law. Client may not use, store, share, and disclose anonymized, de-identified, or aggregate data derived from the Client Data for any purpose without Fremont's prior written consent.

7.6. Client represents and warrants:

7.6.1. The Client Data will be maintained, provided, processed, shared, and stored without any virus, Trojan horse, worm, backdoor, disabling feature (including any ability to disable remotely), time bomb or other limiting or malicious code, programs, data or materials which improperly interferes with the operation, use or security of the Client Data or any other programs, equipment, data or materials.

7.6.2. Client will comply with all laws and all rules, regulations, standards, codes, principles, guidelines, policies, industry standards, and terms applicable to the use of Client Data or collection of Client Data by Client, and Client shall be bound to any terms as required by third parties having rights in the Client Data.

7.6.3. Client shall maintain commercially reasonable administrative, physical, and technical safeguards designed to protect the security, confidentiality and integrity of all Client Data, which shall be at least as stringent as the safeguards implemented by Client for its own confidential information, but in no circumstances less than reasonable care. Client represents and warrants that such safeguards comply with current industry standards and all applicable federal, state, and local laws and regulations concerning the protection of electronic data, including Client Data.

7.6.4. Client shall immediately report to Fremont any Security Incident discovered by Client, regardless of whether the Security Incident results from the actions of Client or its agents or subcontractors. For purposes of this Agreement, "Security Incident" means the unauthorized access to, or use, disclosure, acquisition, modification or destruction of Client Data or interference with system operations in an information system containing unsecured Client Data, which interference materially compromises the confidentiality, integrity or availability of Client Data.

7.6.5. Mitigation of Security Incidents. Client shall take, at its own expense, measures reasonably necessary to mitigate any harmful effect of a Security Incident. Client shall cooperate, at its own expense, with Fremont in its investigation of any Security Incident. In the event of a Security Incident resulting from Client's acts or omissions, or the acts or omissions of its agents or subcontractors, Client will promptly reimburse Fremont for all costs reasonably incurred by Fremont in connection with any Security Incident, including, but not limited to, costs related to Fremont's provision of notice of security breach and to any services offered in a security breach notification to affected individuals. Client acknowledges that Fremont shall determine in its sole discretion: (i) whether Fremont will provide notice to

individuals with respect to any Security Incident; (ii) the content of any such notice(s); (iii) the timing for, and method of, delivery of any such notice(s); (iv) the products or services, if any, to be offered to affected individuals; and (v) whether and when to notify any government agency.

7.6.6. Client shall obtain written assurances that any agent or subcontractor to whom Client discloses Client Data will comply with the data security terms of this Agreement. Client shall be responsible for any breach of the data security provisions of this Agreement by its agents and subcontractors.

7.6.7. Upon Fremont's reasonable request, Client shall, at Fremont's election: (i) provide Fremont with Client's written policies and procedures that relate to the safeguarding of Client Data or any modifications to, or revisions of, such policies or procedures; (ii) make its facilities available to the Fremont's employees, or the employees of a third-party selected by Fremont, to audit the physical, administrative, and/or technical safeguards that Client has implemented for Client Data; or (iii) permit Fremont to monitor Client's IT systems for security.

7.6.8. On Fremont's written request, Client shall securely delete all Client Data from storage media. Measures taken shall at least be commensurate with the standard for "clearing" as specified in the National Institute of Standards and Technology (NIST) Special Publication SP800-88, Rev. 1: Guidelines for Media Sanitization (December 2014), prior to disposal or reuse.

7.7. With respect to Client Data, Client represents and warrants:

7.7.1. The Client Data was obtained in compliance with all applicable laws and relates only to individuals or devices located in the United States and any applicable, individual state's applicable Laws. Client has provided proper notice and secured all necessary rights and permissions and a lawful basis to disclose and use (and for Client to disclose and use) such Client Data in connection with this Agreement, and use of the Client Data as provided in this Agreement will not violate any applicable laws.

7.7.2. The Client Data does not include data relating to any individuals who have opted out of having their data disclosed and/or used for targeted advertising. Client will honor all opt-out requests as required by applicable laws, including by blacklisting or removing individuals who opt-out of having their data disclosed and/or used for targeted advertising from any Client Data sets created by Client, and Client promptly will notify Fremont any changes to the Client Data reflecting removal of individuals as necessary.

7.7.3. Where Client uses a third-party identifier (such as a Facebook identifier), Client has obtained the identifier directly from the user in compliance with applicable laws.

7.7.4. Client promptly comply with and will forward any data subject requests to Fremont.

7.8. If Client has any reason to believe it is in violation of this Section 7 of this Agreement or can no longer comply with its obligations herein, it will immediately notify Fremont and assist Fremont with all necessary remediation efforts.

7.9. In addition to any indemnification obligations elsewhere in the Agreement, Client shall indemnify, defend, and hold harmless Fremont and its Affiliates, subsidiaries, successors and assigns (and their officers, directors, employees, sublicensees, and agents) from and against any and all claims, losses, demands, liabilities, damages, settlements, expenses and costs (including attorneys' fees and costs), arising from, in connection with, or based on allegations of, Client's failure to comply with any of its obligations set forth in these data security provisions of this Agreement. This indemnification obligation is not subject to any limitation of liability elsewhere in the Agreement.

8. General Disclaimer. FREMONT DOES NOT WARRANT THAT THE PRODUCTS OR THE HARDWARE WILL MEET CLIENT'S REQUIREMENTS, OR THAT THE OPERATION OF THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR FREE. CLIENT ACKNOWLEDGES THAT FREMONT DOES NOT CONTROL THE TRANSFER OF DATA OVER COMMUNICATIONS FACILITIES, INCLUDING THE INTERNET, THAT PRODUCTS MAY BE SUBJECT TO LIMITATIONS, DELAYS OR OTHER PROBLEMS INHERENT IN THE USE OF COMMUNICATIONS FACILITIES, AND THAT FREMONT IS NOT RESPONSIBLE FOR ANY DELAYS, DELIVERY FAILURES OR OTHER DAMAGE RESULTING FROM SUCH PROBLEMS. EXCEPT AS EXPRESSLY PROVIDED HEREIN, INCLUDING SECTIONS 2.5 AND 8, NEITHER FREMONT, NOR ITS AFFILIATES, SUBCONTRACTORS, OR AGENTS, MAKE ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AND FREMONT AND ITS CLIENTS, SUBCONTRACTORS, AND AGENTS SPECIFICALLY DISCLAIM, WITHOUT LIMITATION, ANY WARRANTIES OF SATISFACTORY QUALITY, REASONABLE SKILL AND CARE, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW. FREMONT SHALL PASS THROUGH STANDARD MANUFACTURER'S WARRANTIES PROVIDED BY THE HARDWARE MANUFACTURER AS NOTED IN SCHEDULE 1 TO ADDENDUM C (HARDWARE); NO HARDWARE WARRANTIES ARE PROVIDED DIRECTLY BY FREMONT.

9. Indemnity By Client. Client will, at its own expense, defend Fremont and its Affiliates, and their directors, officers and employees (each, an **"Fremont Indemnified Party"**) against any claim, demand, suit, proceeding or action (each, a **"Claim"**), and shall indemnify the Fremont Indemnified Parties against any damages and costs (including but not limited to reasonable attorney fees and costs) finally awarded against them or amounts agreed to in a monetary settlement arising out of or in connection with such Claim to the extent the Claim is made or brought by or on behalf of a third-party in connection with: (i) Client-supplied intellectual property, (ii) Client Data, (iii) Client's breach of Sections 6 (Proprietary Rights; Client Data; Usage Restrictions), 7 (Data Privacy and Cybersecurity), (iv) a data or data security breach involving Client Data, or (v) any Modification to a Product not made by or at the direction of Fremont.

10. Exclusion and Limitation of Liability

10.1. **Exclusion of Certain Damages.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, FREMONT SHALL NOT BE LIABLE TO CLIENT FOR (i) ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND, OR (ii) DAMAGES FOR LOSS OF USE, LOSS OF BUSINESS, LOSS OF PROFITS OR REVENUE, OR LOSS OF BUSINESS INFORMATION OR OTHER DATA (IN EACH CASE WHETHER DIRECT OR INDIRECT), AND CLAIMS AGAINST A PARTY BY ANY THIRD-PARTY ARISING IN CONNECTION WITH THIS AGREEMENT WHETHER ARISING IN LAW OR IN EQUITY, IN CONTRACT, IN TORT, IN STRICT OR PRODUCT LIABILITY, BREACH OF STATUTORY DUTY, OR IN ANY OTHER FORM OF ACTION, AND WHETHER OR NOT CLIENT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OR WHETHER SUCH EXCLUSION CAUSES ANY REMEDY TO FAIL OF ITS ESSENTIAL PURPOSES.

10.2. **Limitation of Liability.** THE MAXIMUM LIABILITY OF FREMONT TO CLIENT FOR DAMAGES UNDER THIS AGREEMENT WILL BE LIMITED TO DIRECT DAMAGES AND SHALL NOT EXCEED THE SUM OF THE FEES PAID BY CLIENT TO FREMONT DURING THE IMMEDIATELY PRECEDING 12-MONTH PERIOD FOR THE AFFECTED PRODUCT(S) GIVING RISE TO THE APPLICABLE CAUSE(S) OF ACTION. NOTWITHSTANDING THE FOREGOING, FREMONT'S TOTAL LIABILITY TO CLIENT FOR DAMAGES RELATING TO THIRD PARTY SOFTWARE WILL NOT EXCEED THE LICENSE FEES, AS THE CASE MAY BE, PAID BY CLIENT TO FREMONT THEREFORE DURING THE IMMEDIATELY PRECEDING 12-MONTH PERIOD.

10.3. **Reliance.** Fremont and Client have not relied upon and will have no remedy arising from any statement, representation, warranty or understanding (whether negligently or innocently made) of any person (whether party to this Agreement or not) other than as expressly set out in this Agreement.

11. Regulatory Provisions

11.1. **Export.** Export laws and regulations of the United States and any other relevant local export laws and regulations apply to the Software. Such export control laws govern Client's use of the Software (including technical data) provided under this Agreement and Client shall comply with all such export laws and regulations (including "deemed export" and "deemed re-export" regulations). No data, information, software programs and/or materials resulting from any services provided hereunder (or direct product thereof) will be exported, directly or indirectly, in violation of these laws, or will be used for any purpose prohibited by these laws and regulations including, without limitation, nuclear, chemical, or biological weapons proliferation, or development of missile technology.

12. **Audit.** On Fremont's written request, no more frequently than annually, Client shall provide Fremont with a signed written certification: (i) verifying that the Software has been used in complete compliance with the terms of this Agreement, including any user limitations, and (ii) listing the locations at which the Software is being used. Client shall grant Fremont reasonable access to all relevant locations and provide reasonable co-operation, upon prior notice during normal business hours, to allow Fremont to audit Software usage, and confirm the information provided by Client in its signed written certification.

13. Term; Termination

13.1. The Term of this Agreement is three (3) years from the Effective Date (**"Initial Subscription Services Term"),** and shall automatically renew thereafter for additional 1-year periods (each a **"Subscription Services Renewal Term"**) unless Client notifies Fremont of its desire to terminate at least one hundred twenty (120) days prior to the expiration of the then expiring Initial Subscription Services Term or Subscription Services Renewal Term, as the case may be. For avoidance of doubt, termination shall be effective at the end of the Initial Subscription Services Terms or the then current Subscription Services Renewal Term, as applicable.

13.2. Fremont reserves the right to increase the recurring Subscription Services fees and incremental pricing rates annually after the first year of the Initial Subscription Services Term. There also may be increases for Subscription Services based on the inclusion of stand-alone Third-Party Software and Third-Party Services.

13.3. Fremont reserves the right to suspend Client's access to and/or use of the Subscription Services upon Client's failure to pay amounts when due, after 10 days' written notice thereof and failure to cure. Fremont shall not be liable to Client or any third-party for any suspension of the Subscription Services pursuant to this Section.

13.4. Fremont has no obligation to maintain Client Data, and will have no liability to Client in respect of the same.

13.5. Fremont may terminate this Agreement for any reason or no reason upon notice to Client.

13.6. **Effects of Termination.** Upon termination of this Agreement, as the case may be, for any reason: (i) all rights and obligations of the parties under this Agreement will automatically terminate except for rights of action accruing prior to termination, (ii) all amounts due thereunder shall be due within 30 days after the date of termination, and (iii) any data (including Client Data) held by Client shall be promptly delivered to Fremont.

13.7. **Surviving Provisions.** Those provisions that by their nature should survive termination of this Agreement, as the case may be, will survive termination.

14. Choice of Law and Jurisdiction

14.1. The laws of the state of Minnesota shall govern this Agreement, without regards to its rules on the conflicts of laws.

14.2. The parties consent to the jurisdiction of the state and federal courts having subject matter jurisdiction located in Hennepin county, Minnesota, and consent to and will not challenge venue or personal jurisdiction in or by such courts.

14.3. This Agreement is not to be governed by the United Nations Convention on Contracts for the International Sales of Goods.

15. **Assignment.** Client may not assign, license, sublicense or otherwise transfer this Agreement or any rights under this Agreement, whether voluntarily or by operation of law, without Fremont's prior written consent. Without limiting the scope of the previous sentence, any sale or transfer of assets, stock or any interest in Client, or any merger, consolidation restructuring, or other business reorganization, which, by operation of law, transfers this Agreement and such rights, is to be considered a transfer covered by the previous sentence and prohibited hereby. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Fremont may assign and/or delegate this Agreement and/or its rights and duties in and under the same, in whole or in part, to any Fremont Affiliate or third party, in its sole discretion.

16. **General**

16.1. **Headings.** Headings contained in this Agreement are for convenience only and are not part of this Agreement and do not in any way interpret, limit or amplify the scope, extent or intent of this Agreement or any of the provisions hereof.

16.2. **Complete Agreement.** This Agreement, including any Addendum or a supplement or an amendment hereto, constitutes the entire Agreement between the parties on the subject hereof and supersedes all other prior or contemporaneous agreements, negotiations, representations and proposals, written or oral. Each party acknowledges that in entering into this Agreement, it has not relied on, and shall have no right or remedy in respect of, any statement, representation, assurance or warranty other than as expressly set out in this Agreement. This Agreement does not operate as an acceptance of any conflicting terms and conditions and shall prevail over any conflicting provision of any purchase order or any other instrument of Client, it being understood that any purchase order issued by Client shall be for Client's convenience only and any terms and conditions therein are of no force or effect hereunder.

16.3. **Severability.** If any provision of the Agreement is deemed to be illegal, invalid or unenforceable, the remaining provisions will remain in full force and effect and the parties will promptly amend the Agreement or the Agreement will be deemed to be amended to give effect to the stricken provision to the maximum extent possible.

16.4. **Modifications and Waiver.** No modification of, or amendment or addition to this Agreement is valid or binding unless set forth in writing signed by a representative of each party. The waiver or failure of either party to exercise in any respect any right or remedy provided herein shall not be deemed a waiver of any future right or remedy hereunder.

16.5. **Electronic Signatures.** The parties consent to scanned, imaged, and electronic signatures for the purpose of executing this Agreement by e-mail or other electronic means, subject to compliance with any applicable laws, rules or regulations. In no event shall the electronic execution expand such assent to include any terms other than those explicitly set forth in this Agreement.

16.6. **Force Majeure.** Neither party will be responsible or liable for its failure to timely perform under this Agreement when its failure results from any cause beyond its reasonable control.

16.7. **Relationship.** The parties are independent contractors. This Agreement does not create a joint venture or partnership between the parties; and no party is by virtue of this Agreement authorized as an agent, employee or representative of the other party. No employee of Client will be deemed to be an employee of Fremont for any purpose whatsoever, and nothing in any aspect of Client's use of the Software and Subscription Services in any way shifts any employee or employment related responsibility from Client to Fremont or its Affiliates. Client alone is responsible for hiring, firing, training, setting hours for and supervising all employees.

16.8. **Compliance with Laws.** It is Client's responsibility to make sure that Client is in full compliance with all laws, rules, regulations and industry standards, including, but not limited to, employment-related laws and laws applicable to the Software and Subscription Services used in the operation of Client's business, including all data protection and security laws as well as PCI compliance.

16.9. **Business Contact Information.** Client is authorized to and hereby does allow Fremont and its Affiliates and service providers to store and use Client's business contact information, including names, business phone numbers, and business e-mail addresses of Client employees and contractors, anywhere they do business. Such information will be processed and used solely in connection with the parties' business relationship.

16.10. **Notice.** Notices hereunder shall be sent to the addresses in the signature block of this Agreement, or to such other address(es) as specified by a notice complying herewith, and shall be deemed delivered (i) on the date shown on the postal return receipt or on the courier or facsimile with confirmation of delivery, or (ii) within 5 days after deposit in first class mail or metered post.

16.11. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and taken together will constitute a single instrument.

16.12. **Third-Party Beneficiaries.** Client acknowledges that Fremont Software's Affiliates are third-party beneficiaries under this Agreement, and may enforce all terms and conditions of this Agreement

The parties have executed this Agreement by their authorized representatives:

Fremont Software, LLC	**Client:** _____
By: _____	By: _____
Title:	Title:
Date:	Date:

EXHIBIT K-2

Address:

Salon #:

Salon Address:

EXHIBIT K-2

SUBSCRIPTION AND SOFTWARE PRICING SCHEDULE (ADDENDUM A[1])

Product/Service	Fee
SaaS Subscription Services	$145/month
Optional add ons	TBD
Third-Party Software	TBD
Third-Party Services	TBD
Software Updates	Included in monthly subscription fee
Software Support	Included in monthly subscription fee
Optional Export Feature	$25/month
Mobile Analytics App	$25/month

[1] Fees are for U.S. only, and do not include U.S. territories such as Puerto Rico.

EXHIBIT K-2

SOFTWARE SUPPORT (ADDENDUM B)

1. Software Support Services.

A. Hours of Service Availability. Payment of the Annual Fee entitles Client to Support Services from Monday – Saturday, 7:00 am – 11:30 p.m., and Sunday, 9:00 am – 10:30 p.m., all times central daylight time. Hours of Service Availability may be adjusted for holiday hours, including, but not necessarily limited to, Thanksgiving Day (as recognized in the U.S.), Christmas Day, and Easter Sunday. Hours of Service Availability may change for any reason or no reason in Fremont's sole discretion.

B. Scope of Support Services. Support Services are governed by the policies and procedures of Fremont Corporation and its Affiliates. Support Services consist of: (1) email and telephone support to help resolve material failures of the Software to conform to the applicable Documentation ("Errors"); (2) commercially reasonable efforts to report and test fixes to Errors in Software that affect the efficiency or use of the Software as described in the Documentation; *provided that* software program fixes will be provided for the current release only; and (3) delivery of all software revisions provided by Third-Parties that Fremont deems necessary with respect to the Software. Fremont will use its reasonable efforts to render Support Services within a reasonable time.

2. Releases. "Major Release" means a release of the Software that includes major feature enhancements; these releases may be identified by full integer changes in the numbering, such as from "1.0" to "2.0." "Minor Release" means a release of the Software that is not a Major Release, normally consisting of relatively minor enhancements or corrections to known Errors; these releases are identified by a change in the decimal numbering of a release, such as "1.11" to "1.12." "Release" means either a Major Release or a Minor Release. During the current term and subject to the payment of the applicable Annual Fees, Fremont shall deliver Releases of the Software to Client without further charge. Support Services do not include installation or implementation of any Releases or separate software modules or products. Fremont shall support only the then-current release and one prior (i.e., 1.12 and 1.11).

3. Response Levels. Fremont shall use commercially reasonable efforts to respond to Errors in accordance with the priority codes set forth below, which depict the priority level to be assigned by Fremont to each Error phoned in by Client.

"A Priority"	An Error renders the Software inoperable. Resources are assigned within four hours after notice received during hours of availability. Fremont will work on the issue without significant delay or interruption to correct the Error or implement a suitable workaround until the priority level has been reduced.
"B Priority"	An Error which seriously impairs system operations, but does not render it inoperable. Resources are assigned within eight hours after notice received during hours of availability. Fremont will work on the issue without significant delay or interruption during hours of availability to correct the issue or implement a suitable workaround until the priority level has been reduced.
"C Priority"	Minor Errors in the Software, which Fremont does not plan to address in a future Upgrade, with a goal to be generally resolved within a commercially reasonable period of time.
"D Priority"	Minor problems which Fremont plans, or will plan to incorporate into a future Upgrade, to be resolved in connection with the general commercial availability of such future Upgrade.

4. Support Services Limitations. Support Services are contingent upon the proper use of the Software in accordance with the Documentation and do not include any of the following, in the sole discretion or determination of Fremont: (1) service on Software installed in unsafe or hazardous

environments; (2) service required by accident, neglect, alterations, improper use, or misuse of the Software, or as necessitated by service or modifications attempted by non-Fremont personnel; (3) service to a release other than the current or the next current major release of the Software; (4) efforts to restore the Software Release and/or data beyond the most recent back-up; (5) service due to problems that are not directly caused by, or the direct result of the Software, including: (x) third-party software, (y) user error, and/or (z) third-party plug-ins; (6) service due to failure of hardware or failure of Client's operating system; (7) service due to problems attributable to third party hardware, software, equipment or data, including Client's failure to make reasonable timely upgrades to its operating environment; (8) claimed Errors that are not reproducible; and (9) failure of Client to provide Fremont with remote access to Customer's environment.

5. Client's Responsibilities.

A. Designation of Authorized Client Administrators. Client shall designate an agreed upon number of concurrently active individuals in the location(s) to be agreed upon as "Client Authorized Administrators". Client Authorized Administrators are the only Client personnel authorized to contact Fremont support personnel.

B. Client Assistance. Client shall provide reasonable assistance to Fremont in the performance of Support Services, including without limitation, providing Fremont with copies of all data and other files reasonably required to verify, reproduce, diagnose and resolve reported Errors. Client is responsible for: (a) maintenance and installation of any common carrier equipment or communication services related to or used by the Software and not furnished by Fremont, including without limitation, the necessary modem and remote access software reasonably specified by Fremont for the purposes of providing remote access to Fremont, (b) charges incurred for communication from Client's facilities, whether incurred by Client or Fremont's service representatives while performing service on the Software, (c) performing all system software backups and restoration of data, and (d) upgrading Client's operating environment. Client shall notify Fremont of any Error and shall allow Fremont full and free access to the Software for performing Support Services. Client confirms that Fremont shall have all rights and licenses of third parties necessary or appropriate for Fremont to access the hardware and third-party software in the performance of the Support Services. Fremont shall not be responsible for loss of use arising from Client's failure to fulfill its obligations under this section.

EXHIBIT K-2

HARDWARE (ADDENDUM C)

1. ***Fremont Duties***

a. Fremont shall recommend appropriate Hardware for Client to access and use the Software under the SaaS Agreement. Fremont's current recommended Hardware is attached as Schedule 1.

b. If Client wishes to work with a third-party to install and configure the Hardware, Fremont will provide suggested Client with a suggested vendor list. Fremont does not provide installation services. Fremont accepts no responsibility for such vendor or the services that may be provided by the same. Client shall remit payment to Fremont for the installation services and Fremont will, in turn, pay the installation vendor.

c. Fremont shall provide maintenance services through a third-party, which may include Fremont Corporation or its Affiliates. Such maintenance services shall be subject to the fees set forth in Schedule 1.

d. Fremont will provide maintenance services for the Hardware via its Affiliate(s) or a third party at a price to be determined.

2. ***Client Duties***

a. Client shall purchase the Hardware through Fremont's reseller program for use with the SaaS Subscription Service.

b. Client shall remit payment for the Hardware and Fremont's coordination services as set forth in Schedule 1.

c. Client shall maintain the Hardware using commercial best practices, and shall protect access to the data on the Hardware as follows:

i. Client shall require all computer accounts used to access the Hardware to have strong passwords that individual users are bound to keep confidential. Accounts that have administrative privileges must only be used for system setup and maintenance.

ii. Hardware accessed by users should be configured to "time out" after no more than 20 minutes of inactivity.

iii. Users should lock or log off their computers before leaving them unattended.

iv. Ensure that system and application security updates are applied as soon after being released by the vendor as possible;

v. Ensure that anti-virus software is installed and is actively protecting the Hardware;

vi. Limit the services running on the Hardware to those needed by the user to perform his or her assigned tasks;

vii. Ensure that any system is configured to keep a record of:

a) Who attempted to log into the system (successfully and unsuccessfully) and when;

b) When they logged out;

c) Administrative activity performed, and

d) Attempts (successful or not) to access confidential information.

EXHIBIT K-2

Addendum C, Schedule 1[2]

Hardware Pricing:
The Hardware bundle priced at $1,876 includes the following:

- 15.6" POS Terminal (ELO)
- POS Terminal Stand
- Cash Drawer
- Credit Card Terminal (Clover)

Optional Hardware Pricing

Description	Price (per unit)
Epson Receipt Printer	$ 242.00

Other options may be available upon request.

*Note: The Hardware does not include a scanner and additional cabling, which may need to be purchased separately by the Client to use the Software, and is not sold by Fremont.

Hardware Maintenance Services: may be provided by Fremont or a third-party at Client's cost.

Installation Pricing

Base Charges

Service	Service Description	Price (per store)
United States Deployment*	Project Management and Scheduling, 3-hour on-site technician, Travel	$ 799.00

**Fees quoted are for the United States only, not including territories such as Puerto Rico. Travel pricing can be further refined depending on store locations once store list is provided.*

Additional Fees

Service	Description	Price
On-site Labor	Labor charge for Customer caused delays or troubleshooting over included on-site time	$100 per hour; billed in 15-minute increments
Revisit Fee	Store requires a revisit due to incomplete scope at no fault of Fremont or its Affiliates	$300 per return visit Includes minimum of 2 hours. Time beyond 2 hours paid in 15-minute increments at $75 an hour

[2] Fees are for U.S. only, and do not include U.S. territories such as Puerto Rico.

EXHIBIT K-2

Cancellation Fee – Under 24-hour notice	Store visit is cancelled due to no fault of Fremont or its Affiliates	$ 350 per incident
Cancellation Fee – Less than 1-week	Store visit is cancelled due to no fault of Fremont or its Affiliates	$150 per incident
Cancellation Fee > 1-week	Store visit is cancelled due to no fault of Fremont or its Affiliates	$0

Warranty:

Includes standard manufacturer's warranty for the hardware components as specified. Copies of the manufacturer's warranty will be provided upon request by Client. ***No additional warranty is provided by Fremont.***

POS Terminal & Stand	3 years Manufacturer's warranty
Cash Drawer	1 year Manufacturer's warranty
Credit Card Terminal (Clover) with built-in receipt printer	1 year Manufacturer's warranty
Epson Receipt Printer (Optional)	4 years Manufacturer's warranty

Components covered under manufacturer's warranty, during the warranty coverage period, will be replaced in 10 business days.

Hot Swap Program for POS Terminal

To minimize impact to business due to non-functioning of POS terminal, Fremont provides an optional 'Hot Swap Program' for a point of service terminal, which provides a replacement of the POS terminal within 2 business days. The cost of the Hot Swap Program is $99.99 per year for 3 years and auto renews for subsequent 1-year term(s).

A summary of Client's order from Fremont is in the Order Summary, which is attached to this Agreement as Addendum D and incorporated herein by reference.

EXHIBIT K-2

Addendum D
Order Summary

The following is the Order Summary, which is attached to and made part of the OpenSalon Pro SaaS and Hardware Agreement, and is subject to the terms, covenants and conditions of the Open Salon Pro SaaS and Hardware Agreement. Each salon location will require a separate OpenSalon Pro SaaS and Hardware Agreement to be signed.

Salon ID# _____
Salon Address _____
Shipping Address _____
Arrive by Date _____

Opensalon Pro Software

Select	Package	Description	Monthly Price Per Salon
✔	Basic (required)	This is required: Basic Software Pack	$145/month
	Export Feature (optional)	Data export functionality	$25/month
	Mobile Analytics App (optional)	Enable owners to make effective decisions and improve their salon business using data analytics and visualization.	$25/month

Opensalon Pro Hardware

Select	Package	Description	Price Per Salon
✔	Hardware (required)	Includes: 1. 15.6" POS Terminal (ELO) 2. POS Terminal Stand 3. Cash Drawer 4. Credit Card Terminal (Clover mini)	$1,876
	Hardware Installation Service (optional)	Professional hardware installation, scheduling, and travel. On-site technician for POS setup	$799
	Hot Swap Program (optional)	To minimize impact to business due to a non-functioning POS terminal, this program provides a replacement of the POS terminal within 2 business days. It is an initial 3-year program and auto-renews for subsequent 1-year term(s).	$299.97
	EPSON Receipt Printer (optional)	Receipt printer	$242

EXHIBIT K-2

HARDWARE FINANCE AGREEMENT

CLIENT:	SECURED PARTY: Fremont Software, LLC	HARDWARE:	COLLATERAL LOCATION: [Salon Address]
Term (In Months) 36	**Equipment Cost** $_____	**Monthly Finance Charge** $5.00	**Amount of Each Payment** $_____

HARDWARE FINANCE AGREEMENT – NY RESIDENTS: RETAIL INSTALMENT CREDIT AGREEMENT

The undersigned ("Client") agrees to the following terms and conditions for the credit sale ("Agreement") of the POS terminal, POS terminal stand, cash drawer, and/or credit card terminal described above ("Hardware") by Fremont Software, LLC, a Delaware limited liability company, and its successors and assigns ("Secured Party") to Client. Client acknowledges that this Agreement is a separate credit financing program offered by Secured Party and supplements Secured Party's terms and conditions of sale that govern the sale of Hardware and the terms of the Opensalon Pro Saas and Hardware Agreement (as amended at any time, the "Master Agreement"). Credit made available by Secured Party to Client under this Agreement is for the credit sale of Hardware and is not a loan. By submitting this Agreement to Secured Party, Client acknowledges Secured Party's collection, use, and disclosure of Client's personal and other information provided in the Master Agreement, purchase and payment history, and credit information, which may be used by Secured Party, its agents and service providers and others with whom Secured Party contracts to, without limitation, evaluate this Agreement, determine Client's current and ongoing creditworthiness, administer and manage this Agreement, collect delinquent accounts, and for any other purposes required or permitted by law. Secured Party may report information about Client's account to credit bureaus and commercial credit associations. Late payments, missed payments, or other defaults on Client's account may be reflected in Client's commercial credit report and consumer report, as applicable. This Agreement and the credit to be provided under this Agreement are subject to approval by Secured Party.

THIS IS A COMMERCIAL TRANSACTION. CLIENT AGREES NOT TO USE ANY PORTION OF THE CREDIT GRANTED BY SECURED PARTY FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

Client authorizes Secured Party to obtain consumer reports on Client from time to time for any legal purpose, including account review and collection. New York Residents: Upon request, Client (i) will be informed whether or not consumer reports were obtained and (ii) if reports were obtained, will be informed of the names and addresses of the credit reporting agencies that furnished the reports. Secured Party may provide a copy of this document as evidence of the consent of Client to the release of information.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS AGREEMENT ONLY BY ANOTHER WRITTEN AGREEMENT.

THIS AGREEMENT, THE TERMS OF WHICH HAVE BEEN FREELY NEGOTIATED BY EACH PARTY, IS ALSO SUBJECT TO THE TERMS AND CONDITIONS BELOW AND ON THE FOLLOWING PAGE AND THE MASTER AGREEMENT, WHICH ARE MADE PART HEREOF AND WHICH DEBTOR AND SECURED PARTY ACKNOWLEDGE THEY HAVE READ AND ACCEPTED. BY EXECUTION OF THIS AGREEMENT, THE UNDERSIGNED CERTIFIES THAT HE/SHE IS ELECTED AND AUTHORIZED TO NEGOTIATE, PROCURE, AND EXECUTE A FINANCE AGREEMENT AND ANY DOCUMENTATION COVERING SUCH AGREEMENT.

NOTICE TO CLIENT:

1. DO NOT SIGN THIS AGREEMENT BEFORE YOU READ IT OR IF IT CONTAINS ANY BLANK SPACES.
2. YOU ARE ENTITLED TO A COMPLETELY FILLED IN COPY OF THIS AGREEMENT.
3. YOU MAY PAY, AT ANY TIME, YOUR TOTAL CREDIT OBLIGATIONS UNDER THIS AGREEMENT.

DEBTOR:	SECURED PARTY: Fremont Software, LLC
Signature:	By:
Printed Name:	Printed Name:
Title: Date:	Title: Date:

AUTHORIZATION FOR PRE-AUTHORIZED PAYMENTS: Client hereby authorizes Fremont Software, LLC or its assigns to automatically initiate and make debit entries (charges) to Client's bank account (and for Client's bank to accept and post such debit entries) indicated below for the payment of all amounts owed by Client to Fremont Software, LLC from time to time under or in connection with the above-referenced Agreement. Client understands and agrees that Fremont Software, LLC may impose a fee in the event Client's bank does not pay a debit entry. **This authority granted under this Authorization for Pre-authorized Payments is to remain in effect during the term of the Agreement, including all renewals and extensions, and Client acknowledges that if Client revokes such authority during the term of the Agreement, Client shall be in default under the Agreement without the requirement of any prior notice from Fremont Software, LLC as a precondition for such default.** Any erroneous or incorrect charge will be corrected upon notification to Fremont Software, LLC. If corrections in the debit account are necessary, it may involve a credit or debit to Client's account. Client agrees that a facsimile or other copy of this Authorization, as executed, may be deemed the equivalent of the originally executed copy for all purposes.

Bank Name:	Acct Holder Name:
Account No:	Routing No:
Authorized Signature:	Print Name & Title:

EXHIBIT K-2

TERMS AND CONDITIONS

1. **Definitions:** The words "you" and "your" refer to the Client. The words "we", "us" and "our" refer to the Secured Party.

2. **Promise to Pay:** Client agrees to pay Secured Party the "Equipment Cost" designated above together with finance charges, fees, and expenses due under this Agreement (collectively, the "Credit Obligations") on or before the Maturity Date (as defined below). You agree to pay us the number of payments shown on the preceding page (the "first page") in the amount shown on the first page, commencing at the start of our billing cycle as specified by us at our sole discretion following the date hereof, and continuing on the same day of each month thereafter during the Term(each, a "Payment") without need of an invoice, together with all other amounts due from time to time by you hereunder. As used in this Agreement, the word "Term" shall mean the period commencing on the date of this Agreement and ending on the same day of the month after the number of months specified on the first page of this Agreement.

3. **Finance Charges:** A monthly finance charge of $5.00 per month will accrue until the Credit Obligations are paid in full. In no event shall the finance charges exceed the maximum rate allowed by law. Any finance charge that would for any reason be deemed unlawful under applicable law shall be applied as a credit on Client's account.

4. **Maturity Date:** The Credit Obligations shall become due and payable in full on the date (the "Maturity Date") that is the earlier of (i) the end of the stated Term, or (ii) the date on which Secured Party accelerates payment of the Credit Obligations pursuant to the terms of this Agreement.

5. **Security Interest:** You hereby grant to us a purchase money security interest under the Uniform Commercial Code ("UCC") in the Hardware and all accessories and additions thereto and replacements thereof and all proceeds and products of the foregoing (collectively the "Equipment"). Such purchase money security interest is granted to secure payment and performance by you of the Credit Obligations. All amounts received from you under this Agreement shall be applied to the Credit Obligations in the order and manner as we determine in our sole discretion.

6. **Location; Maintenance; Insurance:** You agree to maintain records showing the location of the Equipment. You shall report each location to us upon our request and shall not change the location of the Equipment without our advance written consent. You are responsible for installing and keeping the Equipment in good working order. You agree to keep the Equipment insured against loss during the Term.

7. **Taxes and Fees; Indemnification:** You agree to pay when due and to indemnify and hold us harmless from all taxes, fees, fines, interest and penalties, including, without limitation, personal property, excise, sales or documentary stamp taxes ("Taxes") relating to the use or ownership of the Equipment or to this Agreement now or hereafter imposed, levied or assessed by any taxing authority. You agree to indemnify and hold us harmless from any suits, claims, losses or damages we suffer in any way relating to the use or ownership of the Equipment. Your obligations under this Section shall survive the expiration or earlier termination of this Agreement.

8. **Liens:** You shall keep the Equipment free from any and all liens and encumbrances other than those in our favor and you shall give us immediate notice of any attachment or other judicial process, liens or encumbrances affecting the Equipment. You hereby irrevocably authorize us and appoint us as your attorney-in-fact with the power to execute and to file this Agreement and any financing statement(s) or security agreement(s) with respect to the Equipment. If your signature on any financing statement or similar document is required by law, you shall execute such supplemental instruments and financing statements we deem to be necessary and advisable and shall otherwise cooperate to defend and perfect our interest in the Equipment by filing or otherwise. You also agree to pay us on demand a filing and registration fee prescribed by the UCC. You agree the use of this Equipment will be only for commercial or business purposes and in compliance with law.

9. **Default; Remedies; Late Charges:** If any one of the following events occur, you will be in default and we can exercise any of the remedies described below: (i) you fail to pay any Payment or other amount due under this Agreement as and when due, (ii) you breach or fail to perform any of your other covenants and promises under this Agreement or the Master Agreement, (iii) you become insolvent, any action under the United States Bankruptcy Code is filed by or against you, make an assignment for the benefit of creditors, admit your inability to pay your debts as they become due, terminate your entity's existence, or take any actions regarding the cessation or winding up of your business affairs. If you are in default, at our election, we can accelerate and require that you pay the Credit Obligations in full immediately. Default interest will be charged on the outstanding Credit Obligations at the lower of (i) 18% per annum or (ii) the highest amount allowed by law from the due date thereof until received by us in cash. We can also pursue any remedies available to us under the UCC or any other law. In the event we seek to take possession of any of the Equipment, you irrevocably waive to the fullest extent permitted by law any bonds, surety or security required by statute, court rule or otherwise as an incident of such possession. You agree to pay our attorneys' fees and actual costs incurred by us in enforcing our rights hereunder including repossession, storage, refurbishment and sale of the Equipment as well as collection costs, and all non -sufficient funds fees and similar charges. Any amount not paid within 10 days of when due is subject to a late charge; you agree to pay the late charge of the lower of (i) the greater of 5% of the payment or $25.00 or (ii) the highest amount allowed by law. You also agree to pay a charge of $20.00 for each check returned for non- sufficient funds or any other reason or if any ACH debit charge is not honored. Such charges will not be construed as interest but as reimbursement to us to cover administrative and overhead expenses related to the processing and collection of the late payment.

10. **Assignment; Inspection:** Client may not assign, license, sublicense or otherwise transfer this Agreement or any rights under this Agreement, whether voluntarily or by operation of law, without Secured Party's prior written consent. Without limiting the scope of the previous sentence, any sale or transfer of assets, stock or any interest in Client, or any merger, consolidation restructuring, or other business reorganization, which, by operation of law, transfers this Agreement and such rights, is to be considered a transfer covered by the previous sentence and prohibited hereby. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Secured Party may assign and/or delegate this Agreement and/or its rights and duties in and under the same, in whole or in part, to any affiliate or third party, in its sole discretion. We and our agents and representatives shall have the right at any time during regular business hours to inspect the Equipment and for the purpose to have access to the location of the Equipment.

11. **Risk of Loss:** You assume and shall bear the entire risk of loss, theft, damage and destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve you of the obligation to make Payments or fulfill any other obligation under this Agreement. You shall promptly notify us in writing of such loss, theft, damage or destruction if damage of any kind occurs to any item of Equipment.

12. **Electronic Signature; Electronic Transactions** Client agrees that the Electronic Signatures of the parties affixed to this Agreement and/or to any documents executed in connection with this Agreement are intended to authenticate Client's execution of and entry into such agreements and to have the same force and effect as manual signatures. "Electronic Signature" means any electronic sound, symbol, or process attached to or logically associated with a record and executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures, whether digital or encrypted, pursuant to the Minnesota Uniform Electronic Transactions Act (Minn. Stat. § 325L.01 et seq.) as amended from time to time. Client agrees to conduct transactions with Secured Party by electronic means and to the use of electronic communication, including the use of electronic documents.

13. **Telephone Monitoring and Recording.** Client agrees that Secured Party and its marketing partners, agents, and others calling at Secured Party's request or on Secured Party's behalf may contact Client as provided in this paragraph. Secured Party and its marketing partners, agents, and others calling at Secured Party's request or on Secured Party's behalf may contact Client for any lawful reason, including for the collection of amounts owed to Secured Party and for the offering of products or services to Client from time to time. No such contact will be deemed unsolicited. Client specifically agrees that Secured Party and its marketing partners, agents, and others calling at Secured Party's request or on Secured Party's behalf may (i) contact Client at any address (including email) or telephone number (including wireless cellular telephone, ported landline or VoIP telephone number) as Client may provide to Secured Party from time to time or that Secured Party is able to determine belongs to Client, even if Client has asked to have the number added to any state or federal do-not-call registry; (ii) use any means of communication, including, but not limited to, postal mail, electronic mail, telephone or other technology, to reach Client; (iii) use automatic dialing, an artificial voice, a prerecorded voice or any announcing devices that may use artificial voices or play recorded messages and (iv) send text messages to Client's telephone. Client may withdraw this express written consent at any time by contacting Secured Party at Fremont Software, LLC —Withdrawal of Express Consent, <insert address> and telling Secured Party specifically what address or telephone number not to use. As used in this section, "Client" shall mean and include Client and Client's respective representative, agents, and employees.

14. **Choice of Law; Waiver of Jury Trial:** This Agreement shall be governed by, construed, interpreted and enforced in accordance with the laws of the state of Minnesota. You consent to the non-exclusive jurisdiction of the federal and state courts located in the state of Minnesota in any action or proceeding relating to this Agreement. YOU WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH ACTION OR PROCEEDING, AND YOU WAIVE ANY RIGHT TO ASSERT THIS IS AN INCONVENIENT FORUM.

15. **Miscellaneous:** If any provision hereof or any remedy herein provided is found to be invalid under any applicable law, the remaining provisions hereof, shall be given effect in accordance with the manifest intent hereof. You agree that a waiver of breach will not be a waiver of any other subsequent breach, and that any delay or failure to enforce our rights under this Agreement does not prevent us from enforcing any rights at a later time. YOU AGREE THAT WE WILL NOT BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES FOR ANY DEFAULT BY US UNDER THIS AGREEMENT. Section headings are for convenience and are not a part of this Agreement. You agree that the original of this Agreement may be electronically duplicated and a copy hereof may be introduced in lieu of the original thereof and without further foundation. The parties hereto expressly waive the secondary evidence rule. You agree that this Agreement will be binding upon your successors, permitted assigns, heirs and legal representatives. If Client constitutes more than one person, you agree that the liability of each such person hereunder is joint and several. Any restrictive endorsement on any check you give us in payment of any amount due hereunder shall be void. A facsimile or other copy of this Agreement, as executed, may be deemed the equivalent of the originally executed copy. This Agreement may be executed in separate counterparts which together shall constitute one and the same instrument.

Payment Solutions Agreement

This Payment Solutions Agreement (**Agreement**) is among _____ (**Company**), First Data Merchant Services LLC (**First Data**), MetaBank, a federally chartered savings bank (**Bank**), and Wells Fargo Bank, N.A.

The parties agree:

1 Services

First Data (along with the Bank or Debit Sponsor Bank, as described in this Agreement) will provide the Company with services according to the terms of this Agreement, the services described in Schedule 1 (TransArmor Service Schedule), Schedule 2 (Smart Routing Services Schedule), Schedule 3 (Clover Services and Clover Equipment Addendum) and Schedule 4 (American Express Card Acceptance Service Schedule) as well as additional services that the parties agree to in writing (together, **Services**). First Data may provide the Services itself or through its affiliates; and, except for the Bank's or Debit Sponsor Bank's specific responsibilities described in this Agreement, First Data is solely responsible for the Services.

2 Acquiring Services

2.1 Bank's Role. The Bank is a member of the Visa and MasterCard Networks, permitting it to acquire Visa and MasterCard payment transactions. The Bank sponsors First Data as a Member Service Provider under the Network Rules, allowing First Data to process payment authorizations, transmissions, and settlement activities for Visa and MasterCard transactions under the Bank's direction. With respect to Visa and MasterCard transactions that are part of the Acquiring Services described below, references to First Data include the Bank; however, the Bank's responsibilities are limited solely to the sponsorship and settlement of certain card transactions submitted in accordance with this Agreement and the Visa and MasterCard Network Rules, and Bank will not have any obligation or liability of any nature in connection with any services of any kind provided by First Data or its affiliates. Specifically, the Bank is: (1) the only entity approved to extend Visa and MasterCard product acceptance to merchants; (2) responsible for educating merchants on applicable Visa and MasterCard Network Rules (available, respectively, at: http://usa.visa.com/merchants/operations/op_regulations.html and http://www.mastercard.com/us/merchant/support/rules.html), which may be provided through First Data; and (3) responsible for all funds derived from settlement that are held in reserve. The Bank's interests or obligations under this Agreement may be assigned or otherwise transferred to another financial institution that is a member of the Networks; further, Bank may assign any of its rights or delegate any of its obligations under this Agreement to a subsidiary, affiliate, or entity that is acquiring all or any portion of its assets. Wells Fargo Bank, N.A. will be the Bank and sponsor bank for payment transactions submitted from the Company's retail locations in Puerto Rico, as applicable.

2.2 First Data will acquire the Company's electronic transactions for payment organizations and networks (together, **Networks**) identified below (**Acquiring Services**).

2.3 Networks. First Data will provide the Company with Acquiring Services for the following Networks:

(1) Visa

(2) MasterCard

(3) American Express

(4) Discover

2.4 Additional Card Acquiring Services.

2.4.1 Additional Cards. First Data, and not the Bank, will provide the Acquiring Services to the Company for its transactions that are initiated with Cards issued by Networks other than Visa and MasterCard, and that are identified in this Agreement. A Card is a card, code, device, or other means allowing access to a credit, debit, prepaid, stored value, or similar account. An Additional Card is a Card issued by a Network other than Visa or MasterCard

2.4.2 Additional Card Network Agreements. Payment transactions for Additional Cards are subject to separate agreements between the Company and the Additional Card issuing Networks (**Additional Card Network Agreements**). The Company will comply with the terms of its Additional Card Network Agreements and obtain any consents required by these Networks to submit Additional Card transactions to First Data for processing. The Company will promptly notify First Data if any of its Additional Card Network Agreements expire or terminate. First Data will not be obligated to process the Company's Additional Card transactions if Company does not have an effective Additional Card Network Agreement with the applicable Network. First Data and the Bank have no responsibility to the Company for a Network's performance obligations, responsibilities, or liabilities to the Company under their Additional Card Network Agreements.

2.4.3 Processing. First Data will only provide the Company with data capture and authorization processing services for transactions initiated with Additional Cards; First Data will not provide settlement services for the Additional Card Networks. First Data will submit settlement files for Additional Card transactions to the appropriate Networks on behalf of the Company. Additional Card transactions will be settled directly between the Company and the corresponding Network according to their Additional Card Network Agreements.

2.5 Debit Transactions. First Data will also provide the Company with Acquiring Services for its debit Card transactions (**Debit Services**). First Data will process the Company's debit Card transactions based on: (1) availability of the debit Networks; (2) whether a debit Card is enabled for a particular debit Network; or (3) other factors. First Data will have discretion to choose any available debit Network when routing a particular debit Card transaction for the Company, subject to applicable Laws. First Data will provide the Debit Services using a financial institution (**Debit Sponsor Bank**) that is a member of a debit Network that is accessible to the Company and can sponsor acceptance of the Company's debit Card transactions within the debit Network. First Data will choose the financial institution that acts as the Debit Sponsor Bank for the Company's transactions. The Debit Sponsor Bank may assign its interests or obligations under this Agreement to another financial institution that is a member of the debit Networks. First Data may also substitute, or assign, the Debit Sponsor Bank's interest or obligations under this Agreement to another financial institution that is a Member of the debit Networks. References to the term "Bank" in this Agreement include the Debit Sponsor Bank with respect to the Debit Services; however, the financial institution that is the Debit Sponsor Bank is only responsible for the performance obligations described as the Bank's under this Agreement with respect to the Company's debit Card transactions.

2.6 Network Rules. The Company will comply with all rules, requirements, and standards of each of the Networks (together, **Network Rules**). Company acknowledges receipt of First Data's current payments acceptance guide (**Payment Acceptance Guide**), which will assist the Company with properly accepting and submitting its transactions for processing. Under Network Rules, the Company does not own the Card account, Cardholder, personal, or other payment transaction information generated when a payment transaction is processed using the Acquiring Services. The Company will not use, retain, disclose, sell, or disseminate any Card or Cardholder information (including, names, addresses, and Card account numbers) obtained in connection with payment transactions except for (1) authorizing, processing, and settling transactions; or (2) resolving chargebacks, retrieval requests, or similar issues related to its transaction. The Company will not reproduce electronically captured Cardholder

signatures except as requested by First Data or the Networks. A Cardholder is the individual who was issued a Card.

2.7 Locations. First Data will perform the Acquiring Services for payment transactions submitted from all the Company's retail locations in the United States (excluding U.S. territories other than Puerto Rico).

2.8 Excluded Transaction Types. The Company must inform First Data if it wants to accept telephone, mail order, or Internet based payment transactions or transactions in other US territories other than Puerto Rico or outside of the US; all of which must be approved in writing by First Data and may be subject to additional requirements and fees.

2.9 Submitting Transactions. The Company is responsible for:

(1) properly transmitting the transaction data (including all transaction detail required by the Networks) to First Data's systems using the format and specifications provided by First Data (the Company will maintain and update the systems that it uses to accommodate changing Network requirements as specified by First Data);

(2) all payment transactions submitted for processing under its merchant identification numbers (**MIDs**), including, without limitation, all returns, refunds, or chargebacks, whether charged back by Cardholders or Card issuers;

(3) preventing its employees, agents, and others from submitting returns or refunds that do not reflect valid returns or refunds corresponding to prior transactions;

(4) retaining transaction records according to the timelines required by the Network Rules or applicable Laws; and

(5) maintaining transaction fraud and chargeback rates below thresholds established by the Networks.

2.10 Transaction Acceptance. The Company will only accept and submit transactions where:

(1) the transaction represents a genuine sale of the Company's goods or services to the Cardholder;

(2) the transaction is not materially different than the transactions the Company has described to First Data with regard to the products or services sold, the procedures for payments acceptance, or the fulfillment of obligations to the Cardholder;

(3) the transaction complies with all requirements of the applicable Network Rules, the laws of all relevant jurisdictions, and all other requirements of this Agreement;

(4) the transaction is not a duplicate of any other transaction;

(5) the transaction is authorized by the rightful Cardholder for the amount of the transaction in satisfaction of the Cardholder's obligations to the Company;

(6) the transaction is in payment of goods or services provided simultaneously with the payment transaction (except for delayed delivery, advance deposit, or other partial transactions specifically allowed under the Network Rules and explicitly authorized by First Data in writing);

(7) the transaction is not a refinancing of an existing obligation;

(8) the transaction is valid, collectible, and is not subject to any dispute, setoff, or counterclaim; and

(9) in the case of a refund, the transaction is submitted to reimburse the Cardholder for a sale transaction that was previously submitted.

The Company represents and warrants that each transaction that it submits will comply with this Section.

2.11 Sales Drafts. The Company will provide First Data a copy of any sales draft(s) upon request.

2.12 Settlement

2.12.1 The Company will identify a bank account held in the Company's name (the **Settlement Account**) that First Data will use in connection with all Services. The Company authorizes First Data to initiate: (1) credits to the Settlement Account for proceeds of transactions submitted, and (2) debits to the Settlement Account for any amounts that may be owed or required to be paid under this Agreement. First Data will process credits to the Settlement Account via Automated Clearing House (**ACH**) entry unless the parties agree to transfer funds by wire. Company hereby authorizes First Data to process debits to the Settlement Account via ACH entry.

2.12.2 The Company may identify more than one bank account as the Settlement Account. If the Company designates more than one Settlement Account, credits to any of these Settlement Accounts will satisfy First Data's obligations, and successful debits to any of the Settlement Accounts will satisfy the Company's obligations under this Agreement.

2.12.3 Each banking day, First Data will initiate a transfer to the Settlement Account of the funds that the Networks deliver for the Company's Card payment transactions, less any amounts due from Company for fees, refunds, chargebacks, pass through expenses, or other of its obligations.

2.12.4 The Company does not have a property or ownership interest in any proceeds of transactions or funds received by First Data in connection with the Company's Card transactions (including any funds held in a Reserve) until those funds are transferred to the Settlement Account. First Data's obligations to fund the Company represent a general obligation and not a property interest in any specific funds.

2.12.5 All deposits into the Settlement Account are provisional. Cardholders, Card issuers, and the Networks have the right to require reimbursement of transactions, to impose obligations relating to violations of the Network Rules, to assess additional interchange or other assessments, and to impose fees, fines, or charges relating to the qualification of transactions.

2.12.6 The Company must promptly notify First Data if it fails to receive any settlement funding or if there are any changes to the Settlement Account. Transfer of settlement funds may be delayed or misdirected if the Company provides inaccurate information about, or fails to notify First Data of changes to, the Settlement Account. First Data is not responsible for settlement errors that arise if the Company provides inaccurate information about, or fails to notify First Data of changes to, the Settlement Account.

2.13 MATCH Reporting. Under some circumstances, First Data may be required to report the Company to the Member Alert to Control High Risk (**MATCH**) listing or similar listings maintained by the Networks. The Company agrees that First Data will not be liable for any losses, damages, or liabilities that may result from that reporting.

2.14 Mark License, Network Decals

2.14.1 First Data grants the Company a revocable, royalty free, non-exclusive, limited license that cannot be assigned, transferred, or further sublicensed to use the Networks' trademarks and

service marks (together, **Protected Marks**) in the United States according to the applicable Network Rules. This license does not grant the Company any other intellectual property right, title, interest, or claim (express or implied, by estoppel, or otherwise) to the Protected Marks. The Company will not take any action that impairs an owner's intellectual property rights in its Protected Marks.

2.14.2 The Company will discontinue use of the Networks' decals, Protected Marks, promotional, or other materials immediately after termination of this Agreement.

2.14.3 The Company will not indicate that its products or services are endorsed by any of the Networks.

2.15 First Data will provide the Services to Company in a professional, workmanlike manner, consistent with the Service Level Schedule, and in accordance with generally recognized industry standards for similar services.

3 Financial Information; Audit

The Company will promptly provide any financial or other information reasonably requested by First Data to perform credit risk, security, qualification, and other reviews related to the provision of the Services, transactions submitted, fulfillment of obligations to First Data or Cardholders, or the financial condition of the Company. The Company authorizes First Data to obtain information from third parties when performing credit risk, security, qualification, and other reviews. First Data, the Bank, or their designees may perform a reasonable audit of the Company's records related to its performance under this Agreement with 30 days' advance written notice to the Company, during the Company's normal business hours, and at First Data's or the Bank's expense.

4 Notice of Material Changes; Third Parties

The Company will provide First Data with reasonable advance notice of any material change in the nature of the Company's business (including any change in control or merger, any liquidation, any transfer or sale of substantially all of its assets, or any change to the Company's operations that would materially affect the products or services sold, the procedures for payments acceptance, or the fulfillment of obligations to a Cardholder). The Company will provide First Data with written disclosure identifying the third parties, systems, and services the Company uses to receive, transmit, process, or otherwise manage information or its information technology systems (e.g., without limitation, encryption or firewall providers) related to the transaction information or payment data processed in connection with this Agreement (these third parties must be registered providers with the Networks).

5 The Company's Payment Obligations

The Company will pay First Data for:

(1) all fees and charges for the Services;

(2) all transactions that are charged back by Cardholders, Card issuers, or the Networks;

(3) all refunds submitted in connection with the Company's transactions;

(4) all costs, liabilities, or other obligations imposed on First Data by the Networks or other third parties as a result of transactions submitted by the Company or the actions taken (or not taken) by the Company or its third party service providers; and

(5) the Early Termination Fee.

6 Reserve

6.1 If Company experiences a Default Event, Company materially breaches the terms of this Agreement, or if either party provides notice of termination of this Agreement, First Data may require the Company to fund a cash reserve (**Reserve**) in an amount that reflects First Data's assessment of risk, as it may determine in its discretion from time-to-time, provided, however, that the initial amount of such Reserve will not exceed the sum of (i) six (6) months of chargebacks, (ii) two (2) months of credits/adjustments, (iii) the value of any goods and/or services billed in advance of fulfillment, (iv) the amount of any fees or discount due First Data and Bank, and (v) the amount of any current or anticipated Network Fees, third party fines and third party assessments. The calculation for the credits and chargebacks portion of the Reserve will be based upon Company's average monthly chargebacks and credits history. The Reserve is a payment obligation of First Data, established by holding back transaction proceeds or debiting the Settlement Account in order to potentially offset any obligations that the Company may have to First Data. The Reserve is not a segregated fund that the Company may claim to own. First Data is obligated to pay to the Company any amounts remaining from the Reserve after all other then-current and contingent liabilities or obligations related to the Company's payment transactions have expired (as provided for under the Network Rules).

6.2 The obligations due to the Company from the Reserve will not accrue interest unless required by applicable Laws.

6.3 First Data will provide advance notice to Company that it is establishing a Reserve to the extent such notice and delay in establishing the Reserve will not materially harm First Data; provided, however, that in no event will First Data notify Company of a Reserve more than 2 business day after such Reserve has been funded.

6.4 First Data may set off any obligations that the Company owes to First Data from the Reserve.

6.5 Although the Company acknowledges that the Reserve is a general obligation of First Data, and not a specifically identifiable fund, if any person claims that the Reserve is an asset of the Company that is held by First Data, the Company grants and acknowledges that First Data has a security interest in the Reserve and, at First Data's request, will provide documentation to reflect this security interest.

7 Setoff and Priority

All funds that First Data owes to the Company under this Agreement are subject to the Company's payment obligations under this Agreement. First Data may set off amounts the Company owes to First Data against any funds that First Data owes to the Company.

8 Statements, Reporting

8.1 First Data will provide the Company with statements or electronic reporting (either, **Statements**) reflecting the fees, settlement amounts, and other information related to the Services. The Company must review the Statements and inform First Data of any errors within 60 days following the date that the error was, or should have been, reported. The reporting of any errors will enable First Data to recover amounts or prevent the errors from continuing. First Data will have no obligation to provide refunds for errors that the Company reports more than 60 days after they were, or should have been, reported. The Company and First Data will work together to resolve issues or disputes that arise in connection with the Statements, or the funds credited or debited to the Settlement Account.

8.2 Pursuant to Company's franchisee agreement with Regis Corporation or its applicable subsidiary (**Franchisor**), Company has agreed and consented to provide Franchisor with access to any and all transaction information gathered while providing Company the services described in this Agreement. By signing this Agreement, Company authorizes First Data to provide Franchisor to such information.

9 Term

9.1 This Agreement commences on the later of the dates it is signed by First Data or the Company (that date, the **Effective Date**) and will continue for an initial term of 5 years (**Initial Term**), unless terminated as allowed under the terms of this Agreement. This Agreement will renew for successive 1-year periods (each a **Renewal Term**), unless either party gives the other 90 days' advance written notice of non-renewal before the end of the Initial Term. Either party may terminate this Agreement for any reason (without cause) during a Renewal Term by giving the other party 90 days' advance written notice of termination. Together, the Initial Term and any Renewal Term(s) are the Term of this Agreement.

9.2 First Data acknowledges that, upon the termination of Franchisor's Payment Solutions Agreement with First Data, dated as of March 6, 2020, Franchisor may require Company to terminate this Agreement, and First Data agrees that Company may terminate this Agreement in such circumstance without incurring any Early Termination Fee.

9.3 First Data acknowledges that, upon the expiration or termination of either (1) the Franchise Agreement between Company and Franchisor, or (2) the Subscription Services Agreement between Company and Franchisor, Company may terminate this Agreement without incurring any Early Termination Fee.

10 Confidential Information

10.1 Confidentiality. No party will disclose non-public information about another party's business (including the terms of this Agreement, technical specifications, customer lists, or information relating to a party's operational, strategic, or financial matters) (together, **Confidential Information**). Confidential Information does not include information that: (1) is or subsequently becomes publicly available (through no fault of the recipient); (2) the recipient lawfully possesses before its disclosure; (3) is independently developed without reliance on the discloser's Confidential Information; or (4) is received from a third party that is not obligated to keep it confidential. Each party will implement and maintain reasonable safeguards to protect the other party's Confidential Information and will notify the other party of any unauthorized disclosure of the other party's Confidential Information. Each party is responsible for its own failure and the failure of the parties to which it discloses pursuant to Section 10.2(1) to protect or handle the discloser's Confidential Information in the manner that this Section 10 requires recipient to protect and handle the Confidential Information.

10.2 Disclosure. The recipient may disclose another's party's Confidential Information: (1) to its directors, officers, personnel, and representatives (including those of its subsidiaries, affiliates, subcontractors or vendors) that need to know it in connection with the recipient's performance under this Agreement, and are bound by confidentiality obligations materially similar to those required under this Agreement; and (2) in response to a subpoena, court order, request from a regulator, or as required under applicable Laws or Network Rules.

11 Data Security

11.1 The Company is responsible for any unauthorized access to any transaction data from the Company or from third parties retained by or on behalf of the Company.

11.2 First Data is responsible for any unauthorized access to the Company's transaction data on First Data's systems. For the avoidance of doubt, First Data will reimburse Company for Network Security Fees imposed upon Company due to a First Data Security Incident (as defined in Section 11.5.4).

11.3 The Company must comply with Payment Card Industry Data Security Standards (**PCI DSS**) and obtain timely certification of its systems and processes (which must be maintained during the Term) as required under the Network Rules. The Company will comply with all additional standards that the Networks may require. The Company will allow the Networks, First Data, or the Bank to audit its PCI

DSS compliance and information technology systems related to the Services provided under this Agreement.

11.4 First Data must comply with all PCI DSS requirements and the Network Rules that apply to its performance under this Agreement.

11.5 Security Incident.

11.5.1 If the Company becomes aware that there has been unauthorized access to transaction data (a Security Incident), it will promptly notify First Data. If requested by First Data, the Company will retain a reputable firm that is certified and approved by the Networks that provides forensic information security services and risk assessments in order to: (1) assess the nature and scope of the Security Incident; and (2) identify the access controls or transaction data involved in the Security Incident. The Company will take appropriate steps to contain, control, stop, and remediate any Security Incident.

11.5.2 The Company will provide reasonable details regarding the Security Incident to, and cooperate with, First Data, any Networks, and the forensics firms that are involved in the investigation and remediation of a Security Incident. The Company will take all actions that the Networks require in connection with the investigation and remediation of a Security Incident.

11.5.3 The Company will reimburse First Data and/or the Bank for all fines, fees, penalties, assessments, or other obligations of any kind imposed by a Network or a regulator on First Data or the Bank due to a Security Incident caused by the Company or its third party service providers (together, **Network Security Fees**).

11.5.4 If First Data becomes aware of an actual loss or unauthorized use, disclosure, alteration, destruction or other compromise or unauthorized acquisition of or access to any transaction data in First Data's possession (a **First Data Security Incident**), First Data will: (a) assess the nature and scope of the First Data Security Incident; (b) promptly take appropriate steps to contain and control the First Data Security Incident to prevent further unauthorized access to or misuse of the information; (c) promptly conduct a reasonable investigation to identify what systems and types of information have been accessed and to determine the likelihood that the information has been or could likely be misused (d) promptly notify Company of the material details of the First Data Security Incident that are known at the time of notification that impact Company or Company's Transaction Data, subject to a request by law enforcement or other government agency to withhold such notice; and (e) continue to provide information relating to the investigation and resolution of the First Data Security Incident until First Data reasonably determines the First Data Security Incident has been resolved.

11.6 Data Use. First Data may use transaction data obtained from providing the Services to the Company to fulfill performance obligations under this Agreement and investigate fraud, or suspected fraud, related to the Company's transactions. First Data may also use transaction data obtained from providing the Services under this Agreement in aggregated and anonymized form (as required by applicable Laws) for research and development, or to provide services generally.

12 General Suspension; Termination

12.1 General Termination. Either the Company or First Data may terminate this Agreement by giving 30 days' advance written notice if the other materially breaches this Agreement and fails to remedy the breach within 30 days of receiving notice of it.

12.2 Risk Termination. First Data may immediately suspend or terminate this Agreement, in its discretion, upon notice if the Company:

(1) engages in fraud, misrepresentation, or intentional misconduct related to its performance under this Agreement;

(2) experiences excessive chargebacks, irregular, or fraudulent payment transactions (based on Network thresholds), or engages in business practices creating excessive risk for Cardholders or First Data;

(3) experiences a material adverse change in its financial condition (including the failure to pay any of its debts or if the Company's accountants fail to deliver an unqualified audit opinion with respect to the Company's and its consolidated subsidiaries' annual financial statements when requested by First Data);

(4) fails to provide notice of a material change in the nature of its business pursuant to Section 4 of this Agreement that First Data determines in its reasonable discretion could cause First Data a material level of harm; provided, however, that with respect to this Section 12.2(4), First Data will suspend this Agreement and provide Company with thirty (30) days to revert such material change if First Data determines in its reasonable discretion that such material change could cause First Data a material level of harm; provided, however, that First Data may terminate the Agreement if required by a Network, a governmental authority or the Bank to terminate immediately or to terminate in fewer than thirty (30) days;

(5) fails to disclose the third parties or systems it uses in connection with the transaction information or payment data processed under this Agreement in violation of Network Rules;

(6) fails to fund a Reserve when required under this Agreement;

(7) experiences a Security Incident or fails to comply with PCI DSS or a material Network requirement provided, however, that with respect to this Section 12.2(7), First Data will suspend this Agreement and provide Company with fifteen (15) days to cure unless First Data is required by a Network, a governmental authority or the Bank to terminate immediately or to terminate in fewer than fifteen (15) days;

(8) materially changes its operations, products, services, or procedures for payments acceptance; provided, however, that with respect to this Section 12.2(8), First Data will suspend this Agreement and provide Company with thirty (30) days to revert such material change if First Data determines in its reasonable discretion that such material change could cause First Data a material level of harm or unless First Data is required by a Network, a governmental authority or the Bank to terminate immediately or to terminate in fewer than thirty (30) days;

(9) sells substantially all of its assets, undergoes a change in ownership or control, merges, or effects an assignment without obtaining the prior consent of First Data except as permitted in Section 22;

(10) defaults under any other agreement it has with First Data or its affiliates, subject to applicable cure periods set forth in such agreement; or

(11) a Network, a governmental authority, or the Bank instructs First Data to suspend its performance under or terminate this Agreement (in which case the Early Termination Fee will not apply).

12.3 Together, the events described in this Section are Default Events.

13 Early Termination Fee

First Data will suffer substantial injury, and it would be difficult to determine the damages, if this Agreement is terminated before the end of the Term pursuant to Section 12.2 of this Agreement. First Data and the Company

agree an accurate reflection of the damages caused by an early termination of this Agreement is an amount equal to 80% of the average monthly fees paid to First Data during the 12-month period preceding the termination, multiplied by the number of months (including partial months) remaining in the Term (the **Early Termination Fee**). The Company will pay First Data an Early Termination Fee if this Agreement terminates prior to the end of its Term pursuant to Section 12.2 of this Agreement because there is a Default Event (no Early Termination Fee will be due if this Agreement is terminated due to First Data's uncured breach). For the avoidance of doubt, this Section is subject to Sections 9.2 and 9.3.

14 Indemnification

14.1 The Company will indemnify First Data and the Bank (including their respective affiliates, directors, officers, managers, and employees) for losses, damages, costs, or expenses (together, **Losses**) due to third party claims that result from the Company's or their third party service providers gross negligence, willful misconduct, or breach of this Agreement. First Data will indemnify the Company (including its respective affiliates, directors, officers, managers, and employees) for Losses due to third party claims that result from First Data's gross negligence, willful misconduct, or breach of this Agreement.

14.2 The indemnified party will promptly notify the indemnifying party of any third party claim that is subject to indemnification under this Agreement. The indemnifying party will have the opportunity to defend these claims using counsel it selects and will have the authority to enter into a settlement for monetary damages provided that it pays such amounts. The parties will cooperate with regard to any other conditions of settlement as well as in providing records, access to personnel or other information reasonably necessary to defend any indemnified claims.

15 Exclusion of Damages

First Data, the Bank, and the Company will not be liable to each other for lost profits, revenues, or business opportunities, nor any exemplary, punitive, special, indirect, incidental, or consequential damages (whether direct or indirect) under this Agreement, regardless of whether these damages were foreseeable or a party was advised they were possible. Network Security Fees, the Early Termination Fee, and other amounts for which a party is liable under this Agreement (including, without limitation, amounts imposed by a regulatory authority that are specifically due to a party's failure to perform its obligations under this Agreement) are not excluded by this Section.

16 Limitation of Liability

First Data's and the Company's aggregate liability to the other for losses arising from any cause (regardless of the form of action or legal theory) in connection with this Agreement will be limited to $500,000.00 (**Liability Cap**). The Liability Cap will not apply to: (1) First Data's obligation to remit the proceeds of the Company's transactions that are processed under this Agreement (after accounting for all offsetting obligations); (2) the Company's payment obligations related to the Services, Network Security Fees, the Early Termination Fee, and other amounts for which it is specifically liable under this Agreement (including, without limitation, amounts imposed by a regulatory authority that are specifically due to a party's failure to perform its obligations under this Agreement); or (3) either party's obligations to indemnify the other for third party claims. The Bank will have no liability to Company except for what is set forth in *Section 2.1*.

17 Notices

Written notices (other than normal operations) required under this Agreement will be sent by email, certified mail, or courier (all with tracking and delivery confirmation). Notices will be effective upon receipt.

Notices to the Company will be sent to: _____.

Notices to First Data will be sent to: First Data Merchant Services LLC, Attn: Executive Vice President - Operations, 5565 Glenridge Connector NE, Atlanta, Georgia 30342; with a copy to: First Data Merchant Services

LLC, Attn: General Counsel's Office, 3975 NW 120th Avenue, Coral Springs, FL 33065. Emailed notices to First Data will be sent to: legalpapers@firstdata.com

Notices to the Bank will be sent to: MetaBank, Attn: Vice President - Operations, 5501 South Broadband Lane, Sioux Falls, South Dakota 57108; with a copy to: MetaBank, Attn: Legal, 5501 South Broadband Lane, Sioux Falls, South Dakota 57108.

18 Third Party Beneficiaries, Providers

There are no third party beneficiaries to this Agreement other than First Data's or the Bank's subsidiaries and affiliates involved in providing the Services to the Company. Each party is responsible for the performance of any third parties it uses in connection with the Services, and their compliance with the terms of this Agreement.

19 Waivers

A party's waiver of a breach of this agreement will not be considered a waiver of a subsequent breach.

20 Compliance with Law, Choice of Law, Waiver of Jury Trial

The parties will comply with all laws, rules (including Network Rules), and regulations (together **Laws**) that are applicable to their respective performance obligations under this Agreement. This Agreement will be governed by New York law (without regard to its choice of law provisions). The courts of New York, New York will be the proper venue for legal proceedings brought in connection with this Agreement. First Data and the Company each waive their right to a jury trial for claims arising in connection with this Agreement.

21 Entire Agreement, Amendment, Counterparts

The defined term Agreement includes its schedules, addenda, and any amendments (capitalized terms used in the schedules, addenda, or amendments without definition will have the meanings given to them in this Agreement). This Agreement is the entire agreement between the parties and replaces any prior agreements or understandings (written or oral) with respect to its subject matter. Schedules, addenda, amendments, or any other modifications to this Agreement related to Services that are provided solely by First Data and not the Bank need only be executed by the Company and First Data (references in these Schedules to "party" or "parties" will mean First Data and the Company, as applicable, and not the Bank). This Agreement and any addenda, or amendments may be executed electronically and in counterparts, each of which constitutes one agreement when taken together. Electronic and other copies of the executed Agreement are valid.

22 Assignment

Neither party may assign its rights or delegate its obligations under this Agreement without the other's prior written consent, which will not be unreasonably withheld; provided, however, that consent is not needed for Company to assign this Agreement in connection with any assignment or change of control in connection a merger, investment, consolidation or similar transaction between Company and a third party, or a sale of all or substantially all of Company's assets to a third party, as long as (i) Company remains obligated for any obligations accruing or arising under this Agreement prior to the effective date of such assignment, and the assignee agrees in writing to be bound by this Agreement and executes any documents that First Data reasonably requires to memorialize this obligation; (ii) the assignee does not operate in an industry that is prohibited by First Data's credit policy; and (iii) the assignee is subject to First Data's credit review within 45 days post-assignment, it being understood that in connection with any assignment under this clause First Data may (A) establish a Reserve in its reasonable credit judgment and/or (B) terminate this Agreement if in the reasonable judgment of First Data such assignee is of lesser credit quality than Company following such credit review, provided any such termination shall be upon at least 90 days' advance written notice. First Data may, however, assign any or all of its rights or delegate any or all of its obligations to an affiliate or to an entity that is acquiring all or substantially all of the assets of First Data. This Agreement will be enforceable against a party's permitted successors or assigns.

23 Publicity

23.1 First Data and the Company may publicly indicate they have entered into a contract with each other. The Company must obtain prior written approval for any publicity related to the Bank and its role in connection with this Agreement.

23.2 Company grants First Data and its affiliates a limited, non-exclusive, non-transferrable, non-sub-licensable, royalty-free license during the term of this Agreement to use Company's trademarks and service marks (together, **Company Marks**) to announce the business relationship between Company and First Data, including but limited to, using Company Marks in public-facing customer lists, promotional materials, advertisements, displays, and press releases.

23.2.1 This license does not grant First Data any other intellectual property right, title, interest, or claim (express or implied, by estoppel, or otherwise) to the Company Marks.

23.2.2 Company reserves all right, title, interest, and license (express or implied) to the Company Marks.

23.2.3 First Data will not take any action that impairs Company's intellectual property rights in its Company Marks.

23.2.4 This license will terminate and First Data will discontinue use of Company Marks when the Agreement terminates.

24 Additional Services. To the extent that Franchisor negotiates for First Data to provide additional Services to Company or for First Data to adjust Company's pricing, Company acknowledges and agrees that Company's receipt and use of such Service(s) or adjusted pricing constitutes Company's acceptance of any associated terms and conditions. First Data or Franchisor must provide you with notice of the new Service(s) or pricing as well as access to any associated terms and conditions.

[signatures follow on next page]

Authorized Signers

_____

By: _____

Name: _____

Title: _____

Date: _____

First Data Merchant Services LLC

By: _____

Name: _____

Title: _____

Date: _____

Wells Fargo Bank, N.A.
as Bank for payment transactions submitted from the Company's retail locations in Puerto Rico

By: _____

Name: _____

Title: _____

Date: _____

MetaBank
as Bank and Debit Sponsor Bank under Section 2.5

By: _____

Name: _____

Title: _____

Date: _____

Acquiring Fee Schedule

1 Acquiring Fees

The Company will pay First Data the fees described below (**Acquiring Fees**) for the Acquiring Services. The Acquiring Fees are based on the Company's business methods and the types of transactions it will submit for processing that the Company disclosed to First Data. First Data may modify the Acquiring Fees if the Company materially changes its business methods or the types of transactions that it submits for processing.

Acquiring Fees	Amount	Driver
a. Transaction Fee[1,2]	$0.0350	per authorization
b. Monthly Settlement Surcharge	0.03%	of total sales dollars
c. Authorization (Voice)[3]	$1.00	per call
d. Authorization (IVR)[3]	$0.25	per IVR call
e. Address Verification Fee	Waived	per address verification
f. Chargeback	$5.00	per chargeback
g. Retrieval	$5.00	per retrieval
h. Adjustment	$2.50	per adjustment
i. ACH Deposit	$0.20	per deposit
j. ACH Reject	$20.00	per rejection
k. Wire Deposit	$8.00	per wire
l. ClientLine Reporting	Waived	per month
m. Paper Statement	$10.00	per statement
n. Imprinter (includes plate)	$15.00	per imprinter
o. Activation	$35.00	per POS terminal (Buypass only)
p. Down-line Loads (full)	$4.50	per load
q. Down-line Load (partial)	$2.00	per load
r. Implementation Fee	Waived	per project
s. Application Fee	Waived	per application
t. Maintenance Fee	Waived	per month
u. Merchant ID Set-Up Fee	Waived	per MID
v. Merchant ID Monthly Fee	Waived	per MID
w. PCI Compliance Program Fee (per MID)	$99.00	per year
x. PCI Non-Compliance Fee (per MID)	$19.99	per month
y. Custom Reporting	$100.00	per hour
z. Custom Report (recurring reports)	$25.00	per report

[1] This amount is charged for each authorization attempt (whether approved or declined), purchases, reversals, or returns.

[2] Discover charges settlement processing fees separately to the Company under separate agreements that Discover has with Company. Company will pay American Express the fees set forth in Schedule 4.

[3] This fee is in addition to the applicable transaction fee.

2 Network Fees

The Networks and other third parties impose fees on the Company's transactions, some of which are charged to First Data. The Company will pay First Data for all fees and charges that are imposed by the Networks and other third parties (together Network Fees) on the gross amount of Company's transactions that are processed using the Acquiring Services. The Networks and other third parties may modify their Network Fees during the Term of this Agreement. Modifications to the Network Fees will be effective on the dates set by the Networks or other third parties. Network Fees are in addition to the Acquiring Fees and include:

Interchange
Excessive Chargebacks
Dues and Assessments
Access Fees
Debit Network Fees
Other Fees (including Network Security Fees)

Service Level Agreement Schedule

1 **Rapid Connect Service Level.** The Rapid Connect Switch will be available 24 hours per day, 7 days per week for 99.95% of the total minutes in the month. Outages attributed to third party networks and communications carrier outages, and scheduled maintenance will be excluded from this measurement. Company impacts resulting from Company not implementing First Data's recommended connectivity standards will be excluded from this measurement.

2 **Clover Service Level.** The Clover System will be available for the retrieval or sending of transmissions 24 hours per day, 7 days per week, excluding downtime during scheduled system maintenance or Company-caused and/or third party-caused incidents and non-Fiserv caused issues, for 99.9% of the month.

3 **Nashville Service Level.** The Authorization System will be available to respond to authorization inquiries 24 hours per day, 7 days per week for 99.95% of the total month. Company authorizations during periods when third party networks, issuers, associations and communications carrier outages, slow responses and scheduled maintenance occur will be excluded from this measurement.

Response and Resolution Schedule

A. Urgency Level Guidelines

1. An incident is designated to be an Urgency 1 incident (**U1**) where the incident results in:
    a. Complete loss of a core organizational or business process where work cannot reasonably continue
    b. High impact on organizational or business processes
    c. Degradation of a critical resource that affects a service level to a customer or customer facing employee
    d. Non-compliance with federal regulations, has a potential financial or opportunity loss, or has cross regional impact.
2. An incident is designated to be an Urgency 2 incident (**U2**) where:
    a. An acceptable workaround or secondary processing capability has been implemented but services need to be restored to BAU within 24 hours.
    b. The incident has the potential to impact SLAs, but there is no financial or customer impact
    c. An effective resolution appears to be within standard Service Level Agreements.
3. An incident is designated to be an Urgency 3 incident (**U3**) where the incident:
    a. Has no customer impact but may have impact to non-critical applications or hardware and needs to be addressed

B. U1 Response Process and Service Restoration Timelines

1. **U1 Response Process:**
    a. Company will call the First Data Command Center 24x7 line to report the issue.
    b. For U1 incidents, within 30 minutes of Company's call, First Data will use commercially reasonable efforts to provide the following response:
        i. The Command Center will open an incident report identifying the designated IT support team.
        ii. The Command Center will make direct contact with the designated on-call IT support team.
        iii. The Command Center will send out internal business notification alerts/emails regarding the reported issue and identify the personnel working on the issue.
        iv. The personnel working on the issue will alert the First Data business teams of the escalation.
        v. The Command Center will apply urgency level guidelines set forth above to establish the initial urgency level designation based on known impact.
2. **Service Restoration**
    a. **Service Restoration** means that impact from the incident has ceased and service has been restored.
    b. First Data will use commercially reasonable efforts to provide Service Restoration within the following timeframes:
        i. **U1: <5 hours**
        ii. **U2: <24 hours**
        iii. **U3: <72 hours**

C. This schedule may be adjusted over time as First Data adjusts processes to align with current business needs and industry best practices.

Schedule 1
TransArmor Service Schedule

This Schedule adds the TransArmor Service Schedule to the Payment Solutions Agreement (**Agreement**) between First Data and Company. The terms of the Agreement and this Schedule apply to the TransArmor Service, but if anything in this Schedule conflicts with the Agreement, this Schedule will control. The TransArmor Service is a **Service** under the Agreement and is provided by First Data and not by Bank. Bank is not a party to this Schedule and is not liable to Company in connection with the Service or this Schedule.

Capitalized words or phrases not defined in this Schedule use the definitions given to them in the Agreement.

The parties agree as follows:

1. TransArmor Services.

1.1. First Data will provide the Company an encryption key or other encryption capability that will encrypt (make unreadable) Card data when submitting an authorization request from the Company's point of sale terminals to First Data's systems. During the period when the transaction is being transmitted to First Data for authorization processing, Card number and full magnetic stripe data (track data and expiration date), will be encrypted. First Data will then generate a Token or retrieve a Multi-Pay Token assigned to the Card number and return the Token or Multi-Pay Token to the Company in the authorization response. These encryption and tokenization services are the **TransArmor Services**. A **Token** is an alpha-numeric value that: (1) is randomly generated when a Card number is initially submitted by the Company for authorization processing; (2) becomes associated with the Card within First Data's systems; and (3) may not be retrieved by First Data within its systems in connection with processing future transactions involving the same Card number when submitted by the Company for authorization processing. A **Multi-Pay Token** is a specific alpha-numeric value that is: (a) randomly generated when a Card number is requested to be registered by the Company as the Company's specific Token upon receipt of Cardholder approval to register the Card number; (b) becomes associated with the Company and the Card within First Data's systems; (c) can be stored by the Company in the Company's systems in lieu of the Card number; (d) can be used to initiate a transaction submitted by the Company that registered the Token for authorization processing for Cardholder initiated or recurring payments; (e) may be retrieved by the Company within its systems in connection with processing future Transactions involving the same Card number or Registered Token when submitted by the Company for authorization processing; and (f) is returned to the Company from First Data's systems as part of the Register PAN response and/or authorization response. As an option to assist Company with ensuring Company's systems obtain compliance validation by the PCI Council (PCI DSS compliance validation), Company may elect to subscribe to First Data's PCI Council validated Point to Point Encryption **(P2PE)** listed solution that provides for end to end and point to point encryption of Card data.

1.2. The TransArmor Service applies only to Card transactions sent from the Company to First Data for authorization and interchange settlement pursuant to the Agreement, and specifically excludes electronic check transactions, STAR contactless transactions read in contactless mode, Wright Express Transactions, Voyager Transactions, and other Card types that are not capable of being Tokenized. First Data and the Company may agree to include additional transaction types in the TransArmor Service when made available by First Data. If the Company enters Card data into a point of sale device that does not support the TransArmor Service, this Card data will not be encrypted during the period when the transaction is being transmitted to First Data for authorization processing and the Company assumes all risk associated with its transmission if Card data is stolen during transmittal to First Data's systems.

1.3. ***The TransArmor Services described in this Schedule are provided by First Data and not the Bank. The Bank has no performance obligations or liabilities to the Company in connection with the TransArmor Services.***

2. PCI DSS Limitations.

2.1. Use of the TransArmor Service will not, on its own, cause the Company to be compliant with, or eliminate the Company's obligation to comply with PCI DSS or any other Network Rules. The Company must demonstrate and maintain a current PCI DSS compliance certification. The Company's compliance must be validated either by a Qualified Security Assessor (QSA) with corresponding Report on Compliance (ROC) or by successful completion of the applicable PCI DSS Self-Assessment Questionnaire (SAQ) or Report on Compliance (ROC); and, if applicable to Company's business, passing quarterly network scans performed by an Approved Scan Vendor. Company must successfully achieve and maintain the above requirements to obtain PCI DSS compliance validation.

2.1.1. Company may elect to have First Data assist in the PCI DSS compliance validation of Company's systems and retain Company's attestation of compliance to store within First Data's systems, as a record of Company's PCI DSS compliance validation (collectively, **PCI ComplyAlly Service**). Fees for the PCI ComplyAlly Service are in addition to the fees for TransArmor Services and other fees charged to process the Company's transactions under the Agreement.

2.2. Use of the TransArmor Service is not a guarantee against an unauthorized breach of Company's point of sale systems or any facility where the Company processes or stores transaction data (together, **Company Systems**).

3. Intellectual Property. First Data reserves all right, title, interest, or license (express or implied) to the TransArmor Services, Token, Multi-Pay Token, or associated intellectual property that it provides to the Company in connection with the TransArmor Services. Except as allowed under this Agreement, Company will not otherwise use, reverse engineer, decompile, distribute, lease, sublicense, sell, modify, copy or create derivative works from the TransArmor Services, Token, Multi-Pay Token, P2PE solution or associated intellectual property.

4. TransArmor Limited Warranty. Subject to the terms of this Schedule, First Data warrants that the Token or Multi-Pay Token, as applicable, returned to the Company as a result of using the TransArmor Service cannot be used to initiate a financial sale transaction by an unauthorized entity or person outside the Company Systems. This warranty is the "**TransArmor Limited Warranty**." To be eligible for the TransArmor Limited Warranty, the Company must maintain a processing relationship with First Data and be in compliance with all the terms of the Agreement, this Schedule, and any other agreements relating to Cards that are eligible for the TransArmor Service that impact the security of Tokens or Multi-Pay Tokens. Subject to the Agreement's terms, including its limitations of liability, First Data will indemnify the Company for direct damages, including third party claims, resulting from First Data's breach of the TransArmor Limited Warranty, which is (1) the Company's express and sole remedy for First Data's breach of the TransArmor Limited Warranty, and (2) First Data's entire liability for its breach of the TransArmor Limited Warranty. The TransArmor Limited Warranty is void if (1) the Company uses the TransArmor Service in a manner not contemplated by, or in violation of, the Agreement, this Schedule, or any other agreement relating to Cards that are eligible for the TransArmor Service; or (2) the Company is grossly negligent or engages in intentional misconduct.

5. Fees. The Company will pay First Data the fees described below (**TransArmor Fees**) for the TransArmor Services. The TransArmor Fees are in addition to the other fees charged to process the Company's transactions under the Agreement.

TransArmor Fees	Amount	Driver
TransArmor Transaction Fee	$0.0120	per transaction
Multi-Pay Token Transaction Fee	$0.0120	per transaction
Multi-Pay Token Registration Fee	$0.0120	per request
TransArmor Monthly Transaction Fee Minimum	N/A	per month
TransArmor Per Device One Time Activation Fee	N/A	per device
TransArmor P2PE Transaction Fee	N/A	per transaction
PCI ComplyAlly Service Fee	N/A	per year
Registered PAN[1] Fee	N/A	per registration
Legacy Data Conversion[2] Fee	$0.0100	per record converted

*1: A **Registered PAN** is the process of creating a Company specific Token for a Card's primary account number.*
*2: **Legacy Data Conversion** is the process by which the Company's historical information containing Card primary account numbers prior to implementation of TransArmor will be delivered to First Data by the Company and converted to information containing a Token or Multi-Pay Token, as applicable.*

6. TransArmor Rules and Procedures.

6.1. The Company must ensure that all third parties and software used by the Company in connection with the Company's payment card processing are compliant with PCI DSS.

6.2. The Company must deploy the TransArmor Service (including implementing any upgrades to such service within a commercially reasonable period of time after receipt of such upgrades) throughout the Company's Systems including replacing existing Card numbers on the Company's Systems with Tokens or Multi-Pay Tokens, as applicable. Full Card numbers must never be retained, whether in electronic form or hard copy.

6.3. The Company must use the Token or Multi-Pay Token, as applicable, in lieu of the Card number for ***all*** activities subsequent to receipt of the authorization response associated with the transaction, including settlement processing, retrieval processing, chargeback and adjustment processing, and transaction reviews.

6.4. Any point of sale device, gateway, or value-added reseller used by the Company in connection with the TransArmor Service must be certified by First Data for use with the TransArmor Service.

6.5. If the Company sends batch files containing completed Card transaction information to/from First Data, the Company must utilize the service provided by First Data to enable such files to contain only Tokens or Multi-Pay Tokens, as applicable, or truncated information.

6.6. The Company must utilize truncated report viewing and data extract creation within reporting tools provided by First Data.

6.7. The Company will only use the TransArmor Service for the Company's internal business purposes in a manner consistent with the Agreement and this Schedule.

6.8. The Company will use only unaltered version(s) of the TransArmor Service and will not use, operate, or combine the TransArmor Service or any related software, materials or documentation, or any derivative works thereof, with other products, materials, or services in a manner inconsistent with the uses contemplated in this Schedule.

6.9. The Company must obtain a Cardholder's written or electronic consent to store a Multi-Pay Token to represent the Cardholder's Card number for future purchases.

6.10. The Company must store the Multi-Pay Token in the Company Systems in lieu of the Card number for all Cardholder profile records.

6.11. The Company must require Cardholders to log into their Cardholder profile in order to initiate a Transaction with the Registered Token. This login must require two factors authentication, such as a User ID and password.

6.12. If the Company ends its processing relationship with First Data, the Company must permanently delete all Tokens or Multi-Pay Tokens, as applicable, from all Company Systems within 90 days after termination or expiration of the processing relationship.

6.13. Company must comply with (a) First Data's requirements outlined in the P2PE Implementation Manual (**PIM**) and (b) PCI Council requirements in Company's use of the TransArmor P2PE service for Company Systems to be P2PE validated, including but not limited to Company's use of First Data's approved validated key injection facilities. Additionally, Company is also responsible to keep track of all Company Systems for the following states: (1) in secure storage awaiting deployment, (2) deployed/in service, (3) disabled/out for repair, (4) decommissioned and returned for secure destruction and (5) in transit; and to regularly manage Company Systems inventory at the minimum of once per year to maintain P2PE validation.

Schedule 2
Smart Routing[SM] Services Schedule

This Schedule adds the Smart Routing Service to the Payment Solutions Agreement (**Agreement**) among Bank, First Data, Wells Fargo Bank, N.A., and Company. The terms of the Agreement and this Schedule apply to the Smart Routing Service, but if anything in this Schedule conflicts with the Agreement, this Schedule will control. The Smart Routing Service (including its components) is a **Service** under the Agreement and is provided by First Data and not by Bank. Bank is not a party to this Schedule and is not liable to Company in connection with the Service or this Schedule.

Capitalized words or phrases not defined in this Schedule use the definitions given to them in the Agreement.

1 Service Description

1.1 The Service is designed to provide Company with "least-cost billing" (as described below) for eligible debit transactions that Company submits to First Data for authorization and settlement (**Eligible Debit Transactions**).

1.2 Company delegates to First Data the authority to determine where to route Eligible Debit Transactions. Subject to (1) applicable legal requirements, (2) First Data's system capabilities and configurations, and (3) network requirements and changes, First Data will use its discretion in routing Eligible Debit Transactions over available networks.

1.3 Subject to *Section 1.4*, regardless of where First Data actually routes Eligible Debit Transactions, the interchange and network fees that Company pays (in the aggregate) for Eligible Debit Transactions will be based on the lowest published interchange and network fees charged by any debit network that (1) First Data supports, and (2) is enabled for the payment factor used to initiate an Eligible Debit Transaction.

1.4 The Service will not be available and First Data will not be required to apply "least-cost billing" (as described in *Section 2.3*) (1) until implementation of the Service for Company is complete, (2) during system or network down-times, (3) if First Data does not have access to network pricing information at the time of authorization, (4) if the final amount of a debit transaction is not known at the time of authorization, or (5) if any law or regulation dictates the network to which a debit transaction must be routed.

2 Fees

2.1 Company will pay the following fee for the Service:

Fee	Amount	Driver
Debit Smart Routing Fee	$0.005	per transaction

2.2 In addition to the Service fee, Company will pay all fees, charges, liabilities, or obligations a network imposes in connection with your Eligible Debit Transactions, including (1) interchange and network fees (such as access fees, file fees, and switch fees), (2) assessments (such as dues, issuer reimbursements, fines, penalties, and fraud recovery losses), and (3) adjustments/chargebacks.

3 Disclaimer

First Data makes no promise, and disclaims all warranties of any kind (express or implied), that (1) Company's use of the Service will result in Eligible Debit Transactions being routed to the least-cost network, (2) the interchange and/or network fees applicable to each Eligible Debit Transaction individually will be the lowest interchange or network fees available, (3) Eligible Debit Transactions will be routed to a particular network, or (4) the Service will operate uninterrupted or error-free.

4 Term and Termination

This Schedule begins on the latest date that appears in the signature block and continues in effect until (1) the Agreement expires or terminates, in which case, this Schedule will automatically terminate, or (2) Company terminates this Schedule by giving First Data at least 30 days' advance written notice.

Schedule 3

Clover Services and Clover Equipment Addendum

This Clover Services and Clover Equipment Addendum (**Addendum**) is between First Data and Company.

1 Background

1.1 This Addendum adds the Clover Services (defined below) to the Payment Solutions Agreement (**Agreement**) among First Data, Company, Wells Fargo Bank, N.A., and Bank. The terms of the Agreement and this Addendum apply to the Clover Services, but if anything in this Addendum conflicts with the Agreement, this Addendum will control. The Clover Services are **Services** under the Agreement and are provided by First Data and not by Bank. Bank is not a party to this Addendum and is not liable to Company in connection with the Clover Services or this Addendum.

1.2 Capitalized words or phrases that are not defined in this Addendum use the definitions give to them in the Agreement.

2 Services Description

2.1 First Data will provide Company with software applications (**Clover Services**) that reside on Clover-branded point-of-sale equipment (**Clover Equipment**) or on other devices or form factors that First Data periodically designates. First Data will also give Company access to a website associated with the Clover Services. The applications that make up the Clover Services may reside on the Clover Equipment when Company receives it, or Company may download the applications during or after initial set-up. The applications (and their functionality) that make up the default Clover Services may vary from time to time.

2.2 The Clover Services may provide Company with access to the Clover App Market and links to software applications that Company may obtain from developers (**Apps**). ***Although designed to function with the Clover Services, these Apps are not part of the Clover Services.*** Developers provide Apps directly to Company. Company must execute separate agreements with the App developers in order to use the Apps. Company acknowledges that Company is solely responsible for its use of all Apps, compliance with corresponding agreements for Apps, and any associated fees or charges for the Apps.

2.3 If Franchisor designates Apps that Franchisor wants pre-installed and enabled with Company's Clover Services, by accepting and using the Clover Equipment, Company authorizes First Data to (1) accept the developer's agreements (which govern Company's use of their applications), (2) pre-install or install the designated Apps, and (3) enable the designated Apps, all on Company's behalf.

2.4 ***Company uses Apps at its own risk. First Data is not responsible for, makes no representations or warranties related to, and disclaims all liability for the Apps, their content, advertising, additional hardware or peripheral requirements, or additional goods or services provided through them, all of which are the responsibility of the App developers.***

2.5 The Clover Services will support electronic communications with Company's customers (for example, sending digital transaction receipts, marketing, or other materials via email or text). These customers must provide their consent and enter their email address or phone number when prompted by the Clover Services in order to receive electronic communications from Company, Clover Networks, Inc.

(**Clover**), or a third party (such as an App developer) through the Clover Services. ***Company may not independently provide or modify a customer's consent.*** Company must send electronic communications to its customers via the Clover Services by using the contact information those customers provide. Some state laws may impose limitations on how Company may use its customers' contact information through the Clover Services, and Company is responsible for knowing and following those laws and limitations.

2.6 Company will provide accurate information when creating Company's member or merchant account (**Account**) for the Clover Services and will update this information periodically so that it remains accurate. Clover collects all information or transaction data that Company provides in connection with its Account through the clover.com website or when using the Clover Services (together, **Account Information**). Account Information will be managed according to the Agreement and Clover's privacy policy (available at clover.com/privacy-policy). Company authorizes First Data to access its Account Information in connection with providing the Clover Services or other supported Services under the Agreement.

2.7 Company is responsible for maintaining the confidentiality of the account numbers, passwords, security questions and answers, login details, and other information (together, **Credentials**) needed to access its Account or Account Information. First Data will rely on Company's Credentials to authenticate access to Company's Account or Account Information. Company must notify First Data immediately if it becomes aware of any loss or theft of, or unauthorized access to, its Credentials, Account, or Account Information. First Data may deny any access to Company's Account or Account Information if it believes someone is misusing Company's Credentials.

2.8 The Clover Services will support offline payment transactions and point-of-sale activities. Payment transactions that Company processes while offline will be held and submitted for authorization when Internet connectivity with the Clover systems is restored. If Company chooses to conduct offline payment transactions, it does so at its own risk and will be solely responsible for all risks (such as subsequent transaction denials) associated with any offline payment transactions that Company accepts.

2.9 First Data will provide Company documentation, periodic updates, and an operating guide for the Clover Services. Periodic updates may include maintenance releases or bug fixes, and First Data may make the operating guide available via the Internet. Maintenance or bug fixes for the Clover Services may result in service interruptions, delays, or errors. First Data will not be liable to Company for any service interruptions, delays, or errors that result from maintenance or bug fixes for the Clover Services. First Data may contact Company or access Company's Account, Account Information, or transaction information and payment data in order to identify errors or perform maintenance for the Clover Services.

3 Clover Equipment

3.1 Franchisor has purchased the Clover Equipment from First Data, and Company will purchase the Clover Equipment selected in the table in Exhibit A of this Addendum from Franchisor directly. First Data is not responsible for choosing Clover Equipment that meets Company's needs.

4 Limited Warranty

4.1 First Data warrants that the Clover Equipment will be free from manufacturer-induced defects in materials or workmanship for fifteen months (**Warranty Period**) beginning on the date that First Data, or its designee, shipped the Clover Equipment to Franchisor. This limited warranty is the **Clover Equipment Limited Warranty**. Company must contact Franchisor regarding the date that First Data shipped Company's device to Franchisor to determine the Warranty Period for Company's Clover Equipment.

4.2 The Clover Equipment Limited Warranty does not:

(1) Include a warranty that the Clover Equipment will operate uninterrupted or error free;

(2) Apply to the Clover Services, any Apps, or any other software or peripherals used in connection with the Clover Equipment;

(3) Cover accident, damage to, or misuse of the Clover Equipment, including damage resulting from smashed or cracked units or screens; extraneous materials in the interior of the unit (such as hair, soil, or dust); contact with liquids; missing unit covers; fire damage; melted or burnt units; cosmetic damage (such as scratches, dents, or broken plastic on ports); improper or inadequate maintenance by Company (or Company's vendors); other visible damage; or Company's breach of this Addendum; or

(4) Apply to defects or damage resulting from software, interfaces, or supplies First Data does not provide; negligence, accident, or acts of nature (including flood or lightning damage); loss or damage in transit; improper site preparation by Company (or Company's vendors); failure to follow written instructions on proper use of the Clover Equipment; unauthorized modification or repair; or normal wear and tear.

4.3 Company may not transfer the Clover Equipment Limited Warranty to any third parties.

4.4 Company will contact First Data's support center for assistance with defective Clover Equipment. First Data will provide a Return Merchandise Authorization (**RMA**) call tag to Company if First Data deems Clover Equipment defective during the Warranty Period. Company may use the RMA to ship the defective Clover Equipment to First Data's repair facility. Company is responsible for all return shipping costs to First Data's repair facility. First Data will arrange for defective Clover Equipment covered by the Clover Equipment Limited Warranty to be repaired or replaced and shipped back to Company at no additional charge. First Data warrants replacement hardware for the remainder of the Warranty Period corresponding to the original Clover Equipment.

5 Fees

5.1 Company will pay (a) to First Data any Clover Services fee as reflected in the Clover App Market and (b) to Franchisor the Clover Equipment fees determined by Franchisor. Clover Services fees and Clover Equipment fees do not include any fees that First Data charges under the Agreement for payment processing/acquiring or for other Services provided to Company.

5.2 Developers of applications in the Clover App Market charge fees separate from the Clover Services or Clover Equipment. Company is responsible for paying all fees for Clover App Market applications to the

developers. Company authorizes Clover to collect all Clover App Market application fees on behalf of their developers.

6 Term, Termination, and Changes

6.1 This Addendum begins on the latest date that the Agreement is fully executed and continues in effect until the Agreement expires or terminates, in which case, this Addendum will automatically terminate.

6.2 First Data may suspend or terminate the Clover Services if:

(1) Company uses the Clover Services for any fraudulent, illegal, or unauthorized purpose or provides inaccurate or false information related to its Account; or

(2) First Data terminates its agreements with any third parties involved in providing the Clover Services.

6.3 A breach of this Addendum constitutes an Event of Default under the Agreement.

6.4 First Data may update or modify the Clover Services or amend this Addendum periodically by providing notice to Company. Company's use of the Clover Services after update, modification, or amendment will constitute Company's acceptance of the change.

7 Intellectual Property

7.1 First Data grants Company a revocable, limited, non-exclusive, non-transferrable, non-sub-licensable, royalty-free license during the term of this Addendum to use the Clover Services and related documentation in the United States to operate Company's business and conduct point-of-sale activities. Company will not decompile, disassemble, reverse engineer, or otherwise attempt to discover the Clover Services' source code, ideas, or algorithms. Company may not:

(1) Distribute, lease, sell, republish, modify, copy, alter, or create derivative works from the Clover Services or related documentation;

(2) Access any part of the Clover Service that First Data does not intend for Company's use;

(3) Use the Clover Services through any time-sharing, service bureau, network, consortium, or other multiparty access structure;

(4) Remove, relocate, or otherwise alter any proprietary rights notices from the Clover Services, Clover Equipment, or Clover Marks (defined below);

(5) Export the Clover Services outside the United States; or

(6) Impose unreasonably large loads on First Data's infrastructure, networks, or bandwidth.

7.2 First Data reserves to itself (or its licensors, as applicable) all right, title, interest, and license (express or implied) to the Clover Services that are not specifically granted to Company under this Addendum. Company may not use the Clover logos, trademarks, or service marks (together, **Clover Marks**) in any manner (such as advertisements, displays, or press releases) without First Data's prior written consent.

Any challenge to First Data's ownership of the Clover Services is a breach of this Addendum and an Event of Default under the Agreement.

7.3 Company may submit comments or ideas about the Clover Services or Clover Equipment (including ideas about improving them). Company's comments or ideas about the Clover Services or Clover Equipment are not Confidential Information and do not constitute Company's intellectual property. First Data may use or disclose Company's comments or ideas about the Clover Services and Clover Equipment without compensating or sending notice to Company.

8 Electronic Communications

8.1 Company agrees that while this Addendum is in effect, First Data can:

(1) Contact Company using electronic communication methods (such as email, SMS/text messaging, fax, live agent calls, automatic telephone dialing system, or artificial/pre-recorded voice messages), including for marketing purposes;

(2) Give Company legal disclosures electronically, including disclosures required by law, notices about the Clover Services or Clover Equipment that are required or permitted under this Addendum or the Agreement, and other information about your legal rights and obligations; and

(3) Give Company billing statements and other information about the Clover Services or Clover Equipment electronically.

8.2 Company also agrees that First Data may contact Company using information or telephone number(s) that Company provides to First Data (including landline or mobile numbers) even if the numbers have been registered on a Do Not Call list or similar non-solicitation registry.

Exhibit A

Model	**Item**
N-FDMINYJ3LTE + N-FDMINYJ3A-KIT	Clover Mini WIFI & LTE w/ Accessor Kit
One-Time Fees	
D-I-CLVRMINI	Clover Mini WIFI & LTE w/ Accessory Kit - Deployment

Schedule 4
American Express Card Acceptance Service Schedule

This Schedule adds the American Express Card Acceptance service to the Payment Solutions Agreement (**Agreement**) among First Data, Bank, and Company. The terms of the Agreement and this Schedule apply to the American Express Card Acceptance Service, but if anything in this Schedule conflicts with the Agreement, this Schedule will control. The American Express Card Acceptance (including its components) is a **Service** under the Agreement and is provided by First Data and not by Bank. Bank is not a party to this Schedule and is not liable to Company in connection with the Service or this Schedule.

Capitalized words or phrases not defined in this Schedule use the definitions given to them in the Agreement.

The parties agree as follows:

1 Definitions

American Express Card or Card means, for purposes of this Schedule, a Card issued by and bearing the American Express Brand of American Express.

American Express Brand means the marks of American Express and its affiliates.

Amex Transaction Data means all information required by American Express evidencing one or more transactions, including information obtained at the point of sale, information obtained or generated during authorization and submission, and any chargeback.

Cardholder means the person whose name is embossed on an American Express Card and any authorized user of such American Express Card, including the person that has entered into an agreement establishing an American Express Card account with an Issuer. Some Networks may refer to Cardholder(s) as Card Member(s).

Charge or Charges means a payment or purchase made on a Card.

Establishments means any or all of your (or your affiliates') locations, outlets, websites, online networks, and all other methods for selling goods and services, including methods that you adopt in the future. References to "locations" elsewhere in the Agreement include this definition but only for purposes of the Amex Card Acceptance Services and American Express Card Transactions.

Transaction means a Charge or Credit completed by the means of a Card.

2 Service

The acquiring services (including authorization, processing, and settlement) that you receive for your American Express Card Transactions (Amex Card Acceptance Services) are provided by First Data and not by Bank. The parties acknowledge and agree that Bank is not a party to this Schedule insofar as it applies to the Amex Card Acceptance Services, and Bank is not liable to you in any way with respect to such Amex Card Acceptance Services.

3 Compliance with American Express Rules and the American Express Operating Guide.

3.1 You agree that your acceptance of American Express Cards will comply with the policies and procedures set forth in this Schedule, the American Express OptBlue Program Operating Regulations (**OptBlue Regulations**), and the American Express Merchant Operating Guide (**Amex Guide**) which sets forth the rules for American Express Card Transactions (**Amex Rules**), as may be amended by American Express. The then-current version of the Amex Rules is available to you at www.americanexpress.com/merchantopguide. Any capitalized terms not otherwise defined in this Schedule have the meaning given to them in the Amex Guide or OptBlue Regulations.

3.2 You agree to assume financial liability for all settlement activity, including Chargebacks and Credits, as defined in the Amex Guide. You are also liable for all other acts, omissions, and Cardholder customer service-related issues. You may not transfer such financial liability by asking or requiring Cardholders to waive their dispute rights.

3.3 You must meet the following criteria: (a) your Total Annual American Express volume, as indicated under **Information About Your Payment Types**, is less than $1,000,000; (b) your business is not of a merchant category type prohibited by American Express; and (c) you are not a franchisee of any franchise excluded by American Express from eligibility for the OptBlue Program.

3.4 After initial qualification, you must continue to meet American Express's criteria for the OptBlue Program. Currently, these criteria (each, a **Continuing Qualification Threshold**) are: (a) the total volume of American Express Card Transactions in any rolling 12 month period for all your Establishments is not more than $1,000,000, and (b) the total monthly volume of American Express Card Transactions for all your Establishments for any 3 consecutive months does not exceed $100,000 per month.

3.5 If you fail to meet the Continuing Qualification Thresholds, we may notify you of your conversion to a direct American Express Card acceptance relationship with American Express. In this event, you agree that once this conversion occurs (a) you will be bound by American Express's then-current Card Acceptance Agreement with respect to American Express Transactions, (b) American Express will set pricing and other fees payable by you for American Express Card acceptance, and (c) you will no longer be able to participate in the OptBlue Program through us. However, we may continue to provide authorization and processing services, but not settlement services, to you for your American Express Card Transactions.

4 Term; Termination

4.1 This Schedule begins on the latest date that appears in the signature block. This Schedule will continue until the Agreement expires or terminates. First Data may terminate this Schedule at any time if First Data ceases to offer the selected Services.

4.2 In addition to the termination rights set forth in the Agreement, American Express has the right to modify this Schedule with respect to American Express Card Transactions or to terminate your acceptance of American Express Card Transactions and to require First Data to investigate your activities with respect to American Express Card Transactions.

4.3 Upon termination of the Agreement or your participation in the Amex Card Acceptance Services, you shall remove the American Express Brand from wherever such marks may be displayed, including your website.

5 Rates/Fees

The fees related to the American Express Card Acceptance Services will be interchange and all American Express Card fees on a straight pass-through basis plus 0.10% of transaction value.

6 American Express Transaction Data

The Amex Transaction Data you are required to collect in connection with a Transaction must be provided directly to you by the American Express Cardholder. You must not accept Amex Transaction Data from, nor are you permitted to provide Amex Transaction Data to, any third parties other than your covered parties (as defined in the Data Security Operating Policy). If you fail to comply with this requirement, in addition to other rights and remedies regarding "monitoring," you may be charged a fee as indicated in the American Express Program Pricing Guide, and we may suspend Card acceptance privileges at your Establishments or terminate the Agreement. For Cardholder Transactions involving payment or "e-wallet" accounts (which Cardholder created by providing their information when the account was established), the necessary Amex Transaction Data has already been provided directly by the Cardholder, and you are not required to have the Cardholder re-enter the Amex Transaction Data.

7 Disclosure and Use of Data Collected Under Agreement

We may disclose to American Express all data and information you provide and that we collect as part of performing any Amex Service or any other Service related to your American Express Card Transactions (**Collected Data**). American Express may use and share Collected Data (a) to screen and/or monitor you in connection with Card marketing and administrative purposes, (b) to perform its responsibilities in connection with your acceptance of American Express Cards, (c) to promote the American Express Network, (d) to perform analytics and create reports, and (e) for any other business purpose, including marketing, as permitted by applicable Law. American Express uses reasonable administrative, technical, and physical security measures to protect your information, consistent with the sensitivity of the information.

8 Reserved.

9 Consent for American Express to Contact You by Phone, e-Mail, Text, or Fax

American Express may call you or send you communications or materials via email, text, fax, or other electronic means about American Express services and resources available to you. You consent to receive auto-dialed, automated, or pre-recorded calls or communications (including text messages) at the telephone number(s) you have provided. If you provide a fax number, you consent to receive fax communications from American Express. You acknowledge that by giving these consents, the calls made to you or the communications sent to you by American Express may be subject to charges or fees by your telecommunications or other applicable service Provider, and you agree that any charges or fees are your responsibility to pay. You also acknowledge that these consents are not a condition of receiving Amex Card Acceptance Services.

10 Opt-Out

You may opt out of receiving marketing-related communications and materials from American Express by calling First Data's customer service number. If you have opted out, you may still receive messages or communications from American Express related to important information about the Amex Card Acceptance Services or other American Express products, services, and resources available to you.

11 No Assignment of Payments

You agree not to assign to any third party any payments due to you under the Agreement as the result of American Express Card Transactions, and all indebtedness arising from Charges will be for bona fide sales of goods and/or services at your Establishments free of liens, claims, and encumbrances (other than ordinary sales taxes). You may, however, sell and assign future Transaction receivables to First Data or to any other funding source that partner's with First Data.

12 Third Party Beneficiary Rights

American Express is a direct and intended third party beneficiary of the Agreement (including this Schedule) and may enforce any terms of the Agreement that apply to American Express, including American Express Card acceptance and transaction processing, directly against you.

13 Your Right to Opt Out of American Express Card Acceptance

You may opt out of accepting American Express Cards at any time without affecting your right to accept any other payment type First Data supports.

14 Collections from American Express Cardholders

You may not bill or collect from any American Express Cardholder for any purchase or payment on the American Express Card unless a Chargeback has been exercised, you have fully paid for the Charge, and you otherwise have the right to do so.

15 American Express Excessive Disputes

You may be subject to various fees and assessments as set forth in the Schedule of Fees or in the American Express Program Pricing Guide, including fees for excessive disputes. Some fees and assessments are for special products or services, while others may be applied based upon non-compliance with American Express policies and procedures. Many non-compliance fees and assessments can be avoided by correcting the actions that are causing the non-compliance.

16 American Express Right to Modify or Terminate Agreement

American Express has the right to modify the Agreement with respect to American Express Card Transactions or to terminate your acceptance of American Express Card Transactions and to require us to investigate your activities with respect to American Express Card Transactions. Upon termination for any reason, you must immediately remove American Express licensed marks from your website and wherever else they are displayed upon termination or upon your termination from the Amex Card Acceptance Services.

17 Indemnification

You acknowledge and agree that your obligations under the Agreement to indemnify and hold us harmless from and against certain losses, liabilities, damages and expenses obligations identified in the Agreement, hereby also apply to American Express.

18 *Disclaimer of Warranties*

In addition to the disclaimers set forth in the Agreement, First Data makes no representations, warranties or covenants, express or implied, with regard to the American Express card acceptance including the uninterrupted or error-free operation of the American Express card acceptance or non-infringement.

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT L: GIFT CARD PARTICIPATION AGREEMENT

PARTICIPATION AGREEMENT

This Participation Agreement (the "Agreement") is made by and between Regis Corporation ("Regis") and the following franchisee (the "Participant"):

Individual Name(s): _____

Entity Name (if any): _____

WHEREAS, Participant owns and operates the hair salon(s) set forth on Exhibit A hereto (the "Store(s)") pursuant to a franchise agreement(s) ("Franchise Agreement") with Regis, or one of its subsidiaries or affiliates ("Franchisor").

WHEREAS, Regis and SVS have entered into that certain Services Agreement (the "Services Agreement") dated April 1, 2005, for SVS to provide services in connection with Franchisor's Cash Card Program whereby Cash Cards are issued to customers for use as gift certificates, promotional cards and store credit; and

WHEREAS, the Services Agreement provides that Participant may participate in the Cash Card Program by executing this Participation Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Participant hereby covenants and agrees as follows:

1. Participation in Cash Card Program. By entering into this Agreement, Participant elects and agrees to participate in the Cash Card Program and agrees to be bound by the terms and provisions of the Services Agreement applicable to Participant, as the same may be amended from time to time, including without limitation, its obligation to make payment of all amounts owed by Participant in connection with the Cash Card Program. If Participant elects to supply its own terminal device, then there will be a) a per terminal fee of $45.00 for each software application download and b) an annual fee of $15.00 per terminal for software maintenance.

2. ACH Authorization. Participant understands and agrees that amounts due and owing from Participant to SVS and Regis as set forth on the attached Exhibit B in connection with the Cash Card Program will be automatically debited from Participant's designated bank account(s) by ACH. Participant understands and agrees that SVS is acting as settlement agent for Participant and other participants in the Cash Card Program for the settlement of Cash Card redemptions between Cash Card Program participants. Accordingly, SVS will initiate ACH debits from and credits to Participant's designated bank account(s) for amounts due to/from Participant for redemptions of Cash Cards. In order to set up the ACH settlement process, Participant will complete and transmit electronically to SVS an information spreadsheet in the form provided by SVS. Participant also will complete and sign an ACH Authorization Form, in the form provided by SVS, and will send the original to Participant's bank and a copy to SVS. While the Cash Card Program is in effect, Participant will promptly provide updated information and forms to SVS and Regis, including new contact information and such information and forms as needed for any new stores opened by Participant.

3. Funding. Participant acknowledges, agrees and understands that proper funding of its designated bank account(s) for the Cash Card Program is necessary to ensure fair and efficient administration of the Cash Card Program. Participant agrees to ensure that its bank accounts are properly funded for the ACH settlement process and for ACH debits of settlement fees owed to SVS. On the first of each month Participant will have access to the Funds Movement ACH Report, which will delineate ACH debit amounts, and on the sixth of each month SVS will debit each account accordingly.

4. Insufficient Funds Recovery Account. Franchisor shall designate an account to cover failed ACH transactions associated with the Cash Card Program (the "Account"). The Account shall be funded by the applicable fees set forth on Exhibit B. If Participant's designated bank account does not have enough funds to cover a timely ACH transaction by SVS, then SVS may make withdrawals from the Account, including withdrawals to cover penalties for returned ACH transactions.

5. Penalties. Participant agrees that it shall be solely responsible for any and all amounts assessed as penalties and fees for Participant's returned ACH transactions and for any funding discrepancies caused by Participant.

6. Closed Stores. In the event that Participant closes a store or Participant's participation terminates for any reason whatsoever, Participant acknowledges that its obligations under this Agreement, including without limitation its liability for unfunded obligations, penalties, and fees, survive and in any event survive termination of this Agreement, the Services Agreement, and any Franchise Agreement.

7. Deficit Position. If Participant is in a deficit position with respect to its financial obligations under this Agreement, the Franchise Agreement, the Cash Card Program, or the Account, Franchisor may: (a) terminate this Agreement; (b) place a hold on any credits due to Participant and may apply such credits in Franchisor's discretion to satisfy Participant's indebtedness or any portion thereof; (c) prevent Participant from activating additional Cash Cards; (d) refuse to ship additional Cash Cards and Cash Card Carriers to Participant; and/or (e) repossess any Cash Cards and Cash Card Carriers in Participant's possession or control.

8. Franchise Agreement. If Participant fails to perform its obligations under the terms of this Agreement, then Franchisor may, in addition to the remedies set forth herein, exercise any and all remedies available pursuant to the terms of each of Participant's Franchise Agreements.

9. Cash Cards and Carriers. Participant shall purchase Cash Cards and Cash Card Carriers exclusively through Regis. Participant shall submit such request to Regis. Regis will ship Cash Cards and Cash Card Carriers and invoice Participant with payment terms net 15 days from receipt of invoice.

10. Confidentiality. Participant acknowledges that the Services Agreement is confidential and that Participant may be provided access to other Confidential Information of SVS. Participant agrees to maintain the confidentiality of all SVS Confidential Information in accordance with the confidentiality provisions in the Services Agreement. SVS agrees to maintain the confidentiality of all Participant Confidential Information in accordance with the confidentiality provisions of the Services Agreement.

11. No Assignment. This Participation Agreement is not assignable, in whole or in part, without the prior written approval of Franchisor and SVS.

12. Miscellaneous. All capitalized terms not defined herein shall have the meaning attributable thereto in the Services Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Participation Agreement as of the ____ day of _____, 20__.

FRANCHISEE:_____ Address:_____

By:_____ _____

Printed Name:_____ _____

Title:_____ _____

REGIS CORPORATION

By: _____

Its: _____

EXHIBIT A

STORES

1. Brand:

_____

2. Store Nos.:

_____

_____

_____

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EXHIBIT B

FEES

Franchise Gift Card Fee Schedule

Description	**Cost**
Non-sufficient Funds Recovery	$.05 per card
Transaction Fee	$.07 per transaction
Communication Fee	$.0225 per transaction
Franchisee Fee	$0.05 per transaction
Software download fee, if applicable	$45 per download
Annual software maintenance fee, if applicable	$15 per terminal

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FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT M: GUARANTEE OF REGIS CORPORATION

GUARANTEE OF PERFORMANCE

For value received Regis Corporation, a Minnesota Corporation located at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416, absolutely and unconditionally guarantees to assume the duties and obligations of The Barbers, Hairstyling for Men & Women, Inc., a Minnesota corporation located at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2020-2021 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Minneapolis, Minnesota on the 26th day of October, 2020.

Guarantor:

REGIS CORPORATION

By: _____

Name: Scott Sullivan

Title: Vice President, Law

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FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT N: CONSTRUCTION MANAGEMENT SERVICES AGREEMENT

CONSTRUCTION MANAGEMENT SERVICES AGREEMENT

This Construction Management Services Agreement (this "Agreement") is made as of _____, 20___ by and between Regis Corporation or an affiliate (the "Franchisor") and the franchisee set forth below (the "Franchisee").

1. BASIC INFORMATION

Franchisee Name: _____

Address: _____

City/State/Zip: _____

Phone: _____

Select One: ☐ FFE Coordination Services as described in Exhibit A *(Only)*

☐ Construction Management Services as described in Exhibit B *(includes FFE Coordination Services described in Exhibit A)*

Date of Franchise Agreement: _____

Salon #: _____

Concept: _____

Salon Address: _____

City/State/Zip: _____

2. SCOPE OF SERVICES: Franchisor will perform the services indicated in the box checked above. If FFE Coordination Services is selected, Franchisor will perform the services described in Exhibit A attached hereto. If Construction Management Services is selected, Franchisor will perform the services described in Exhibit B attached hereto (which includes the FFE Coordination Services described in Exhibit A). Exhibit A and/or Exhibit B, as applicable, depending on which box above is checked, is hereby incorporated into this Agreement. Franchisee agrees to sign any contracts Franchisor receives from outside vendors unless the contract varies materially in scope of work or cost adversely to Franchisee from an applicable estimate.

3. PAYMENT: (a) FFE Coordination Services. Franchisor will invoice Franchisee for furniture, fixtures, and equipment ("FFE") as ordered on Franchisee's behalf, plus shipping and handling. Franchisee shall pay all invoices upon receipt from Franchisor. (b) Construction Management Services. Franchisee shall pay Franchisor (i) a non-refundable payment of $5,000 upon full execution of this Agreement; and (ii) the FFE charges described in (a) above.

4. DEVELOPMENT COSTS: Franchisee is solely responsible for payment of all fees, costs, and expenses associated with: (a) architectural services, plans, and specifications for the premises; (b) building, utility, sign, health, business, and other required permits, licenses, and approvals; (c) construction, decoration, materials, and services; (d) FFE, inventory, signs, freight, insurance, and installation charges; and (e) all other costs and expenses incurred in developing the store.

5. FRANCHISEE ACKNOWLEDGEMENT. Franchisee acknowledges that Franchisor's obligation under this Agreement shall be limited to providing the services designated in the applicable exhibit to this Agreement in coordination with Franchisee's selected and approved architect and general contractor. Franchisee acknowledges and agrees that Franchisor is not responsible for and shall

not be liable for the performance, acts, omissions, or breaches of contract of any party providing goods or services to the project, including, any architect, contractor, vendor, or supplier, and Franchisor is not responsible for the actual construction of the salon, the installation of FFE therein, delays of any kind (including delays in obtaining permits, licenses, approvals, construction, installation, or delivery) errors or omissions in construction, installation, or design, cost overruns or change orders, or any incidental or consequential costs, expenses, losses, liabilities, injuries, or damages whatsoever. Franchisor will not provide services if this project is not under contract with, and under the direct supervision and control of a general contractor licensed to work in the city and state where the project is located. Franchisee understands and acknowledges that Franchisor's services are not intended to provide a "turn-key" service to Franchisee. Franchisor is not responsible for ensuring that the salon to be constructed complies with applicable building standards or legal requirements, including, but not limited to, architectural, structural, mechanical, electrical, plumbing, accessibility (including without limitation those under the Americans with Disabilities Act), and other related standards. Franchisee understands that any estimate with regard to cost of the project or a portion thereof provided by Franchisor is only a non-binding estimate and such shall not constitute a representation or warranty of any kind. Franchisee shall be responsible for all charges even if they exceed an applicable estimate.

6. NO WARRANTY: Franchisee agrees and understands that Franchisor makes no warranties, express or implied, regarding this project, the leased premises, or its development and construction. Franchisor does not assume any responsibility for construction cost overruns or costs associated with delays (including, without limitation, rent commencement). All costs, late fees, rent, rent commencement charges, and the like associated with the project and the premises are the sole responsibility of the Franchisee. Nothing contained in this Agreement is intended, nor shall the same be deemed or construed, to make the Franchisor in any way responsible for any debts, obligations, or losses of Franchisee.

7. LIMITATION OF LIABILITY: Each party waives any claims for indirect, consequential, special, punitive, or exemplary damages, including, without limitation, lost revenue or profit, even if a party has knowledge of the possibility of such damages. In no event shall Franchisor's liability to Franchisee with respect to the project or this Agreement exceed an amount equal to the lesser of the fee paid by Franchisee and Five Thousand Dollars ($5,000.00).

8. FRANCHISE AGREEMENT AND SUBLEASE: Nothing in this Agreement shall be construed to abrogate or modify the obligations of the Franchisee under the Franchise Agreement or Sublease.

9. TO PROCEED: Sign and date this Agreement and return to:

   Regis Corporation
   Attention: Construction Department
   3701 Wayzata Boulevard, Suite 500
   Minneapolis, MN 55416

READ, UNDERSTOOD, AND AGREED:

FRANCHISEE:	FRANCHISOR:
Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

Exhibit "A"

FFE Coordination Services

The "FFE Coordination Services" are as follows:

1. The Franchisee's architect shall provide a complete set of construction documents ("plans") for the project. Such plans are to be utilized for Landlord review, permitting, ordering furniture, fixtures, and equipment ("FFE"), contractor bidding and installation of the FFE. The Project Manager shall review and approve the plans prior to any submittals. *Note: First time Franchisee's shall select one of the Franchisor's three preapproved architects.*
2. The Project Coordinator shall order all FFE as indicated on the approved construction documents. In an effort to avoid errors and ensure brand consistency, only the vendors preselected by the Franchisor will be utilized. The Project Coordinator shall coordinate with the vendors to deliver all FFE directly to the premises, per the Franchisee and general contractor's construction schedule. *Note: Any subsequent changes to the delivery schedule may result in construction delays and/or additional costs.*
3. Consult with the Franchisee concerning the process of unloading, initial inspection, and acceptance of the FFE. The Franchisee or general contractor is responsible for determining if items are missing or damaged and for filing any and all claims with the appropriate parties, with the assistance of the Project Coordinator.
4. The Franchisee is responsible for unloading, placement, and installation of all approved FFE. This is to be accomplished through the general contractor, subcontractors and laborers. *Note: If the Franchisee has selected Construction Management Services, the Project Manager will assist with this process.*

Exhibit "B"

Construction Management Services

The "Construction Management Services" are as follows:

1. Construction Management Services includes all activities described in FFE Coordination Services on Exhibit A.
2. Provide Franchisee with a preliminary construction estimate based on the initial information received and historical data.
3. Consult with the Franchisee on construction related lease requirements, if any.
4. Consult with the Franchisee on the sign package requirements and the sign review/approval process.
5. Advise the Franchisee as to how to set up utilities for the premises (gas, electric, water, sewer, etc.). It is the responsibility of the Franchisee to transfer all applicable utilities into their name and pay all associated fees. Utilities need to be set up prior to construction start.
6. The Project Manager shall recommend qualified general contractors to bid the project, review construction bids with the Franchisee and consult in selecting a general contractor for the project. Selection is based on pricing, reputation, ability to perform, etc. The actual selection of the general contractor is the responsibility of the Franchisee. The Franchisee shall sign a contract directly with the selected general contractor. *Note: Franchisor recommends utilizing AIA (American Institute of Architects) contract documents.*
7. Provide Franchisee with a revised construction estimate based on general contractor pricing, vendor quotes, and additional information.
8. Consult with the Franchisee to obtain the required building permit(s) from state and local authorities. Franchisee's architect or general contractor shall submit all required documents to the applicable jurisdiction(s) for review and manage the permit approval process. Once the permit is approved by the jurisdiction(s), it is the responsibility of the Franchisee or the general contractor to pay all fees required to secure such permit(s). Failure to do so may delay the start of construction.
9. The Project Manager shall regularly review site conditions and work progress with the Franchisee and general contractor in an effort to avoid non-compliance with the approved plans, construction delays, or additional costs. Means of review will be by photos provided by the general contractor. Review will also include regular phone conversations and e-mail communication with the Franchisee, general contractor and other parties (if required).
10. Consult with the Franchisee on processing general contractor payment applications. Payments should be disbursed per the construction contract guidelines.
11. Consult with the Franchisee on FFE operation, maintenance, and troubleshooting.
12. Consult with the Franchisee to produce a punch list indicating all shortcomings and deficiencies in relation to the approved plans, addenda, change orders, and construction contract. The Project Manager shall review all punch list items with the Franchisee and general contractor. It is the Franchisee's responsibility to ensure that the general contractor completes all punch list items prior to leaving the premises after construction completion.

13. Consult with the Franchisee in obtaining the final approvals from the necessary agencies for premises occupancy. The general contractor is responsible for contacting all required agencies to make final inspections for the purpose of obtaining the occupancy certificate (or equal documentation).

14. Consult with the Franchisee regarding construction warranty work the general contractor may be required to provide. For FFE warranty information, the Franchisee should contact the Project Coordinator directly for a period of 12 months following construction completion.

15. Consult with the Franchisee to verify that the proper documentation is received from the general contractor (lien releases, inspection reports, warranty statements, etc.) prior to project closeout.

GENERAL NOTES:

1. All design changes to the construction documents shall be made prior to obtaining final bids and signing the construction contract. Changes made after signing the contract may result in additional costs. NO CHANGES ARE TO BE MADE WITHOUT NOTIFYING THE PROJECT MANAGER AND OBTAINING WRITTEN APPROVAL FROM THE FRANCHISOR, AND IF REQUIRED BY THE MASTER LEASE, THE LANDLORD.

2. All locally furnished and approved FFE should be made available to the general contractor as needed to maintain the construction schedule. No unapproved FFE will be installed.

3. Construction costs can be influenced by local governing regulations and requirements, Landlord's design criteria, and actual site conditions. The general contractor shall include all known items in the final bid. However, because of timing, unforeseen circumstances, inspector requirements, etc., some items may be added to the total construction cost via approved change orders.

4. If the Project Manager needs to visit the premises during the construction process, additional costs may be incurred.

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FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT O: AGREEMENT FOR PURCHASE AND SALE OF ASSETS

EXHIBIT A

AGREEMENT FOR PURCHASE AND SALE OF ASSETS

THIS AGREEMENT is made and entered into as of the ____ day of _____, 20___, by and between REGIS CORP., a Minnesota corporation ("Seller"), _____, a _____ ("Buyer"), and THE BARBERS, HAIRSTYLING FOR MEN & WOMEN, INC., a Minnesota corporation ("Franchisor").

RECITALS

A. Seller owns the hair care store(s) set forth on Exhibit A hereto (the "Store(s)"). Seller also owns certain furniture, fixtures, equipment (excluding the point-of sale and backoffice hardware and software and all related equipment), leasehold improvements, inventory and supplies, and retail inventory located at the Stores (the "Assets"). Seller's cash and accounts receivable, credit card terminals, inventory scanners, and routers are excluded from the Assets.

B. Seller desires to sell the Assets to Buyer on an "as-is" basis and to cause Franchisor to enter into a standard Cost Cutters Development Agreement (the "Development Agreement") and standard Cost Cutters Franchise Agreement(s) and Sublease(s) (the "Franchise Agreements") with respect to the Stores. Buyer desires to purchase the Assets from Seller on an "as is" basis and to enter into the Franchise Agreements with Franchisor with respect to the Store(s) and to develop additional Cost Cutters store(s) pursuant to the Development Agreement (the "New Store(s)"), all on the following terms and conditions.

NOW, THEREFORE, in consideration of mutual covenants, agreements and considerations set forth herein, the parties agree as follows:

1. Purchase and Sale.

1.1 Assets. On and subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller and Seller agrees to sell the Assets to Buyer on the Closing Date on an "as-is" basis.

1.2 Purchase Price.

(a) The purchase price for the Assets is _____ Dollars ($_____) payable on the Closing Date by an electronic transfer of funds to Seller.

(b) In addition, Buyer shall reimburse Seller on the Closing Date an amount of $_____ which is the security deposit paid to the landlord.

1.3 Allocation of Purchase Price. Buyer and Seller agree that the purchase price for the Assets shall be allocated based on fair market value.

1.4 Obligations of Seller. All liabilities of Seller shall be paid by Seller. Buyer shall assume no liabilities or obligations of Seller except as specifically set forth herein, and shall not be liable for any liabilities arising from operation of the Store prior to the Closing Date, including but not limited to litigation, employment disputes, landlord disputes, material claims by customers, and payment due to vendors (whether known or unknown by the parties at the Closing Date, solely to the extent they arise solely from facts existing prior to the Closing Date).

1.5 Obligations of Buyer.

A. Buyer agrees to assume, pay and perform each and every obligation of Seller in connection with the operations of the business conducted at the Store(s), accruing on and after the Closing Date, and to indemnify and hold Seller harmless from any such obligations.

B. Buyer agrees that if any Store is not a Cost Cutters store, Buyer shall convert such Store to the then-current design for Cost Cutters stores, by engaging Seller or its affiliate to provide construction management services and furniture, fixture, and equipment coordination services pursuant to Seller's or its affiliate's then-current standard agreement and fee. Buyer will be responsible for all costs and expenses of such Store conversion. Buyer will complete such conversion process to Franchisor's current standards within 90 days of the Closing Date for such Store.

C. Buyer confirms that it remains subject to the Non-Disclosure Agreement between Buyer and Regis Corporation dated _____, 20___, pursuant to which it has agreed to hold confidential all Confidential Information (as defined thereby), including the existence of this Agreement and the transaction contemplated thereby.

D. Buyer agrees to attend, complete, and pass the Franchisor's orientation training to be held in Seller's corporate office prior to the Closing Date.

1.6 Prorations. All operating costs relating to the business conducted at the Store(s), including, but not limited to, rent, shall be allocated between Seller and Buyer based upon the Closing Date, such that Seller shall pay that portion of the operating costs and receive that portion of the income pertaining to that period of time up to, and, including the day prior to the Closing

Date and Buyer shall pay that portion of the operating costs and receive that portion of the income on and after the Closing Date.

2. The Closing. The transaction provided for herein shall be closed by overnight or electronic delivery of documents, and payment of the purchase price and any fees due under the Franchise Agreements and Construction Management Services Agreement, on the Closing Date. The Closing Date is scheduled to occur within one hundred eighty (180) days of the date of this Agreement at a mutually agreed upon date between the parties (the "Closing Date"). Seller and Franchisor have no obligation to close the transaction contemplated under this Agreement unless and until Buyer and its Affiliates are in good standing, including having paid all amounts owed, under all other agreements with Seller, Franchisor, and their respective affiliates.

3. Instruments of Transfer; Further Assurances. On the Closing Date, upon receipt of the purchase price, Seller shall deliver to Buyer a Bill of Sale transferring to Buyer its interest in the Assets, and signed Franchise Agreements and, if any Stores are to be converted, Construction Management Services Agreement.

4. Representations and Warranties of Seller.

Seller represents and warrants to Buyer that Seller is a corporation duly organized and validly existing under the laws of the State of Minnesota, with all requisite power to own, operate and lease its property and to execute and deliver this Agreement. Except for this warranty, Seller and Franchisor make no other representations or warranties whatsoever. The Assets are sold "as-is".

5. Representations and Warranties of Buyer.

(a) Buyer represents and warrants to the Seller that Buyer is a _____ duly organized and validly existing under the laws of the State of _____, with all requisite power to own, operate and lease its property.

(b) Buyer represents and warrants to Seller and Franchisor that Buyer has all right, power, and authority to execute and deliver this Agreement on its own behalf and on behalf of its Affiliates as defined in Section 9(e) below.

(c) Buyer's Federal Employer Identification Number (FEIN) is _____.

6. Financial Representations. Neither Seller nor its parent and/or affiliates including Franchisor make any representation, warranty, guarantee, covenant, commitment, or other promise

as to the future performance of the Store. Any profit or loss experienced by the Buyer at the Store(s) may vary from any profit or loss experienced by the Seller at the Store(s).

7. Termination. Seller will have the right to terminate this Agreement if the closing does not occur within the terms of Paragraph 2.

8. Covenants of Seller.

(a) Seller shall use commercially reasonable efforts to conduct business at the Store(s) in the ordinary course consistent with past practices until the Closing Date. Seller agrees to use its best efforts to cause the transactions contemplated by this Agreement to be consummated.

(b) Seller will cause Franchisor to enter into the Franchise Agreements for the Stores with Buyer.

9. Covenants of Buyer.

(a) Buyer will faithfully perform on a timely basis all of its obligations required herein.

(b) Prior to the Closing Date, Buyer agrees to enter into the Franchise Agreements and personal guarantees thereof for the Store(s) with Franchisor. In addition, if any Store is not a Cost Cutters store, Buyer will prior to Closing, enter into Seller's or Seller's affiliate's current standard Construction Management Services Agreement.

(c) Buyer agrees to execute and deliver the Development Agreement contemporaneously with the execution and delivery of this Agreement and pay the Development Fees due under the Development Agreement. Buyer acknowledges that the Cost Cutters Development Agreement will obligate Buyer to develop one or more New Store(s) during the Development Period(s) as set forth in the Development Agreement and Buyer will enter into a separate Cost Cutters Franchise Agreement for each Store acquired hereunder and New Store developed under the Development Agreement.

(d) Buyer agrees that the standard form of Cost Cutters Franchise Agreement will require:

(i) the monthly royalty fee under the Franchise Agreement for each Store acquired hereunder to be six percent (6%) for the entire term of each Franchise Agreement (the Franchise Agreements for New Stores will be 4% for the first year and 6% thereafter); and

(ii) Buyer to purchase all hair care products, supplies, and merchandise, including, without limitation, all retail inventory, backbar and shop supplies (the "Products"), that

Buyer needs for use and resale at each Store and New Store, exclusively from Seller or Seller's affiliate.

(e) (i) Buyer, on its own behalf and on behalf of all of its parents, subsidiaries, affiliates, joint ventures, and partners (collectively, the "Affiliates") that are, as of the Closing Date, parties to franchise agreements with Franchisor and its affiliates under any brand, agrees that:

(a) effective as of the Closing Date, Buyer and its Affiliates will purchase exclusively from Seller or Seller's affiliates all Products for use and resale at all of their respective hair salons (regardless of brand) that are the subject of existing franchise agreements with Franchisor and its affiliates as of the Closing Date (the "Existing Franchise Agreements");

(b) the Existing Franchise Agreements are hereby amended to require Buyer and its Affiliates to purchase all Products exclusively from Seller or Seller's affiliates;

(iii) Buyer's and its Affiliates' obligations under Sections 9(d) and 9(e) shall survive the closing of the transaction contemplated by this Agreement. Buyer acknowledges and agrees that if Seller or Seller's affiliate cannot, for any reason, supply a Product under Section 9(d) or 9(e) above, and such Product is otherwise approved by Franchisor, then Franchisor will have the right, but not the obligation, to designate or approve a third party supplier for such Product.

(f) Buyer represents that it has the authority delegated from each and all of its Affiliates to agree on their behalf to the Product purchasing restrictions specified in Sections 9(d)(ii) and 9(e) for the Existing Franchise Agreements and acknowledges that Seller and Franchisor are proceeding with the transaction contemplated by this Agreement in reliance on such representations. In addition, if the parties agree that Buyer's Affiliate(s) will enter into any Franchise Agreement described in Sections 9(d)(ii) and/or 9(e), then Buyer represents and warrants that it has the authority to bind its Affiliates to the restrictions in Sections 9(d)(ii) and 9(e). Any failure by Buyer and its Affiliates to comply with these Product purchasing restrictions will be deemed a breach of all the Franchise Agreements and Existing Franchise Agreements.

(g) Seller agrees that the prices for Products Buyer and its Affiliates are required to purchase from Seller and its affiliates under Section 9 above will be commercially reasonable and competitive in the market.

10. Entire Agreement. This Agreement supersedes all previous agreements among the parties and contains the entire understanding and agreement among them with respect to its subject

matter. This Agreement cannot be amended, modified or supplemented in any respect except by a subsequent written agreement entered into by all parties. Without limiting the generality of the foregoing, in the event of a conflict between the terms of this Agreement and the terms of the Development Agreement, any Franchise Agreement, any Existing Franchise Agreement, or any Future Franchise Agreement, in particular with respect to the Product purchasing restrictions, the terms of this Agreement will prevail.

11. Waivers and Notices. Any failure by any party to this Agreement to comply with any of its obligations, agreements or covenants hereunder may be waived by Seller in the case of a default by Buyer and by Buyer in the case of a default by Seller. The failure of any party to insist in any instance upon performance of any term or condition of this Agreement shall not be construed as a waiver of any future performance. All waivers under this Agreement and all notices, consents, demands, requests, approvals and other communications which are required or may be given hereunder of thereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed certified first class mail, postage prepaid:

(a) If to Buyer:

(b) If to Seller:
The Barbers, Hairstyling for Men & Women, Inc.
3701 Wayzata Boulevard, Suite 500
Minneapolis, MN 55416
Attention: President

or to such other person or persons at such address or addresses as may be designated by written notice to the other parties hereunder.

13. Benefits. All the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their successors and assigns.

14. Arbitration. All disputes between the parties relating to (i) this Agreement; (ii) the transaction contemplated thereby; or (iii) negotiations leading up to execution of this Agreement, shall be resolved by arbitration in Minneapolis, Minnesota, pursuant to the rules of the American Arbitration Association then in effect. The arbitrators shall have the power to award costs, including reasonable attorneys' fees, as they deem appropriate. This Agreement shall be construed in accordance with the laws of the State where the Stores are located.

15. Expenses. Whether or not the transactions contemplated hereby are consummated, each of the parties hereto shall pay his or their own expenses incurred in connection with the

authorization, preparation, execution or performance of this Agreement and all transactions contemplated hereby, including without limitation, all fees and expenses of agents, representatives, legal counsel and accountants.

16. Facsimile Signatures; Counterparts. This Agreement may be executed and delivered by electronic signature (e.g., DocuSign). The delivery of an executed copy of this Agreement or of any amendment hereto, made by facsimile or electronic transmission (e.g., DocuSign) or as a .pdf attachment to an email by any party to an authorized recipient of the other party hereto shall constitute effective delivery of such document by such transmitting party to such receiving party, and any executed facsimile or emailed copy so delivered shall be deemed equivalent to an executed original. This Agreement and any amendments thereto may be signed in two or more counterparts, and all counterpart signatures, taken together, shall constitute one executed original.

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

SELLER:

REGIS CORP.

By:_____

FRANCHISOR:

THE BARBERS, HAIRSTYLING
FOR MEN & WOMEN, INC.

By:_____
Scott Sullivan, Vice President

BUYER:
on its own behalf and on behalf of all of its Affiliates

By: _____
Print Name:
Title:

By: _____
Print Name:
Title:

EXHIBIT A

The Stores

COST CUTTERS

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	
Illinois	
Indiana	
Maryland	
Michigan	October 29, 2020
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of October 29, 2020.

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.

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT P: RECEIPTS

RECEIPT

COST CUTTERS®
THE BARBERS, HAIRSTYLING FOR MEN & WOMEN, INC.

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 The Barbers, Hairstyling For Men & Women, Inc. offers you a franchise, The Barbers, Hairstyling For Men & Women, Inc. must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. [However, some state franchise laws may require The Barbers, Hairstyling For Men & Women, Inc. to provide this disclosure document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.]

If The Barbers, Hairstyling For Men & Women, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit J.

The following have a principal business office of 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 with a contact number of 952-947-7000.

☐	Kurt Landwehr	☐	Liska Johnson
☐	Mike Welch	☐	Erik Busch
☐	Thomas Ryan, Jr.	☐	Brian Boyum
☐	Brandon Neilson	☐	Michelle Wohlers
☐	Felipe Athayde	☐	Deb Porter
☐	Eric Bakken	☐	Paula Motzko
☐	Sherry Poss		

Franchise Broker:
Name: _____
Address: _____
_____
Phone: _____

See Exhibit J for our registered agents authorized to receive service of process.

I have received a Cost Cutters Disclosure Document, effective as of the date indicated below. This Disclosure Document includes the following: Exhibit A - List of Operational Salons; Exhibit B - List of Franchisees that have Left the System; Exhibit C - Financial Statements; Exhibit D - Franchise Agreement; Exhibit E - Development Agreement; Exhibit F - Cost Cutters Sublease; Exhibit G – Regis Sublease for Wal-Mart Sites; Exhibit H – Franchisee Questionnaire; Exhibit I - State Addenda; Exhibit J - State Agencies and Agents for Service of Process; Exhibit K – Point of Sale System Rental Agreements; Exhibit L – Gift Card Participation Agreement; Exhibit M- Guarantee of Regis Corporation; Exhibit N – Construction Management Services Agreement, Exhibit O – Agreement for Purchase and Sale of Assets and Exhibit P - Receipts.

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

Issuance date of this Franchise Disclosure Document: October 29, 2020

RECEIPT

COST CUTTERS®
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If The Barbers, Hairstyling For Men & Women, Inc. offers you a franchise, The Barbers, Hairstyling For Men & Women, Inc. must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. [However, some state franchise laws may require The Barbers, Hairstyling For Men & Women, Inc. to provide this disclosure document to you at the first personal meeting held to discuss the franchise sale or at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.]

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- ☐ Thomas Ryan, Jr.
- ☐ Brandon Neilson
- ☐ Felipe Athayde
- ☐ Eric Bakken
- ☐ Sherry Poss
- ☐ Liska Johnson
- ☐ Erik Busch
- ☐ Brian Boyum
- ☐ Michelle Wohlers
- ☐ Deb Porter
- ☐ Paula Motzko

Franchise Broker:
Name: _____
Address: _____
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Phone: _____

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Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Address: _____	Address: _____
City: _____ State/Zip: _____	City: _____ State/Zip: _____
Telephone: (_____) _____	Telephone: (_____) _____
Dated: _____	Dated: _____

Issuance date of this Franchise Disclosure Document: October 29, 2020