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
FranchiseDevelopment@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 $150,466 to $308,558. This includes $33,416 to $77,958 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. . If you sign a Development Agreement for development of three Cost Cutters salons, for example, the total investment necessary to begin operation of a Cost Cutters franchise is $219,966 to $378,058. If you sign a Development Agreement, you will be required to open a minimum of one or 3 or 6 Cost Cutters salons.

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, (952) 947-7777 or by email at FranchiseDevelopment@regiscorp.com.

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: November 11, 2022

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.

2. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

THE FOLLOWING APPLIES 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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CERTAIN STATES REQUIRE SMARTSTYLE TO MAKE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION CONTAINED IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF APPLICABLE, THESE ADDITIONAL DISCLOSURES WILL BE FURNISHED TO YOU IN THE ADDENDA INCLUDED AS EXHIBIT J TO THIS FRANCHISE DISCLOSURE DOCUMENT. PLEASE REFER TO THE ADDENDUM FOR YOUR STATE, IF ANY.

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

The Franchisor

To simplify the language in this disclosure document, "Cost Cutters", "we" or "us" means The Barbers, Hairstyling for Men & Women, Inc. ("The Barbers"), the franchisor and owner of the *Cost Cutters*® hair care salon (the "System"). "You" means the person, persons or business entities, individually and collectively, awarded a Cost Cutters franchise, and "your Store" means the Cost Cutters store that you will operate if you and Cost Cutters enter into a franchise agreement, as described in this disclosure document.

The Barbers is a Minnesota corporation established in October 1968, and is a wholly-owned subsidiary of Regis Corporation, a Minnesota corporation ("Regis"). Regis is a publicly-held company on the New York Stock Exchange trading under the symbol "RGS." The principal business address for Cost Cutters and Regis is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. The Barbers' agents for service of process are disclosed on Exhibit J attached to this Disclosure Document.

We do business under the names "*Smartstyle*®", "*Cost Cutters*®", "*Holiday Hair*®", "*BSO Beauty Supply Outlet*®", "*City Looks*®", and "*The Barbers*®." 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 franchising "*City Looks*® *By The Barbers*" hairstyling businesses in 1987, and subsequently changed the name to "*City Looks*® *Salon*" in 1991 and *City Looks Salons International*® in 1993). *The Barbers*, *City Looks*® *By The Barbers*, *and City Looks Salons International* businesses provide men, women, and children with high fashion, full-service hair care, including shampooing, conditioning, hairstyling, and other hair care services, however, they do not offer hair care services on an item-by-item basis. Regis acquired The Barbers through a merger on May 20, 1999. The Barbers developed and began selling franchises for the *Cost Cutters*® hairstyling system in 1982 ("Cost Cutters"). As of June 30, 2022, The Barbers had 604 *Cost Cutters*® franchises, 85 of which are located in Walmarts, and Regis Corp., a Minnesota corporation and a wholly-owned subsidiary of Regis ("Regis Corp."), operated 1 company-owned Cost Cutters business. Regis Corp.'s principal business address is the same as Smartstyle's address.

Some Cost Cutters salons operate in Wal-Mart® stores and Wal-Mart® Supercenters in the United States, similar to Smartstyle (see explanation below). Regis first operated Cost Cutters® salons in 1999, though they were franchised beginning in 1982 by what is now Regis' wholly-owned subsidiary and affiliate, The Barbers (discussed below). In 2016, The Barbers began franchising Smartstyle in salons located inside of Wal-Marts in the United States. All Cost Cutters and Smartstyle salons are value-priced, family-oriented hair care salons. As of June 30, 2022, The Barbers had 595 Cost Cutters® franchised salons (83 of which are located in Wal-Mart stores) and Regis Corp. operated 6 company-owned Cost Cutters® businesses. As of June 30, 2022, there are 1,477 franchised *Smartstyle*® salons and 1 corporate-owned Smartstyle salon. As of June 30, 2022, The Barbers had 5 *City Looks* Salons franchises and no company-owned *City Looks* Salons. As of June 30, 2022, The Barbers had 5 City Looks® franchises, and 0 company-owned City Looks® businesses.

In 2016, The Barbers began franchising "*BSO Beauty Supply Outlet*" and *BSO Beauty Supply Express Outlet*® in the United States. As of June 30, 2022, The Barbers had 8 franchised BSO Beauty Supply Outlet stores in the United States ("BSO Beauty Supply Outlet").

In approximately 2018, The Barbers began franchising *Holiday Hair*® stores in the United States ("Holiday Hair"). As of June 30, 2022, The Barbers had 139 franchised Holiday Hair salons in the United States.

On January 5, 1999, Regis acquired the common stock of Hair Masters Services, Inc., a Washington corporation that began operating *Hair Masters*® shops in January 27, 1984 ("Hair Masters"). Regis then assigned its interest in Hair Masters to The Barbers. As of June 30, 2022, The Barbers owned and operated 3 Hair Masters locations and franchised 59 Hair Masters locations.

On June 21, 2002, Regis acquired the stock of Dorbar, Ltd., a limited company that began operating salons under the name *BoRics*® Hair Care Salons in approximately 1992 ("BoRics"). Regis then assigned its interest to The Barbers. As of June 30, 2022, there were 2 franchised BoRics Hair Care Salons and Regis operated 4 BoRics.

On February 10, 2009, Cost Cutters' affiliate, Regis Corp., acquired substantially all assets of Cool Cuts 4 Kids, Inc., including the *Cool Cuts 4 Kids*® trademark, system and salons, which began operating in 1998 ("Cool Cuts 4 Kids"). As of June 30, 2022, Regis Corp. owned and operated 5 Cool Cuts 4 Kids salons. Regis Corp. also granted The Barbers the right to franchise Cool Cuts 4 Kids salons. As of June 30, 2022, The Barbers franchised 5 Cool Cuts 4 Kids salons.

The Barbers has never operated or franchised Cost Cutters Stores or offered franchises in any other lines of business than those previously stated.

The Franchise

The Barbers grants franchises to qualified individuals and business entities to develop and operate retail hair care establishments identified principally by the *SMARTSTYLE*® trademark and offer haircutting, styling, and related salon services as well as sell hair care and styling products. We call these Stores "Cost Cutters Stores." In this disclosure document, we refer to your Cost Cutters Store as the "Store." Cost Cutters Stores operate under the trademarks, service marks, and other commercial symbols we periodically designate (the "Marks"). The Barbers' strategy is to provide value-priced hair care services for men, women and children, and sell a complete line of hair care products and merchandise. 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. Cost Cutters franchises are currently offered only at approved locations in certain Walmart stores, but the franchisor reserves the right to approve other locations outside of Walmart stores in its sole discretion.

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, 2022, Regis Corp. owned and operated 5 Cool Cuts 4 Kids salons, and The Barbers franchised 5 Cool Cuts 4 Kids salons.

In 2016, The Barbers began offering and selling Cost Cutters franchises in Wal-Marts in the United States. As of June 30, 2022, there were 1,479 franchised Cost Cutters® salons all located in Wal-Mart® stores and 83 franchised Cost Cutters salons located in Wal-Mart stores whose operational characteristics are virtually identical to Cost Cutters® salons. As of June 30, 2022, The Barbers had 139 franchised Holiday Hair stores in the United States.

a. The Franchise Agreement

Each Cost Cutters Store is operated pursuant to a Franchise Agreement. A copy of our Franchise Agreement is attached as Exhibit D. Under the Franchise Agreement, we grant you the right, and you accept the responsibility, to operate a Cost Cutters Store. Your Store must offer the products and services we specify in accordance with the System, and observe the mandatory specifications, standards, operating procedures, and rules we periodically specify for Cost Cutters Stores (collectively, the "Brand Standards") that we describe in our Operations Manual (together with any other manuals approved for use in the operation of the Cost Cutters, as well as all amendments and updates, the "Manual"). The System includes the operation of establishments that offer haircutting and related services in a specially designed and decorated building with distinctive fixtures, accessories and color scheme.

b. The Development Agreement

In addition to signing a Franchise Agreement, you must also sign a development agreement under which we grant you the right, and you accept the responsibility, to develop one or more Cost Cutters Stores in a Designated Market Area ("Development Area"), even if you expect to develop only one Store (the "Development Agreement"). A copy of our Franchise Agreement is attached as Exhibit E. Under the Development Agreement, you must open the agreed-upon number of Cost Cutters Stores ("Minimum Development Quotas"), within specified period of time ("Development Periods"). If you fail to do so, your Development Agreement and Franchise Agreement will either automatically expire or be subject to termination by The Barbers, depending on your Store development commitment (*See* Item 12).

The Barbers currently grants development rights for a single store under the "Single Store Program", and grants development rights for three ("3-Store"), six ("6-Store"), or multiple stores under the "Fast Start Program". If you acquire the right to develop just one Cost Cutters Store, you will sign the Development Agreement and a Franchise Agreement for that Cost Cutters Store at the same time. 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 the first Store to be developed. You sign The Barbers' then current standard Franchise Agreement for each subsequent Cost Cutters Store you open according to the Development Agreement.

c. The Asset Purchase Agreement

We and our affiliates may also sell and franchise existing company-owned Cost Cutters Stores to you as well as salons under a brand owned by our affiliate that you must convert to a Cost Cutters Store (a "Vendition Store"). If you acquire a Vendition Store, you will purchase the Vendition Store's assets from us or from our affiliate if acquiring a salon using a different brand, as applicable, at a negotiated price based on our valuation of the tangible assets of the Cost Cutters Store or salon and its related goodwill. You and The Barbers or our affiliate will sign an Agreement for Purchase and Sale of Assets, the form of which is attached in Exhibit N, to acquire the assets of the Cost Cutters Store or the salon, as applicable (the "Asset Purchase Agreement"). In addition to the Asset Purchase Agreement, you must simultaneously sign a Franchise Agreement, a Development Agreement, and, if applicable, a Sublease for Walmart Sites, the form of which is attached in Exhibit G. In addition to the cost of purchasing the assets and the franchise fees, you may incur additional costs to upgrade or convert the location to The Barbers' and/or Walmart's then current standards. If you acquire a Vendition Store, that store will count as one of the Cost Cutters Stores to be developed under a Development Agreement.

As a condition to your purchase of a Vendition Store, we may require you to develop at least one new Cost Cutters Store (each a "New Store"). The Barbers' current practice is to require you to develop one additional New Store for every three Vendition Stores you acquire. For example, if you acquire five Vendition Stores, we may require you to develop at least one New Store. However, if you acquire six to eight Vendition Stores we may require you to develop at least two New Stores.

Our Parent, Predecessors and Affiliates

a. Regis

Regis, our parent company, also owns hairstyling salons that sell products and offer hair care services primarily under the trademarks *Regis*®, *Mastercuts*®, *Smartstyle*®, and *Hair Masters*®, each of which is discussed below.

In 1963, Regis started *Regis Hairstylists* salons, later changed to *Regis Salons*. Regis and/or its subsidiaries began operating what it refers to as "Strip Center" salons in 1987. Starting in 1988, Regis franchised the Strip Center salons that offer affordable hair care primarily as Supercuts Stores or under the trademarks *Cost Cutters*®, *Pro-Cuts*®, *Borics*®, *CoolCuts 4 Kids*®, *Famous Hair*®, *Hairmasters*®, and "*Head Start Hair Care Salons"*. Regis also started operating *Regis*® salons, in or about 1985, as well as operating *Mastercuts*® salons. Both Regis and Mastercuts salons are full-service, mall-based salons. As of June 30, 2022, Regis operated 11 Regis salons, franchised 8 Regis salons, operated 3 Mastercuts salons and franchised 6 Mastercuts salons, franchised 34 Pro-Cuts salons, franchised 6 Famous Hair salons and franchised 3 Head Start salons. *See* discussion below for information regarding Cost Cutters, Borics and CoolCuts 4 Kids salons.

Regis began operating *Smartstyle*® salons in 1996 ("Smartstyle"), which are value-priced, family-oriented hair care salons that operate in Wal-Mart® stores and Wal-Mart® Supercenters in the United States. As of June 30, 2022, Regis owned approximately 1 Smartstyle salon.

On February 10, 2009, Cost Cutters' affiliate, Regis Corp., acquired substantially all assets of Cool Cuts 4 Kids, Inc., including the *Cool Cuts 4 Kids*® trademark, system and salons, which began operating in 1998 ("Cool Cuts 4 Kids"). As of June 30, 2022, Regis Corp. owned and operated 5 Cool Cuts 4 Kids salons.

Regis has never ever operated or franchised salons or offered franchises in any other lines of business than those previously stated.

b. Supercuts, Inc. ("Supercuts")

Supercuts, Inc. is a Delaware corporation established on July 9, 1987, and is a wholly-owned subsidiary of Regis Corporation, a Minnesota corporation ("Regis"). Regis is a publicly-held company on the New York Stock Exchange trading under the symbol "RGS." The principal business address for Supercuts and Regis is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. Supercuts is the parent company of Supercuts Corporate Shops, Inc., a Delaware corporation and wholly-owned subsidiary of Supercuts ("SCSI"). SCSI also owns and operates Supercuts Stores since its formation in October 1996. Neither Supercuts nor Supercuts Corporate Shops, Inc. has other business activities. The principal business address for Supercuts and SCSI is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. As of June 30, 2022, there were 18 Supercuts Stores operated by SCSI and 2,252 franchised Supercuts Stores.

Supercuts has operated, either directly or through SCSI, one or more Supercuts Stores since September 1987. Supercuts began offering Supercuts franchises in January 1988. Supercuts has not offered franchises in any other line of business.

c. 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 has franchised since October 2009 a business system offering hair care services to the general public under the name *Roosters Men's Grooming Centers*®. The

Barbers currently owns all interest in Roosters. Roosters principal business address is the same as Cost Cutters' address. As of June 30, 2022, there were 89 franchised and no company-owned Roosters stores.

Roosters has never operated or franchised Cost Cutters Stores or offered franchises in any other lines of business.

d. CutCo Acquisition Corp ("CAC")

On March 9, 2000, CAC acquired the assets of CutCo Salons, Inc., a Minnesota corporation, the owner of the trademarks *Haircrafters*® ("Haircrafters") and *Great Expectations*® ("Great Expectations") and franchise system. Great Expectations salons were first franchised in 1974, and Haircrafters salons were first franchised in 1961, in each case by CutCo Salons' predecessors. 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. CAC is a wholly-owned subsidiary of Regis and CAC's principal business address is the same as Cost Cutters' address. As of June 30, 2022, CAC had 3 Haircrafters® and no Great Expectations® franchises in the United States.

CAC does not intend to open or franchise new Great Expectations® or Haircrafters® salons. CAC has never operated or franchised Cost Cutters Stores or offered franchises in any other lines of business.

e. RPC Acquisition Corp. ("RPC")

In May 2003, RPC, a wholly-owned subsidiary of Regis and a Minnesota corporation, acquired the assets of Pro-Cuts Franchise Corporation. Pro-Cuts Franchise Corporation and its predecessors developed the *Pro-Cuts*® trademark and business system for *Pro-Cuts*® salons in May 1982 ("Pro-Cuts"). Pro-Cuts Franchise Corporation started franchising Pro-Cuts salons in 1999. As of June 30, 2022, there were 32 franchised Pro-Cuts salons in operation. There are no corporate-owned or operated Pro-Cuts salons. RPC's principal business address is the same as Cost Cutters' address.

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 above ("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. RPC began offering franchises for Pro-Cuts Sports hair care and product salons in May 2011. As of June 30, 2022, there were no company-owned and 2 franchised Pro-Cuts Sports hair care and product salons.

RPC has never operated or franchised Cost Cutters Stores or offered franchises in any other lines of business.

f. First Choice Haircutters, Ltd. ("First Choice Canada")

First Choice Canada is a Nova Scotia limited company formed on July 1, 2001, and a wholly owned subsidiary of Regis Holdings (Canada) Ltd., a Nova Scotian limited liability company that is a wholly owned subsidiary of Regis ("Regis Holdings (Canada)"). The principal business address of First Choice Canada is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. First Choice Canada owns the marks and franchise system for *First Choice Haircutters*® salons in Canada. First Choice Canada and/or its predecessors began offering First Choice Haircutters® franchises in July 1980. As of June 30, 2022, there was 1 First Choice Canada-owned salons in Canada, no First Choice corporate salons in the United States, and 327 First Choice franchised salons in Canada. First Choice Canada has never operated or franchised Cost Cutters Stores or offered franchises in any other lines of business.

g. Magicuts Ltd. ("Magicuts")

Magicuts is a Nova Scotian limited company formed on July 1, 2009, and a wholly owned subsidiary of Regis Holdings (Canada). Its principal business address is the same as First Choice Canada. From 2001 through June 30, 2009, *Magicuts*® salons were franchised in Canada by Regis Cuts Acquisition Corporation, an affiliate of Cost Cutters and a subsidiary of Regis as well as the predecessor of Magicuts. Magicuts owns, operates, and franchises Magicuts salons in Canada. As of June 30, 2022, there were 2 corporate-owned Magicuts stores and 76 franchised Magicuts stores in Canada. Magicuts has never operated or franchised Cost Cutters Stores or offered franchises in any other lines of business.

h. Regis Holdings (Canada) Ltd.

Regis Holdings (Canada) was formed on July 1, 2009, then merged with Regis Hairstylists, Ltd. which was acquired by Regis on July 10, 2007. Regis Hairstylists, Ltd. owned the "*Beauty Supply Outlet*" franchise system in Canada. The principal business address of Regis Holdings (Canada) is the same as Cost Cutters' address. Regis Holdings (Canada) Ltd. franchises and operates the Supercuts salons, Hairmasters salons, Smartstyle salons and Beauty Supply Outlet stores in Canada. As of June 30, 2022, there were 12 franchised Supercuts in Canada, 0 company-operated Supercuts in Canada, 0 franchised Hairmasters in Canada, 0 company-operated Hairmasters in Canada, 84 franchised Smartstyles in Canada, 48 company-operated Smartstyles in Canada, 0 company-operated Beauty Supply Outlet stores and 30 franchised Beauty Supply Outlet stores in Canada. Regis Holdings (Canada) Ltd. has never offered franchises in any other lines of business.

i. 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"). Fremont Software's principal place of business is the same as Regis. Fremont Software provided the *Opensalon Pro*® computer point of sale cash register and back office hardware and software-as-a-service (SaaS) system to franchisees ("Opensalon Pro") until it sold Opensalon Pro to Soham, Inc., the owner of the *Zenoti*® software system, on June 29, 2022. Fremont Software continues to provide hardware maintenance, and support services for Opensalon Pro to Regis franchisees. Fremont has never operated or franchised Cost Cutters Stores or offered franchises in any lines of business.

Competitors and Governmental Regulations

The retail hair salon market is well-developed, high-fragmented, competitive and is not seasonal. Your competitors include other retail hair care establishments providing similar services and product lines. Competitors may include any of the establishments previously discussed that are owned, operated, or franchised by Regis or any of The Barbers' other affiliates. In nearly every area in which we operate has a salon and competitors offering similar hair care services and products at similar prices. We face competition from chains, such as Great Clips, Fantastic Sams, Sport Clips and Ulta Beauty, independent-owned salons, department store salons located within malls, in-home hair services, booth rentals and blow dry bars, as well as other franchise organizations outside of the hair salon industry competing for franchisees. You will compete with all these operations to obtain the services of skilled employees.

Every Cost Cutters Store must have a Cosmetology License. Otherwise, no regulations apply specifically to the industry in which Cost Cutters Stores operate. You must comply with all local, state, and federal health and sanitation laws and laws that apply generally to all businesses. You should investigate these laws when evaluating your franchise acquisition.

Cost Cutters' agents for service of process are disclosed on Exhibit J attached to this disclosure document.

ITEM 2
BUSINESS EXPERIENCE

Directors

Chairman of the Board of Directors: David J. Grissen (Chair)

Mr. Grissen became our Chairman of the Board of Directors for Regis on November 15, 2021. Prior to that, Mr. Grissen was the Group President, Marriott International, Inc. from January 2014 through January 2021.

Director: Lockie Andrews

Ms. Andrews became our Director in September 2021. Ms. Andrews has also been a board member of Crypto Chicks since February 2022, a board member of Beckway Group since October 2021 and the National Academy of Design since September 2020. Ms. Andrews is also the Co-VP of Programming for the Harvard Business School Club of New York and has held that title since June 2019, as well as the Sector Lead Investments since May 2015. Ms. Andrews was the Head of eCommerce and Digital Operations for Party City from May 2021 through January 2022, the Chief Information Officer and Chief Digital Officer of UNTUCKit from March 2018 through April 2021. Senior Director of Design and Merchandising at PVH from September 2020 through January 2021, and the Interim Chief Marketing Officer of Nora Gardner from July 2016 through February 2017. Ms. Andrews was the Chief Growth Officer of Pura Vida from May 2022 through September 2022. She is currently and has been the CEO of Catalyst Consulting since 2008.

Director: Mark S. Light

Mr. Light became our Director in October 2013. Mr. Light has also served as the Executive Chairman of Bedrock Manufacturing Company since September 2017.

Director: Michael Mansbach

Mr. Mansbach became our Director in June 2021. He founded Granite Stairway Advisors, LLC in July 2020 and also co-founded Apex Perspectives, LLC in July 2020. Mr. Mansbach was the Board Director of Product Plan from October 2020 through May 2022, was the President of MINDBODY, Inc. from June 2017 through April 2019.

Director: Michael J. Merriman

Mr. Merriman became our Director in October 2011. Prior to that, Mr. Merriman served as a Director of Nordson Corporation August 2008 through February 2018, Director and Audit Committee Chair from February 2012 through February 2018, and as its Chairman of the Board beginning in February 2018. Prior to that, Mr. Merriman was a Director and Nominating & Corporate Governance Committee Chair of OMNOVA Solutions Inc. from June 2008 through June 2020, and a Director of Invacare Corporation from May 2014 through May 2018.

Director: M. Ann Rhoades

Ms. Rhoades became our Director in January 2015. Ms. Rhoades is also the President of PeopleInk, Inc., and has held that position since January 1999. Ms. Rhoades is also a Director of Nexphase Capital, and has held that position since January 2015. She was a Director of JetBlue Airways from January 2001 through January 2018.

President and Chief Executive Officer and Director, Regis Corporation: Matthew Doctor

Mr. Doctor became our President and Chief Executive Officer and Director, as well as Roosters, CAC, RPC, Supercuts, First Choice Canada, Magicuts and Regis Holdings (Canada) and Fremont Software (collectively, the "Regis Affiliates") on May 5, 2022. Mr. Doctor was the Executive Vice President and Interim Chief Executive Officer for us and the Regis Affiliates, from December 2021 through May 4, 2022. Mr. Doctor was Chief Strategy Officer of Regis from February 2021 to December 2021. From May 2018 to December 2020, Mr. Doctor was the Chief Financial Officer of Kava Restaurants LLC in Chicago, IL. From April 2017 to May 2018, he was Managing Partner of Level 7 Partners LLC in Hoboken, NJ.

Officers

President of Franchise Operations and Chief Operating Officer, Regis Corporation: Jim Lain

Mr. Lain became President of Franchise Operations and Chief Operating Officer for us, Regis and the Regis Affiliates in December 2021. He was the Executive Vice President and Chief Operating Officer for us, Regis and the Regis Affiliates from October 2021 to December 2021. He was President of Portfolio Salons of Regis from December 2020 to October 2021. From November 2013 to July 2020, Mr. Lain was Chief Operating Officer, Regis in Minneapolis, MN.

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

Ms. Zupfer became Executive Vice President and Chief Financial Officer of Regis in Minneapolis, MN in November 2019. Ms. Zupfer also became a Director for First Choice Canada, Magicuts and Regis Holdings (Canada) in November 2019. From December 2017 to November 2019, Ms. Zupfer was Senior Vice President and Chief Accounting Officer of Regis.

Executive Vice President and Chief Digital Officer: John Davi

Mr. Davi became Executive Vice President and Chief Digital Officer of Regis in June 2022. He was Executive Vice President and Chief Technology Officer of Regis in Minneapolis, MN from October 2021 to June 2022. From November 2019 to November 2020, Mr. Davi was Chief Product Officer of BriteCore (Intuitive Web Solutions, LLC) in Springfield, MO. From February 2018 to September 2019, he was Senior Vice President Product of Mindbody, Inc. in San Luis Obispo, CA and from February 2012 to February 2018, he was Vice President of Product of Diffbot Technologies Corp. in Mountain View, CA.

Senior Vice President, General Counsel, and Secretary, Regis Corporation: Andra Terrell

Ms. Terrell became the Senior Vice President, General Counsel and Secretary for us, Regis and the Regis Affiliates on February 14, 2022. Ms. Terrell also became a Director for First Choice Canada, Magicuts and Regis Holdings (Canada) on February 14, 2022. Prior to joining us, Ms. Terrell was the Vice President, Deputy General Counsel and Assistant Secretary of Cajun Operating Company for the Church's Chicken® and Texas Chicken® brands from January 2019 through February 11, 2022, and Senior Director, Assistant General Counsel and Assistant Secretary from January 2017 through February 10, 2022. Ms.

Terrell also served on the Board of Directors for Church's Partners Foundation, Inc. as a Director and Secretary from January 2017 through February 11, 2022.

Executive Vice President and Chief People Officer, Regis Corporation: Michael Ferranti

Mr. Ferranti became Executive Vice President and Chief People Officer for us, Regis and the Regis Affiliates in December 2021. He was Senior Vice President, People and Culture of Regis Corporation from March 2021 to December 2021. From May 2020 to March 2021, Mr. Ferranti was the Sr. Director of Mergers and Acquisitions for Subway Restaurants in Dallas, TX. From October 2018 to October 2019, he was Vice President, Development, People, and IT for Le Pain Quotidien in New York, NY. From October 2015 to April 2018, he was Vice President, People & Performance for Kraft Heinz in Toronto, Ontario and Chicago, IL.

Senior Vice President, Marketing, Regis Corporation: Michelle DeVore

Ms. DeVore became Senior Vice President, Marketing for us, Regis and the Regis Affiliates in September 2022. From November 2019 to August 2022, Ms. DeVore was Vice President, Customer Experience of European Wax Center, Inc. in Plano, TX. From September 2019 to November 2019, she was Director, Digital Media for Blucora, Inc. in Irving, TX and from October 2017 to February 2019, she was Vice President, e-Commerce Marketing of Aerus, Holdings LLC in Dallas, TX.

Senior Vice President, Merchandising and Education: James Suarez

Mr. Suarez became the Senior Vice President, Merchandising and Education for us, Regis and the Regis Affiliates in February 2022. He was the Vice President, Merchandising and Education from October 2021 to February 2022. From August 2017 to October 2021, Mr. Suarez was Vice President, Education of Regis.

Vice President, Treasurer, Controller & Tax: Elizabeth (Biz) McShane

Ms. McShane became the Vice President, Treasurer, Controller & Tax for us, Regis and the Regis Affiliates in October 2021. She was the Associate Vice President Accounting for us, Regis and the Regis Affiliates from October 2017 to October 2021.

Vice President, Financial Planning & Analysis: Bret Swenson

Mr. Swenson became the Vice President, Financial Planning & Analysis for us, Regis and the Regis Affiliates in February 2020. He was the Associate Vice President Financial Planning & Analysis for us, Regis and the Regis Affiliates from September 2017 to February 2020.

Vice President, Franchise Operations: Keelee MacDonald

Ms. MacDonald became Vice President Franchise Operations for us, Regis and the Regis Affiliates in May 2022 and was Associate Vice President Franchise Operations for us, Regis and the Regis Affiliates from December 2020 to May 2022. From November 2014 to December 2020, she was Vice President Field Operations for us, Regis and the Regis Affiliates.

Vice President, Human Resources: Kelly Webb

Ms. Webb became the Vice President, Human Resources for us, Regis and the Regis Affiliates in April 2021. Prior to that, she was the Associate Vice President of Compensation and Benefits for us, Regis and the Regis Affiliates from December 2017 to March 2021.

Vice President, Information Technology: Lori Southwick

Ms. Southwick became the Vice President, Information Technology for us, Regis and the Regis Affiliates in November 2019. She was the Associate Vice President, Information Technology from September 2013 to October 2019 for us, Regis and the Regis Affiliates.

Vice President, Development and Real Estate: Kristie Skluzacek

Ms. Skluzacek became our Vice President, has been our Vice President, Development and Real Estate in October 2021. Prior to that date, Ms. Skluzacek was our Associate Vice President Development & Real Estate since October 2021 and was Sr. Director, Smartstyle Operations, Finance & Strategy for Regis from June 2020 to September 2021. She was the Director, Business Development & Walmart Relationship of Regis from October 2018 to May 2020. From January 2017 to September 2018, she was Sr. Manager, Pricing and Revenue Management for Regis.

Persons With Management Responsibility

The following individuals are not officers but are persons who will have management responsibility relating to the sale or operation of franchises offered by this document.

Associate Vice President, Training & Development: Tara Aiken

Ms. Aiken became the Associate Vice President, Training & Development for us, Regis and the Regis Affiliates in August 2020. She was Senior Manager, Learning & Development Strategy & Operations of Target in Minneapolis, MN from October 2017 to August 2020.

Associate Vice President, Franchise Legal: Cynthia Clark

Ms. Clark became the Associate Vice President, Franchise Legal for us, Regis and the Regis Affiliates in April 2022. Ms. Clark was Of Counsel for Bochetto & Lentz, P.C. in Philadelphia, PA from May 2019 to April 2022. She was General Counsel of Full Spectrum Processing in Philadelphia, PA from October 2018 to April 2019 and was an Attorney with Ladov Law Firm, P.C., in Philadelphia, PA from January 2016 to September 2018.

Sr. Director, Real Estate, Franchising and Business Development: Allison Charney

Ms. Charney became the Sr. Director, Real Estate, Franchising and Business Development for us, Regis and the Regis Affiliates in February 2022. From October 2003 to January 2022, she was Director, Real Estate for Regis.

Acquisition & Franchising Manager: Michael Steinhofer

Mr. Steinhofer became the Acquisition & Franchising Manager for us, Regis and the Regis Affiliates in February 2022. From November 2014 to January 2022, he was the Acquisition Manager of for us, Regis and the Regis Affiliates.

Franchise Transactions Manager: Deborah Puchalla

Ms. Puchalla became the Franchise Compliance Manager for us, Regis and the Regis Affiliates in December 2020. She was a contractor through Robert Half for us, Regis and the Regis Affiliates from October 2018 to December 2020. From December 2003 to June 2018, she was a Sr. Franchise Paralegal for Buffalo Wild Wings in Minneapolis, MN.

ITEM 3
LITIGATION

Current Matters

Supercuts, Inc. v. Mohamed Aboukoura and iEndeavor, LLC (AAA Case No. 01-21-0000-3502, filed January 26, 2021). This case was a collections matter against a franchisee; the franchisee asserted counterclaims for violation of the Virginia Franchising and Consumer Protection Acts, the Minnesota Franchise Act, and common law fraud claims. The parties have agreed to a resolution and documentation of settlement agreement are in process, with Aboukoura agreeing to pay Supercuts and Regis $95,000.00.

Delamarter v. Supercuts, Inc. (Case No. 27-cv-19-19280, Hennepin County District Court, Minnesota). This case was filed as a class action against Supercuts on November 19, 2019 on behalf of Plaintiff and a putative class of consumers who, within the applicable statute of limitations, were allegedly provided a receipt at the point of sale or transaction from a Supercuts-branded salon, where the receipt displayed more than the last five digits of the person's credit or debit card number. The case was removed to federal court and proceeded there for roughly 18 months before it was remanded for lack of subject matter jurisdiction because the Plaintiff lacked Article III standing. Plaintiff moved for class certification after remand, which the District Court denied. Plaintiff subsequently sought immediate appellate review of this denial of class certification from both the Minnesota Court of Appeals and Minnesota Supreme Court, which both declined to review the decision. Accordingly, unless Plaintiff were to prevail on post-judgment appeal, the case is now an individual case where, if the Plaintiff demonstrates the violation was willful—committed knowingly or recklessly under the U.S. Supreme Court's jurisprudence—then he is entitled to up to $1,000 in statutory damages and his reasonable attorneys' fees and costs. If the violation is found to only be negligent, he is entitled to his actual damages only, which he has already disclaimed. The Parties are working to set a date for mediation to attempt to resolve this matter.

Concluded Matters

Supercuts, Inc. v. Scott and Vicki Furber and Dawg Concepts, Inc., AAA Case No. 01-21-0000-3512 (Filed January 26, 2021). Supercuts filed an arbitration with the American Arbitration Association ("AAA") against Scott and Vicki Furber and Dawg Concepts, Inc. (collectively, "Furber"), for past due royalties, advertising fund contributions and rent in the amount of $656,725.96. Furber filed counterclaims against Supercuts violation of Virginia Franchising and Consumer Protection Acts, the Minnesota Franchise Act, and common law fraud claims of $556,795. This matter was settled on April 12, 2022, for $110,000.00 to be paid by Supercuts to Furber.

Supercuts, Inc. v. Daniel C. Negussie, Grimt Habtermariam, and DnG, LLC, AAA Case No. 01-21-0000-3507 (Filed January 26, 2021). Supercuts filed an arbitration with the AAA against Daniel C. Negussie, Grimt Habtermariam, and DnG, LLC (collectively, "Negussie"), for past due royalties, advertising fund contributions and rent in the amount of $105,721.13. Negussie filed counterclaims against Supercuts violation of Virginia Franchising and Consumer Protection Acts, the Minnesota Franchise Act, and common law fraud claims of $ 458,982. This matter was settled on April 12, 2022, for $150,000.00 to be paid by Supercuts to Negussie

Joseph and Elizabeth Sims, Big Hair Salons, LLC v. The Barbers, Hairstyling for Men & Women, Inc., AAA Case No. 01-21-0001-9146 (filed February 16, 2021). A Smartstyle franchisee ("Franchisee") and its owners (collectively with the Franchisee, the "Sims") filed an arbitration with the AAA against The Barbers, Hairstyling for Men & Women, Inc. , Regis Corporation, and Regis Corp. (collectively, the "Regis Entities") alleging the Regis Entities made material misrepresentations and omissions to induce Franchisee to enter into area development agreements, franchise agreements, asset purchase agreements, subleases, and related agreements surrounding Franchisee's purchase of nine (9) Smartstyle salons and that The Barbers, Hairstyling for Men & Women, Inc., breached its contract-in-fact and contract-in-law obligations, as well as violated other statutory and common law duties. the Sims sought rescission and monetary damages. This matter was settled on August 9, 2022, for $210,000.00 to be paid by The Regis Entities to the Sims.

Supercuts, Inc. v. Keith and Marie Shaffer, KeiMar LLC, KieMar II LLC, and KeiMar III LLC (AAA Case No. 01-21-0000-3504, filed January 26, 2021). This case involved a collections matter against franchisee. Franchisee asserted counterclaims for violation of the Virginia Franchising and Consumer Protection Acts, the Minnesota Franchise Act, and common law fraud claims. This matter was settled on June 16, 2022, with Supercuts Inc. and Regis Corporation agreeing to pay the franchisee and its principals $280,000.00.

Supercuts, Inc. v. Court Curneen and Quartz, LLC (AAA Case No. 01-21-0000-3506, filed January 26, 2021). This case was a collections matter against a franchisee. The franchisee asserted counterclaims for violation of the Virginia Franchising and Consumer Protection Acts, the Minnesota Franchise Act, and common law fraud claims. This matter was settled on March 3, 2022, with Supercuts, Inc. and Regis Corporation agreeing to pay the franchisee $29,500.00.

Sea Fever Ventures, Inc., John Lovegrove, and Judith Lafleur-Lovegrove v. Regis Corporation and Supercuts, Inc. (AAA Case No. 01-20-0015-7648, filed November 18, 2020). A Supercuts franchisee and its owners filed an arbitration with the American Arbitration Association ("AAA") against Regis Corporation ("Regis") and Supercuts, Inc. ("Supercuts") alleging Regis and Supercuts violated the Virginia Retail Franchising Act (VRFA), Virginia Consumer Protection Act (VCPA), Minnesota Franchise Act (MFA), and committed common law fraud and negligent misrepresentation by making misrepresentations prior to the franchisee's execution of the Franchise Agreement and prior to the execution of the Sublease related to their store's build-out costs, break-even timeline, and financial performance, including illegal financial performance representations outside of Item 19 of the Franchise Disclosure Document, and by failing to disclose their market area's historical performance, and facilitating misleading validation calls and steering the franchisee to contact only certain successful franchisees outside their market, as well as misrepresenting the business as "absentee owner", "recession resistant" "under competitive", and "simple and easy". They further alleged the Franchisor violated the VRFA and MFA by illegally and constructively terminating their franchise by failing to provide adequate assistance and support. The franchisee also alleges that Regis and Supercuts breached the Franchise Agreement and Development Agreement and the implied covenant of good faith and fair dealing contained therein by failing to provide adequate assistance and support for the franchise. The franchisee also claims that Regis and Supercuts breached the Agreement to Mediate and the implied covenant of good faith and fair dealing contained therein by failing to mediate in good faith by failing to bring a business executive with authority to settle the dispute to the mediation. The franchisee seeks to rescind all of their agreements and actual damages, rescission damages in the amount of their investment, damages for uncompensated time, breach of contract damages, and their costs, disbursements, interest, and reasonable attorneys' fees. Regis and Supercuts denied all of the franchisee's allegations defended the arbitration. On November 23, 2021, the Arbitrator issued his final award and found that Supercuts' sale of the franchise to the franchisee violated the FTC Rule, the VRFA, and the VCPA and awarded a

total amount to the franchisee of $1,015,104.83, representing damages for the aforementioned claims, together with interest, attorneys' fees, and costs.

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 sought 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 sought 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 sought 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 and Propoint entered into a settlement agreement, effective June 25, 2021, that provided for the dismissal of the lawsuit and set forth a commercial services agreement pursuant to which Propoint would assist in the transfer of Regis's franchised salons, including Supercuts salons, from its point-of-sale system to Regis's salon management system, *Opensalon*® Pro. Under the agreement, Regis expected to pay Propoint between $3 million and $5 million over two years in consideration of Propoint's services (the "ProPoint Settlement Agreement"). The ProPoint Settlement Agreement was amended effective June 15, 2022 to require Regis to pay a total of $2 million to ProPoint by December 10, 2022 provided ProPoint continues to provide transition services through December 31, 2022.

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 Supercuts, 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 Supercuts, 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 Supercuts, 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 alleged that Regis nonetheless was statutorily liable as a "control person" of RPC. All six of the disputes described previously were settled in March 2017 and April 2017. All 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.

North Star Solutions, Inc. v. Supercuts, Inc. a Division of Regis, Inc. (AAA Case No. 01-18-0001-6461, filed May 4, 2018). A Supercuts franchisee filed an arbitration against Supercuts, Inc., the franchisor, and its affiliate, Regis, Inc. (n/k/a Regis LLC), alleging violation of the Minnesota Franchise Act, Minnesota Administrative Rules, Texas Business and Commerce Code, FTC Act, Lanham Act, Sherman Act, Clayton Act, breach of contract, common law fraud, negligent misrepresentation, and the implied covenant of good faith and fair dealing in the marketing, sale, and performance of the franchisee's franchise opportunity. The franchisee sought a refund of its $29,500 development fee, plus attorneys' fees, arbitration costs, and rescission of its development agreement and franchise agreement. Supercuts and Regis denied the allegations and settled the matter in October 2018 without admitting liability by refunding $25,000 to the franchisee and rescinding franchisee's development agreement and franchise agreement in return for a release of all claims related to the dispute, the franchise agreement, and the development agreement.

Other than these 11 actions, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Development Fees and Franchise Fees

a. Development Fees

The Barbers' current practice is to sign a Development Agreement with all franchisees for each new franchise acquisition, even if the franchisee expects to develop only one Store. The Barbers currently grants single-Store development rights (the "Single Store Program") and 3-Store and 6-Store development rights (the "Fast Start Program"). If you are a new franchisee or an existing franchisee that signed a Development Agreement after September 29, 2011, the Development Fee is full payment for your development and franchise rights, whether for one Store, or more than one Store. If you are such a "new" franchisee, The Barbers does not charge you any initial franchise fees for Stores to be developed under the Development Agreement.

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

The Development Fees you must pay to us are shown in the table below.

Single Store Program **(Note 1)**	**Fast Start Program** **(Note 2)**		
Development Fee Amount (1 Store)	**Development Fee Amount (3 Store)**	**Development Fee Amount (6 Store)**	**Development Fee Amount (6+ Store)** **(Note 2)**
$39,500	$69,500	$99,500	$10,000 for each additional Store

Note 1: 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.).

Note 2: The fees in the table above are the same for a New Franchisee and an Existing Franchisee signing a Development Agreement after September 29, 2011.

i. Single Store Program

The Single Store Program applies if you acquire the right to develop just one Cost Cutters Store. In that case, you will sign the Development Agreement and that Store's Franchise Agreement at the same time.

ii. Fast Start Program

The Fast Start Program applies if you acquire the right to develop three or more The Barbers Stores. In that case, you will concurrently sign the Development Agreement and the Franchise Agreement for the first Store to be developed. In accordance with the Development Agreement, you will also sign The Barbers' then-current standard Franchise Agreement for each subsequent The Barbers Store you open. In multi-Store development, we allocate $39,500 to the first Store and the remaining Development Fees are split equally among the Stores subsequently developed. For 3 or more Store development, we allocate $20,000 to the second Store and $10,000 to each additional Store.

iii. Existing Franchisees

Franchisees who joined the Cost Cutters system before September 30, 2011 pay a lower Development Fee per Store to be developed and also pay separate franchise fees.

Franchisee Type	Development Fee Amount	Initial Franchise Fee Amount (Note A)
Existing Franchisee (signed before September 29, 2011)	$5,000 per Store to be developed	$0
Existing Franchisee (signed between July 1, 1999 and September 28, 2011) (Note B)	$12,500 per Store to be developed	$0
Existing Franchisee (signed before June 30, 1999) (Note C)	$10,000 per Store to be developed	$0

Note A: The Initial Franchisee is due if the Store location has been identified and secured or upon signing the Location Identification Amendment to Franchise Agreement, the form of which is included in Exhibit B of this disclosure document.

Note B: The Development Fee is paid as follows - $5,000 when the Development Agreement is signed, and the remaining $7,500 when the Franchise Agreement or Location Identification Amendment is signed.

Note C: The Development Fee is paid as follows - $5,000 is due when the Development Agreement is signed, and the remaining $5,000 is due when the Franchise Agreement or Location Identification Amendment is signed.

b. Initial Franchise Fee

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	$39,500
If you were a Cost Cutters franchisee prior to September 30, 2011	$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. Cost Cutters has the right to terminate the Franchise Agreement then refund the Initial Fee to you 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 if either of the following occur: (1) you or your District Manager fail the Cost Cutters training program; or (2) Cost Cutters determines that any financial, personal or other information provided by you to Cost Cutters is materially false, misleading, incomplete or inaccurate. Otherwise, the Initial Fee is not refundable.

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' 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 Cost Cutters' subsidiary or other affiliate, as applicable, when you sign the Franchise Agreement and, if applicable, Sublease. You will pay the subsidiary or other affiliate the applicable purchase price and the applicable Initial Franchise Fees and Development Fee at the time you sign the Asset Purchase Agreement, Franchise Agreement(s) and Development Agreement for the Stores and/or salons you acquire and will develop. Purchase prices for company-owned Stores 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 and your negotiations.

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, we may require you to develop at least one brand new Cost Cutters Store (each a "New Store"). For example, if you acquire five or fewer existing company-owned Cost Cutters Stores and/or affiliated branded salons, we may

require you to develop at least one New Store, or if you acquire six to eight such Stores and/or salons, we may require you to develop at least two New Stores, and so on. In all cases when you buy the assets of an existing Cost Cutters Store or an existing affiliated branded salon for conversion to a Cost Cutters Store, that Store will count as one of the Stores to be developed under your Development Agreement.

Generally, our Development Fees and Initial Franchise Fees are non-refundable and uniformly imposed on our franchisees. However, in certain unique situations we may reduce or waive those fees. During last fiscal year, our Development Fees ranged $0 to $39,500.

Construction Fees

If you want Cost Cutters' approved vendor, Build Point Solutions Group Inc. ("Build Point Solutions") to supervise and oversee your Store's construction or remodel process, you must pay Build Point Solutions a fee of either $5,500 or $7,500 when you sign Build Point Solutions' services agreement the form of which is presented in Exhibit M of this disclosure document. You also must pay for the cost of construction or remodeling and any Store FF&E that Build Point Solutions arranges for you to purchase, plus shipping and handling.

If you elect not to use Build Point Solutions to coordinate your Store construction or remodel, then you must use architects and contractors that we approve and pay us a fee of $500-$1,000 to review your construction/remodel and design plan prior to commencing construction (the "Construction and Design Plan Review Fee) and a fee of $1,500-$3,000 for us to review your Store upon completion of the construction or remodel upon completion of construction (the "Post Build Review Fee").

Rental Costs

You may rent your salon from us. You will need to lease approximately 650-1,000 square feet for your salon and your rent will generally be the greater of $1,000 and 16% of your Store's monthly gross sale, which we estimate is $1,000 to $5,600, 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. Walmart may also charge tenant taxes, surcharges or other charges as stated in Section 4.9 of its master lease which charges will be passed through to franchisee.

ITEM 6
OTHER FEES

Type of Fee[1]	Amount	Date Due	Remarks
Continuing Fees[2][3]	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

Type of Fee[1]	Amount	Date Due	Remarks
			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)Cost Cutters requires you to pay this fee by direct bank transfer to Cost Cutters' bank account. See Note (2) and Note (3)
Advertising Fees[2][3]	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 unaudited profit and loss and balance sheet for the Advertising Fund can be made available to you upon request. See Note (2) and Note (3)
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).
Reimbursement of Audit Costs	The unpaid amounts due, plus our administrative fee and interest from the date originally due until the date of payment.	Immediately after receipt of audit report	If an inspection or audit is necessary due to your failure to furnish reports, supporting records, or other information as required or on a timely basis, or if our examination reveals an understatement exceeding two percent (2%) of the amount you actually reported to us for the period examined, you must reimburse our costs for the examination, including, without limitation, legal fees, independent accountants' fees, and compensation and travel related expenses for our employees.
Annual Conventions[4]	Up to $1,000 per person attending	Registration fee is due upon registration to	You must attend an annual system-wide convention. In addition to the registration fee payable to Cost

Type of Fee[1]	Amount	Date Due	Remarks
		attend convention, and other costs are due as incurred	Cutters, you must pay your travel, lodging and food expenses. See Note (4)
Transfer Fee	1 store $2,500 2 stores $4,500 3 stores $6,000 4 stores $7,000 5 stores $7,500 Each store after is $500	Before transfer's effective date	In addition to transfer fee, if the prospective franchisee is a new franchisee, they must attend Cost Cutters' mandatory training course for initial franchisees.
Sublease payments[5]	Amount due under lease which ranges from $2,500 - $9,600	Monthly at least 10 days before date Cost Cutters or its affiliate must pay rent to landlord	See Note (5)
Lease Renewal Fee[6]	$1,500	Immediately upon execution of the lease renewal	See Note (6)
Lease Guaranty Fee[7]	The amount by which twelve percent (12%) of your monthly Gross Revenues exceed your monthly lease payments for as long as such guaranty is in effect.	Monthly	Cost Cutters reserves the right to charge this fee if you request and Cost Cutters agrees to guarantee your lease obligations in any way (e.g., as tenant or guarantor) See Note (7)
Interest Charges & Late Fees	1.5% per month or the highest commercial contract interest rate the law allows, whichever is less. In addition, you must pay us a One-Hundred Dollar ($100) administrative fee.	On demand	For each payment not made to us or our affiliate when due (or for each dishonored payment); in addition, we may charge you a $100 late fee if you fail 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. See Note (8)
Gift Card Transactions	$45 per download software download fee and $15 per terminal annual software maintenance fee (both if you supply your own terminal device); per transaction fees range from $.0225 to $.07; non-sufficient funds recovery fee of $.05 per card	As incurred and/or per transaction	See Item 8 (you buy cards from our approved supplier and make payments to our third-party vendor) *See also* Item 8 of this disclosure document

NOTES:

(1) Unless otherwise indicated, each fee is imposed by and payable to Cost Cutters. All fees are uniformly imposed and are nonrefundable, however, we reserve the right to vary fees in our sole discretion due to circumstances such as store performance and if you purchase your Cost Cutters Store from us or our affiliate. 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, as defined in Article 29.5 of the Franchise Agreement, the gross total dollar income of the your Cost Cutters Store 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 your Cost Cutters Store, 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 your employees. This definition will be applicable regardless of whether such sales, receipts or revenues are produced or received by you, by any permitted sublicensee, tenant, agent, employee, concessionaire, vending machine, coin-operated machine or vendor of the yours, or by any other business associate of the yours who or which is associated with the you in order to receive the benefits of the rights granted hereunder to you. "Gross Sales" will include all sales made by you 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 Sales for charitable or other donations. "Gross Sales" does 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 you.

(4) Cost Cutters will require you to pay the registration fee of up to $1,000 for the annual convention regardless of whether you attend the annual convention.

(5) You will sublease your Store location from Cost Cutters or its affiliate. Your rent will generally be the greater of $1,000 and 16% of your Store's monthly gross sales. See Item 10. Cost Cutters estimates that your monthly rent will range from $1,000 to $5,600, although your actual rent will vary based on your Store's monthly gross revenues. 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. Walmart may also charge tenant taxes, surcharges or other charges as stated in Section 4.9 of its master lease which charges will be passed through to you.

(6) 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 that may be offered by Franchisor.

(7) If you request and Cost Cutters agrees to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then Cost Cutters reserves the right to charge you a monthly fee of the amount by which twelve percent (12%) of your monthly gross sales exceeds your monthly lease payments for as long as such guaranty is in effect. Cost Cutters has no obligation to guarantee your lease in any way, but if it does, you must pay such monthly lease guaranty fee.

(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).

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

SINGLE STORE FRANCHISE AGREEMENT				
Type of Expenditure	**Amount**	**Method Of Payment[8]**	**When Due**	**To Whom Payment is to be Made**
Initial Franchise Fee[1]	$12,500-$39,500	Per Agreement	at signing of Franchise Agreement	Cost Cutters See Note (1)
Leasehold Improvements[2]	$60,000 - $120,000	As Incurred	Before Start/As Incurred	Landlord, Suppliers & Contractors See Note (2)
Furniture, Equipment and Supplies[3]	$25,000 - $50,000	Lump Sum	Before Start/As Arranged	Suppliers See Note (3)
Construction Management Services Fee[4]	$5,500-$7,500	Lump Sum	Upon Signing Construction Management Services Agreement	Independent Supplier See Note (4)
Construction and Design Plan Review[4]	$500-$1,000	Lump Sum	Prior to starting construction	Cost Cutters or its affiliate See Note (4)
Post Build Review[4]	$1,500-$3,000	Lump Sum	Prior to opening for business	Cost Cutters of its affiliate See Note (4)
Computer Software (Point of Sale System)[5]	$2,040 ($170 per month)	Lump Sum or Monthly	Before and After Opening	Independent Supplier Note (5)
Computer Hardware/Installation and Onsite Training[5]	$1,876-$2,418	Lump Sum, Lease, or Financing is Available	Before Opening	Independent Supplier Note (5)

SINGLE STORE FRANCHISE AGREEMENT				
Type of Expenditure	**Amount**	**Method Of Payment[8]**	**When Due**	**To Whom Payment is to be Made**
Opening Inventory[6]	$5,000 - $10,000	Lump Sum	As Arranged	Cost Cutters' designated suppliers Note (6)
Travel and Living Expenses during Orientation Training	$2,050 - $4,500	As Incurred	As Incurred	Airlines, Hotels & Restaurants
Rent and Security Deposit [7]	$2,500 - $9,600	Lump Sum	Before Start	Landlord or Regis Note (7)
Grand Opening[8] Advertising	$5,000	As Incurred	Within 60 days of opening of Cost Cutters Business	Independent Suppliers Note (8)
Signs	$6,000 - $12,000	Lump Sum	Before Start	Supplier
Professional Fees[9]	$6,000 - $12,000	Lump Sum	Within 5 days of receipt of an invoice	Suppliers Note (9)
Additional Funds – 3-6 Months[10]	$15,000 - $30,000	As Incurred	As Incurred	Employees, Suppliers, Utilities and Cost Cutters Note (10)
TOTAL	$150,466 - $308,558			

DEVELOPMENT AGREEMENT				
Column 1 **Type of Expenditure**	**Column 2** **Amount**	**Column 3** **Method of Payment**	**Column 4** **When Due**	**Column 5** **To Whom Payment is to be Made**
Development Fee for three Cost Cutters Businesses[1]	$69,500	Lump Sum	At signing of Development Agreement	Cost Cutters See Note (1)

DEVELOPMENT AGREEMENT				
Column 1 **Type of Expenditure**	**Column 2** **Amount**	**Column 3** **Method of Payment**	**Column 4** **When Due**	**Column 5** **To Whom Payment is to be Made**
Leasehold Improvements[2]	$60,000 - $120,000	As Incurred	Before Start/As Incurred	Landlord, Suppliers & Contractors See Note (2)
Furniture, Equipment and Supplies[3]	$25,000 - $50,000	Lump Sum	Before Start/As Arranged	Suppliers See Note (3)
Construction Management Services Fee[4]	$5,500-$7,500	Lump Sum	Upon Signing Construction Management Services Agreement	Independent Supplier See Note (4)
Construction and Design Plan Review[4]	$500-$1,000	Lump Sum	Prior to starting construction	Cost Cutters or its affiliate See Note (4)
Post Build Review[4]	$1,500-$3,000	Lump Sum	Prior to opening for business	Cost Cutters of its affiliate See Note (4)
Computer Software (Point of Sale System)[5]	$2,040 ($170 per month)	Lump Sum or Monthly	Before and After Opening	Independent Supplier Note (5)
Computer Hardware/Installation and Onsite Training[5]	$1,876-$2,418	Lump Sum, Lease, or Financing is Available	Before Opening	Independent Supplier Note (5)
Opening Inventory[6]	$5,000 - $10,000	Lump Sum	As Arranged	Cost Cutters' designated suppliers Note (6)
Travel and Living Expenses during Orientation Training	$2,050 - $4,500	As Incurred	As Incurred	Airlines, Hotels & Restaurants
Rent and Security Deposit [7]	$2,500 - $9,600	Lump Sum	Before Start	Landlord Note (7)

DEVELOPMENT AGREEMENT				
Column 1 **Type of Expenditure**	**Column 2** **Amount**	**Column 3** **Method of Payment**	**Column 4** **When Due**	**Column 5** **To Whom Payment is to be Made**
Grand Opening[8] Advertising	$5,000	As Incurred	Within 60 days of opening of Cost Cutters Business	Independent Suppliers Note (8)
Signs	$6,000 - $12,000	Lump Sum	Before Start	Supplier
Professional Fees[9]	$6,000 - $12,000	Lump Sum	Within 5 days of receipt of an invoice	Suppliers Note (9)
Additional Funds – 3-6 Months[10]	$15,000 - $30,000	As Incurred	As Incurred	Employees, Suppliers, Utilities and Cost Cutters Note (10)
TOTAL	$219,966 - $378,058			

General Statements

A. **Except for the security deposit for the store's premises (if any), no expenditure paid to us that is in this table is refundable.**

B. The table above assumes that you will develop a brand new Cost Cutters Store. However, if you choose to buy the assets of an existing Cost Cutters Store from Cost Cutters' affiliate, 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, then Cost Cutters and its affiliate and you will negotiate the appropriate purchase price. If you buy an existing company-owned Cost Cutters Store, (1) you will incur certain costs as required by us to remodel and upgrade the location to Cost Cutters' then current standards, which costs currently will not exceed $50,000, or what is required by the landlord under the master lease, (2) you will not incur the same costs set forth in the table above for leasehold improvements, furniture, fixtures, and equipment, engineering drawings, opening inventory, grand opening advertising, and signs like you would if you were building a brand new Cost Cutters location, and (3) your initial investment will include the negotiated purchase price, the cost of remodeling/upgrading to our current standards (currently capped at $50,000), any remodel costs required by the landlord under the master lease, the initial franchise/development fee, construction management services fee, computer software (point of sale system), computer hardware/installation, the cost of travel and living expenses for onsite training during orientation training, rent and security deposit (if any), and additional funds. No Cost Cutters Stores were sold by vendition during last fiscal year. During the fiscal year ended June 30, 2021, the highest purchase price paid by a franchisee for an existing company-owned

Cost Cutters Store (acquired to be operated as a franchise) was $3,203 and 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. Your costs to convert an affiliated branded salon to a Cost Cutters might range from about $40,000 to about $100,000.

C. You should review these figures carefully with a business advisor before deciding to acquire the franchise. Except as described in Item 10, Cost Cutters does not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. Cost Cutters recommends that you use these categories and estimates as a guide for your own budget and investigate specific costs in your area.

Notes

(1) The Initial Franchise 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 non-refundability of the Initial Franchise 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 Cost Cutters' approved vendor 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 that approved vendor a fee (either $5,500 or $7,500) when you sign its services agreement. You also must pay for the cost of construction and the store FF&E that our approved vendor arranges for you to purchase, plus shipping and handling. If you elect not to use Cost Cutters' approved vendor to coordinate your store buildout, then you must use architects and contractors that we approve and pay us a fee of $500-$1,000 to review your construction and design plan and a fee of $1,500-$3,000 for us to review your store after it is built and before it opens for business. 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 our approved vendor, and other economic factors.

(4) The estimated amounts here include engineering and/or architectural drawings, site survey fees, permits and other professional services. If you want Cost Cutters' approved vendor to supervise and oversee your store's construction process, you must pay that approved vendor a fee (either $5,500 or $7,500) when you sign its services agreement. (If you elect not to use Cost Cutters' approved vendor to coordinate your store buildout, then you must use architects and contractors that we approve and pay us a fee of $500-$1,000 to review your construction and design plan and a fee of $1,500-$3,000 for us to review your store after it is built and before it opens for business.

(5) Cost Cutters requires that you purchase the designated computerized point of sale cash register and backoffice system for your business. See Items 8 and 10. The designated point-of-sale and backoffice computer system is Soham, Inc. ("Zenoti").

(6) 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 our designated and/or approved suppliers (which may include us and our affiliates). 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.

(7) You will lease your Store's premises directly from the landlord, although Cost Cutters reserves the right to require you to sublease the location from Cost Cutters or its affiliate. 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. If you initially sublease your Store's location, Cost Cutters reserves the right to subsequently require you to lease directly from the landlord (including, without limitation, at lease renewal) and vice versa (i.e., if you initially lease directly, Cost Cutters may subsequently require you to sublease). If you request and Cost Cutters agrees to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then Cost Cutters reserves the right to charge you a monthly fee of the amount by which twelve percent (12%) of your monthly gross sales exceeds your monthly lease payments for as long as such guaranty is in effect. Cost Cutters has no obligation to guarantee your lease in any way, but if it does, you must pay such monthly lease guaranty fee. If your Cost Cutters Store is located in a Walmart, Walmart may also charge tenant taxes, surcharges or other charges as stated in Section 4.9 of its master lease which charges will be passed through to franchisee.

(8) You are required to spend a minimum of $5,000 on your grand opening advertising. The $5,000 is only a minimum amount. You may need to spend more than $5,000 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) This is an **estimate** of the funds needed to cover your initial expenses during the first 3 months of operation (other than the items identified separately in the table). It includes supplies, training fees, security deposit, utility deposits, prepaid insurance, legal and accounting fees, license fees, uniforms, rent, taxes, etc. but not any draw or salary for you. However, this is only an estimate, and you might need additional working capital during the first 3 months you operate your Business and for a longer timeframe afterward. This estimate is based on Regis Corp.'s experience in operating Cost Cutters Businesses.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We restrict your sources of items and services in many cases to protect trade secrets and other intellectual property, help assure quality and a reliable supply of products meeting our standards, achieve better purchase and delivery terms, control third-party use of the Marks, and monitor the manufacture, packaging, processing, sale, and delivery of these items.

Required Purchases and Leases

You must operate your Cost Cutters Store according to our Brand Standards. Brand Standards may regulate the following, among other things:

a. Types, models, and brands of required furniture, fixtures, signs, and equipment (including components of and required software licenses for the Computer System) for your Cost Cutters Store (collectively, "Operating Assets");

b. Required, authorized, and unauthorized products and services for the Store;

c. Designated and approved manufacturers, suppliers, and distributors of products and services;

d. Completion of, and certification in, required training programs; and

3. Participation in certain test programs for new services, products, and/or Operating Assets.

We periodically may modify Brand Standards, which may accommodate regional or local variations, and those modifications may obligate you to invest additional capital in the Cost Cutters Store and/or incur higher operating costs. You must implement any changes in mandatory Brand Standards within the time period we request for which the timing and amounts are not limited during the franchise term. You must incur these costs in order to comply with this obligation and our requirements (even if such expenditures cannot be amortized over the remaining franchise term). Within 30 days after receiving written notice from us, you must prepare plans according to our standards and specifications and, if we require, using architects and contractors we designate or approve, and then submit those plans to us for written approval.

a. Operating Assets

You must buy or lease all Operating Assets and other products and services for the Store in accordance with Brand Standards and, if we require, only from manufacturers, suppliers, or distributors

we designate or approve at the prices the suppliers choose to charge. The approved manufacturers, suppliers and distributors may include or be limited to us or our affiliates.

b. Point of Sale and Back Office System

As of June 29, 2022, you must purchase your computer point of sale cash register and back office hardware and software-as-a-service (SaaS) system from our approved supplier, Zenoti (the "Zenoti System"). *See* Item 1 for more information about Zenoti. To obtain the Zenoti System you must sign the Franchisee Participation Agreement included in Exhibit K of this disclosure document. Zenoti may require you to use a specific payment processor who will charge you a fee to settle all credit, debit or other mobile payments.

c. Marketing Materials

You must send us samples or proofs of all Marketing Materials (defined as advertising, marketing, promotional, and lead-generation formats and materials) we have not prepared or already approved and all approved Marketing Materials that you propose to change in any way. While we will not unreasonably withhold our approval, you may not use any Marketing Materials we have not approved or have disapproved.

d. Plans

You must develop the Store at your expense. You must follow our construction guidelines and mandatory specifications and layouts for a Cost Cutters Store ("Plans"), including requirements for dimensions, design, interior layout, improvements, color scheme, décor, signage, and Operating Assets. All other decisions regarding the Cost Cutters Store's development are subject to our review and prior written approval. You must adapt the Plans for the Cost Cutters Store ("Adapted Plans") and make sure they comply with the Americans with Disabilities Act ("ADA"), all federal, state, and local laws, codes, ordinances, and regulations, and lease requirements and restrictions. You must send us the Adapted Plans for pre-approval before the Cost Cutters Store's build-out begins and all revised or "as built" plans and specifications prepared during construction and development. Our review is limited to reviewing compliance with our Plans. Our review is not intended or designed to assess your compliance with applicable laws or lease requirements, which is your responsibility. We have the right to pre-approve your proposed architect and general contractor.

e. Construction

You must at your expense construct, install all trade dress and Operating Assets in, and otherwise develop the Cost Cutters Store according to our (and if applicable Walmart's), standards, specifications, and directions. The Store must contain all Operating Assets, and only those Operating Assets, we and Walmart specify or pre-approve. You agree to place or display at the Cost Cutters Store (interior and exterior), according to our, and Walmart's guidelines, only the signs, emblems, lettering, logos, and materials we and Walmart approve.

f. Sublease

If you sublease a Cost Cutters that is not located in a Walmart the form of that non-Walmart Sublease is included in Exhibit F to this disclosure document (the "Non-Walmart Sublease"). The required first and last months' rent and security deposit represent approximately 5%-8% of your total cost to establish your Store. Your monthly lease payment will normally represent approximately 8%-20% of your total monthly operating expenses. If you request and Cost Cutters agrees to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then Cost Cutters reserves the right to charge you a monthly fee of the amount by which twelve percent (12%) of your monthly gross sales exceeds your

monthly lease payments for as long as such guaranty is in effect. Cost Cutters has no obligation to guarantee your lease in any way, but if it does, you must pay such monthly lease guaranty fee. Because you pay rent directly to the landlord, although you Non-Walmart Sublease from us, we do not derive any revenue from your Non-Walmart Sublease. Based upon Cost Cutters' 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.

The average monthly lease rate Regis or its affiliate charges you will be $3,250, which includes an additional rent fee of $300 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.

You must sublease from us any Cost Cutters located in a Walmart. The form of that sublease is included in Exhibit G to this disclosure document (the "Walmart Sublease"), that is subject to our Master Lease with Walmart that is included in Exhibit H to this disclosure Document (the "Walmart Master Lease"), including in many instances, a separate schedule to the Walmart Master Lease. Pursuant to our Walmart Master Lease, Walmart may not renew our lease, and thus we cannot renew your Walmart Sublease, if your sales fall below $150,000 per year or any other sales threshold designated by Walmart. Additionally, Walmart can compel us, and thus you, to remodel your Cost Cutters salon if Walmart deems it necessary for various reasons, including that Walmart remodeled the Walmart store and as a condition of renewal of your Walmart Sublease. If we approve a Store location outside of a Walmart store, reserve the right to require you to lease directly from the landlord.

g. Insurance

You must maintain insurance coverage for the Cost Cutters Store at your own expense in the amounts, and covering the risks, we periodically specify. Your insurance carriers must be licensed to do business in the Cost Cutters Store's state and be rated A-, VII or higher by A.M. Best and Company, Inc. (or satisfy our other criteria). We may periodically increase the required coverage amounts and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or relevant changes in circumstances. Insurance policies must be written in your name and name us (and our parent companies, subsidiaries, and all other affiliates, and our and their respective officers, owners, directors, agents, representatives, and employees) as additional insureds for claims arising from your products and operations. You must provide updated insurance policies and proof of payment to us within 10 days of the expiration or termination of such policy or policies. The minimum insurance coverage we require is as follows: (a) commercial general liability insurance (including product, contractual, and owned and non-owned vehicle liability coverages) in minimum amounts of $2,000,000, aggregate single limit coverage; (b) "All Risk" property damage insurance; (c) plate glass insurance and boiler insurance (if applicable); (d) employer's liability, workers' compensation, and such statutory insurance as may be required in the state in which the Cost Cutters Store is located; and (e) employment practices liability insurance with a limit of not less than $1,000,000 per occurrence and $1,000,000 aggregate. You also must obtain and maintain all other insurance required under applicable state law.

h. Gift Cards/Customer Loyalty Programs

You must participate in, and comply with the requirements of, our gift/loyalty/stored-value card program pursuant to our Gift Card Participation Agreement that is included in Exhibit L of this disclosure document (the "Gift Card Participation Agreement"). You must also participate in, and comply with, the requirements of any of our other customer loyalty programs as well as use our mobile or digital-ordering and franchise system applications and other digital channels.

Approved Vendors

Except as described above, there are no goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Cost Cutters Store that you currently must buy or lease from us (or our affiliates) or designated or approved suppliers. In the future, we may designate other products and services that you must buy only from us, our affiliates, or designated or approved suppliers. To maintain the quality of Cost Cutters Store products and services and our franchise network's reputation, all Operating Assets and other products and services your Store uses or sells (besides those described above that you currently may obtain only from us, our affiliates, and/or approved and designated suppliers) must meet our minimum standards and specifications, which we issue and modify based on our, our affiliates', and our franchisees' experience in operating Cost Cutters Stores. Standards and specifications may impose minimum requirements for production, performance, safety, reputation, prices, quality, design, and appearance. Our Operations Manual, other technical manuals, and written and on-line communications will identify our standards and specifications for you. When appropriate and authorized, you may provide those standards and specifications to suppliers if they agree to maintain confidentiality.

If we require you to buy or lease the product or service only from an approved supplier or distributor but you want to purchase or lease any Operating Assets, products, or services from a supplier or distributor we have not then approved, then you must establish to our reasonable satisfaction that the quality and functionality of the item or service are equivalent to that of the item or service it replaces and that the supplier or distributor is, among other things, reputable, financially responsible, and adequately insured for product-liability claims. You must pay upon request any actual expenses we incur to determine whether the items, services, suppliers, or distributors meet our requirements and specifications, which we will decide within 90 days of your request. We may condition supplier or distributor approval on the following requirements: (a) quality; (b) safety; (c) third-party lab testing; (d) prices; (e) consistency; (f) warranty; (g) supply-chain reliability and integrity; (h) financial stability; (i) customer relations; (j) frequency, economy, and efficiency of delivery; (k) the benefits of concentrating purchases with limited suppliers; (l) standards of service, including prompt attention to complaints; and (m) other reasonable criteria.

We have the right to inspect the proposed supplier's or distributor's facilities and require the proposed supplier or distributor to send samples or items either directly to us or to a third-party testing service. We may re-inspect a supplier's or distributor's facilities and items and revoke our approval of any supplier, distributor, product, or service no longer meeting our criteria by notifying you and/or the supplier or distributor. We do not make our supplier approval criteria available to franchisees.

Despite these procedures, we may limit the number of approved suppliers and distributors, designate sources you must use, and refuse your requests for any reason, including because we already have designated an exclusive source (which might be us or our affiliate) for a particular item or service or believe that doing so is in the Cost Cutters Store network's best interest. If we approve any supplier or distributor you recommend, we may authorize other Cost Cutters Stores to buy or lease any Operating Assets, products, or services from that supplier or distributor without compensating you.

Our Revenue from Required Purchases or Leases

We and/or our affiliates may derive revenue—in the form of promotional allowances, volume discounts, commissions, other discounts, performance payments, signing bonuses, rebates, marketing and advertising allowances, free products, and other economic benefits and payments—from suppliers that we designate, approve, or recommend for some or all Cost Cutters Stores on account of those suppliers' prospective or actual dealings with your Store and other Cost Cutters Stores. That revenue may or may not be related to services that we and our affiliates perform. All amounts we or our affiliates receive from suppliers shall be our and our affiliates' exclusive property, which we and our affiliates may retain and use without restriction for any purposes we and our affiliates deem appropriate. Any products or services that we or our affiliates sell you directly may be sold to you at prices exceeding our and their costs.

The approved supplier of store build-out coordination services will pay Regis of 20%-80% of revenue from all franchisee purchases. The designated supplier of hair care products to franchisees will pay Regis 6% of the sales price of Regis private label hair care products and 3% of the sales price of other hair care products sold to franchisees. Last fiscal year, the designated credit card processor paid Regis $.0065-$.0315 per authorization and 2%-6% of eligible revenue based on authorizations by and revenue received from franchisees. The current credit card processor does not pay Regis any incentive or rebate.

In the fiscal year ended June 30, 2022, Regis' total revenue was $279,778,286. The amount of Regis' total revenue derived from required purchases and leases is shown in the table below.

Required Purchase or Lease by Cost Cutters Franchisees	Amount of Revenue from the Required Purchase or Lease	Percentage of Regis' Total Revenue from the Required Purchase or Lease
Computer point-of-sale and back-office system	$628,615.00	0.22%
Construction management and FF&E coordination services	$0	0.00%
Hair Care Products and Supplies	$1,067,030.40	0.38%
Lease $300 up charge	$ 229,161.16	0.08%

Collectively, your purchases and leases from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent about 5% of your overall purchases and leases to establish and then to operate the Cost Cutters Store.

Purchasing Cooperatives/Purchasing Arrangements

There currently are no purchasing or distribution cooperatives. We and our affiliates currently negotiate purchase arrangements with suppliers (including price terms). In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor (and not for the benefit of a particular franchisee). We and our affiliates might not obtain the best pricing or most advantageous terms on behalf of Cost Cutters Stores. We and our affiliates also are not responsible for the performance of suppliers and distributors to Cost Cutters Stores, including if their products or services fail to conform to or perform in compliance with Brand Standards or our contractual terms with the supplier or distributor.

We may negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

We do not provide material benefits to a franchisee (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers. However, we may provide additional marketing opportunities or business insights to franchisees that use the Zenoti software system because of the customer data available through that system.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section in Agreement**	**Disclosure Document Item**
a. Site selection and acquisition/ lease	Articles 1, 21.1, and 22, of Franchise Agreement; Article 1 of Development Agreement	7 and 11
b. Pre-opening purchases/leases	Articles 7.3, and 7.8 of Franchise Agreement and Construction Management Services Agreement	7, 8 and 10
c. Site development and other pre-opening requirements	Articles 1, 7.3, and 7.5 of Franchise Agreement and Construction Management Services Agreement	6, 7 and 11
d. Initial and ongoing training	Articles 14 and 15.3 of Franchise Agreement	11
e. Opening	Articles 9.1and 14.1 of Franchise Agreement	11
f. Fees	Articles 4, 5 and 6 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 and 8 of Franchise Agreement and Article 5 of Development Agreement	11
h. Trademarks and proprietary information	Articles 3, 7.7 and 8 of Franchise Agreement and Article 5 of Development Agreement	13 and 14
i. Restrictions on products/services offered	Articles 7.8 and 7.11of Franchise Agreement	16
j. Warranty and customer service requirements	Article 7 of Franchise Agreement	11

FRANCHISEE'S OBLIGATIONS		
Obligation	**Section in Agreement**	**Disclosure Document Item**
k. Territorial development and sales quotas	Articles 1 and 3 of Development Agreement	12
l. Ongoing product/service purchases	Articles 7.8 and 7.11 of Franchise Agreement	8
m. Maintenance, appearance and remodeling requirements	Articles 7.5, 7.6 and 7.12 of Franchise Agreement	11
n. Insurance	Article 17 of Franchise Agreement	6 and 8
o. Advertising	Articles 6, 7.4 and 7.24 of Franchise Agreement	6 and 11
p. Indemnification	Article 18 of Franchise Agreement	6
q. Owner's participation/ management/staffing	Article 7.23 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 and 19.4 of Franchise Agreement	6 and 11
t. Transfer	Article 20 of Franchise Agreement; Articles 10 and 11 of Development Agreement	17
u. Renewal	Article 2 of Franchise Agreement	17
v. Post-termination obligations	Article 11 of Franchise Agreement; Articles 7 and 8 of Development Agreement	17
w. Noncompetition covenants	Article 12 of Franchise Agreement	17
x. Dispute resolution	Article 23 of Franchise Agreement and Article 12 of Development Agreement	17

ITEM 10
FINANCING

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

Sublease

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, including for any Franchised Location within a Walmart location. If you initially sublease the Franchised Location, Cost Cutters reserves the right to subsequently require you to lease directly from the landlord (including, without limitation, at lease renewal) and vice versa (i.e., if you initially lease directly, Cost Cutters may subsequently require you to sublease). If you request and Cost Cutters agrees to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then Cost Cutters reserves the right to charge you the amount by which twelve percent (12%) of your monthly gross sales exceeds your monthly lease payments for as long as such guaranty is in effect (Walmart Franchised Location are subject to the $300 up charge described above in Item 8). Cost Cutters has no obligation to guarantee your lease in any way, but if it does, you must pay such monthly lease guaranty fee or $300 up charge, as applicable. 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.

Cost Cutters or its affiliate does not assume the landlord's obligations under the master lease, meaning that you cannot hold Cost Cutters or its affiliate responsible for the landlord's non-performance. However, because of the Sublease with you, Cost Cutters or its affiliate may enforce the landlord's rights under the master lease. (Sublease—Article 5.1) You may not assign the Sublease without Cost Cutters or its affiliate Corp.'s prior consent. (Sublease—Article 7) Your breach of the Franchise Agreement is also considered a breach of the Sublease. Termination of the Franchise Agreement for any reason also terminates the Sublease (at Cost Cutters or its affiliate's election). The defaulting party is liable to the non-defaulting party for all of its damages due to the Sublease's termination. (Sublease—Article 5.4) Termination of the master lease also terminates the Sublease. (Sublease—Article 2) Your owners (if you are an entity) must guarantee your performance under the Sublease.

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

Except as listed below, Cost Cutters need not provide any assistance to you.

Development Agreement

Cost Cutters grants franchises for the operation of Cost Cutters Stores located within geographic areas defined by Cost Cutters. Unless you are signing a Franchise Agreement for a new Cost Cutters Store to be developed under a previously-signed Development Agreement or as a result of your exercise of Expansion Policy rights, Cost Cutters' current practice is to sign a Development Agreement with all franchisees for each new franchise acquisition in a Development Area, even if the franchisee expects to develop only one Store. If you acquire the right to develop just one Cost Cutters Store, you will sign the Development Agreement and that Store's Franchise Agreement at the same time. If you acquire development rights under the Fast Start Program, you will concurrently sign the Development Agreement and the Franchise Agreement for the first Store to be developed. You then will look for your first location. (You will sign the lease or, if Cost Cutters requires you to sublease the location, Cost Cutters'

Sublease, when the Cost Cutters Store's site is found and secured. You and Cost Cutters also will sign the Location Identification Amendment to Franchise Agreement at that time.) You sign Cost Cutters' then current standard Franchise Agreement and, if applicable, Sublease, for each subsequent Cost Cutters Store you open according to the Development Agreement.

Pre-Opening Assistance

Listed below are our pre-opening obligations under the Development Agreement and Franchise Agreements.

a. Accept or reject your proposed Store site. Review potential Store sites that you identify within the Site Selection Area and may, but have no obligation to, visit the Site Selection Area once (for no additional fee) to review potential Store sites. We may condition our acceptance of a proposed site, or a proposed site visit, on your first sending us complete site reports and other materials (including photographs and digital recordings) we request. We will give you our then-current criteria for Cost Cutters Store sites (including population density and other demographic characteristics, visibility, traffic flow, competition, accessibility, ingress and egress, size, and other physical and commercial characteristics) to help in the site-selection process. We will use reasonable efforts to review and accept or reject each site you propose within 30 days after we receive all requested information and materials. If we do not accept the site in writing within 30 days, the site is deemed rejected. We will not unreasonably withhold our acceptance of a site if, in our and our affiliates' experience and based on the factors outlined above, the proposed site is not inconsistent with sites that we and our affiliates regard as favorable or that otherwise have been successful sites in the past for Cost Cutters Stores. However, we have the absolute right to reject any site not meeting our criteria or to require you to acknowledge in writing that a site you prefer is accepted but not recommended due to its incompatibility with certain factors bearing on a site's suitability as a location for a Cost Cutters Store. After we accept and you secure a proposed site, we will identify that site as the Cost Cutters Store's address in Section 1.1 of the Franchise Agreement. We do not own locations for lease to franchisees but we may sublease the premises of the Cost Cutters Store to you as explained in Item 8. Under the Development Agreement, we first must accept each new site you propose for each new Cost Cutters Store. Our then-current standards for sites will apply. If you do not find and secure an acceptable Store site and develop and open your Store for business within 12 months after the Franchise Agreement's effective date, we may terminate the Franchise Agreement upon written notice to you. If we terminate the Agreement for that reason, we will not return any portion of the initial franchise fee. You do not have the right to terminate the Franchise Agreement due to your failure or inability to find and secure an acceptable Store site and develop and open for business within 12 months after the Agreement's effective date. (Franchise Agreement—Section 9.1(A))

b. Accept or reject your Store's lease or sublease. You must send us for review both the proposed terms of the lease or sublease (as they appear in, for example, a landlord letter of intent) and the actual lease or sublease, in each case after receipt from the landlord. We will have 30 days after receiving the proposed lease terms, and another 30 days after receiving the actual lease (these timeframes will not overlap or run concurrently), to review and either accept or reject what you send us. We also reserve the right to require your lease to contain certain terms and conditions that we specify, including step-in rights provided to us or our designee. You may not sign any lease we have not accepted in writing.

c. Make template Plans available to you. Our Plans might not reflect the requirements of any federal, state, or local laws, codes, ordinances, or regulations, including those arising under the ADA, or any lease requirements or restrictions. You are solely responsible for complying with all laws and must inform us of any changes to the Cost Cutters Store's specifications that you believe are necessary to ensure such compliance. You must ensure that your Adapted Plans for the Cost Cutters Store comply with all laws and lease requirements and restrictions. We have the right to pre-approve the architect and general contractor you propose to use to develop the Cost Cutters Store. We must pre-approve in writing

the Adapted Plans before the Cost Cutters Store's build-out begins and all revised or "as built" plans prepared during the Cost Cutters Store's construction and development. You must develop the Cost Cutters Store in compliance with the Adapted Plans. During the Cost Cutters Store's build-out, we may physically inspect the Cost Cutters Store or have you send us pictures and images (including recordings) of the Cost Cutters Store's interior and exterior so we can review your development of the Cost Cutters Store in compliance with our Brand Standards. (Franchise Agreement—Article 7)

d. Provide initial training. We will provide initial training for your Managing Owner and additional persons whom you employ in a managerial capacity (e.g., Store managers). We describe this training later in this Item. (Franchise Agreement – Article 14)

e. Provide our minimum standards and specifications. We will identify in writing or electronically the Operating Assets, inventory, supplies, and other products and services you must use to develop and operate the Cost Cutters Store, the minimum standards and specifications you must satisfy, and the designated and approved suppliers from which you must or may buy or lease items and services (which may include or be limited to us and/or our affiliates). (Franchise Agreement – Article 7, 14, 15, and16) Except for the point-of-sale and backoffice computer system, which may be delivered and installed by our affiliate, we and our affiliates currently are not involved in delivering or installing fixtures, equipment, or signs, although we will provide direction for you to comply with our Brand Standards.

f. Give access to our Operations Manual. Give you access to our operations and technical manuals, bulletins, and other materials (collectively, the "Operations Manual"). The Operations Manual may consist of and is defined to include audio, video, computer software, other electronic and digital media, and/or written and other tangible materials. The Operations Manual contains Brand Standards and information on your other obligations under the Franchise Agreement. We may modify the Operations Manual periodically to reflect changes in Brand Standards, but those modifications will not alter your fundamental rights or status under the Franchise Agreement. If there is a dispute over the Operations Manual's contents, our master version controls. The Operations Manual currently contains the equivalent of approximately 625 total pages; its current table of contents is Exhibit P. (Franchise Agreement – Article 8)

g. Grant development rights. We will designate a specific number of Stores that you (and your Approved Affiliates) must develop and open at accepted locations within your development Territory and the development deadlines (if we grant you development rights). (Development Agreement – Section 3.4, 3.5, 3.6, 3.7 and 3.8) We will accept your Stores' proposed locations only if they meet our then-current standards for Store sites.

Time Between Signing and 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. If you lease a Cost Cutters Store inside of a Walmart, in addition to the conditions in the preceding sentence, your opening will depend on how quickly Walmart approves you to sublease the location and provides the terms of that sublease.

You may not open the Cost Cutters Store for business until: (1) we or our designee inspects and approves in writing the Cost Cutters Store as having been developed in compliance with our specifications and standards; (2) your District Manager completes the initial training program to our satisfaction; (3) the Cost Cutters Store has sufficient trained employees to manage and operate the Cost Cutters Store on a day-

to-day basis in compliance with our Brand Standards; (4) the Cost Cutters Store's employees are appropriately licensed and trained; and (5) you have satisfied all state and federal permitting, licensing, and other legal requirements and, at our request, have sent us copies of all required permits, licenses, and insurance policies. (Franchise Agreement—Section 4.2, 7.14, 7.18 and 7.19) If you lease a Cost Cutters Store inside of a Walmart, in addition to the conditions in the preceding sentence, you must also meet any conditions Walmart may impose are met prior to opening.

Ongoing Assistance

During your Store's operation, we will provide you with the following assistance:

a. Advice on Store Operations. Advise you or make recommendations regarding the Cost Cutters Store's operation with respect to standards, specifications, operating procedures, and methods that Cost Cutters Stores use; purchasing required or recommended Operating Assets and other products, services, supplies, and materials; supervisory-employee training methods and procedures (although you are solely responsible for the employment terms and conditions of all Store employees); and accounting, advertising, and marketing. We may guide you through our Operations Manual, by electronic media, by telephone, and/or at our office or the Cost Cutters Store. (Franchise Agreement – Article 7)

b. Ongoing Training. Provide, at your request and expense (and our option), additional or special guidance, assistance, and training. We have no obligation to continue providing any specific ongoing training, conventions, advice, or assistance. (Franchise Agreement – Article 14)

c. Manuals. Continue to give you access to our Operations Manual, including any updates, as well as other manuals. (Franchise Agreement – Article 8)

d. Brand Standards. Changes in Brand Standards may require you to invest additional capital in the Cost Cutters Store and/or incur higher operating costs. You must comply with those obligations within the timeframe we specify. Brand Standards may regulate (to the extent the law allows) price advertising policies and maximum, minimum, or other pricing requirements for products and services the Cost Cutters Store sells, including requirements for promotions, special offers, and discounts in which some or all Cost Cutters Stores must participate. (Franchise Agreement – Article 7)

e. Trademark License. We will license our trademarks to you in your Franchise Agreement. (Franchise Agreement – 1.1)

f. Advertising and Marketing Assistance. Our advertising and marketing assistance includes maintaining an Advertising Fund for advertising and promotion of the Cost Cutters brand and franchise system (Franchise Agreement – Article 6), as well as reviewing advertising and promotional materials you want to use Franchise Agreement – Article 6).

g. Promotional/Loyalty/Gift Card Programs. We will create and implement promotions and loyalty programs aimed at driving customers to Cost Cutters. We have implemented a gift card program with our approved vendor, SVS, and you must participate in that gift card program and sign the Participation Agreement in Exhibit L of this disclosure document. (Franchise Agreement – Section 7.25)

Although not required, you may elect to participate in our recruiting program with Paradox, our approved vendor, that licenses software to assist you with posting available positions on job sites and other stages of the recruiting process. If you decide to participate, you will sign a contract directly with Paradox.

Additionally, we may provide you with guidance regarding pricing the goods and services sold at your Cost Cutters Store, however we do not mandate pricing.

Advertising and Promotion

a. Advertising Fund

We have established the Advertising Fund to which you and other franchisees must contribute 4% of your Store's weekly Gross Sales, excluding all Gross Sales directly derived from sales of retail merchandise. Company- and affiliate-owned Stores contribute to the Advertising Fund on the same basis as franchised Stores. The Advertising Fund is used to obtain advertising and marketing materials such as print, digital or other media that we determine, in our discretion, are needed to promote the Cost Cutters brand.

We will maintain a separate fund for amounts collected as advertising fees from all franchisees and spend this money only on advertising and sales promotion. The manner, media, and cost of such advertising or promotion will be decided by Cost Cutters. Cost Cutters uses Advertising Fees for production of advertising materials and store collateral (whether using Cost Cutters' in-house marketing department or an outside agency). Cost Cutters may also 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. Media may be in-store, local, regional, or national, at Cost Cutters' discretion. Without limiting the generality of the foregoing, if Cost Cutters decides to conduct a national promotion(s) for the Cost Cutters brand, then Cost Cutters may use all Advertising Fees necessary to create and conduct such national promotion(s), including all associated media buys. In the event of such national promotion(s) by Cost Cutters, franchisees will incur additional costs for collateral and local advertising they conduct to the extent Advertising Fees are not available in the Advertising Fund due to their use for such national promotion(s). The costs incurred by Cost Cutters in developing and producing advertising materials for the benefit of all franchised Cost Cutters Businesses will be paid from the Advertising Fund. Cost Cutters' in-house marketing department coordinates production and distribution of advertising materials for use by franchisees. Cost Cutters may also use outside advertising agencies of Cost Cutters' choosing. Cost Cutters has no obligation to spend or reimburse you for amounts for advertising and promotion (including advertising agency fees) in your local market area.

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 will spend for advertising and promotion (including, but not limited to, advertising agency fees) in your Designated Marketing Area ("DMA"), as defined herein, at least fifty percent (50%) of the weekly Advertising Fees paid into the advertising fund by you. Such expenditures by Cost Cutters may take the form of reimbursing you for advertising expenditures approved by Cost Cutters and made by you in its DMA; provided, however, such expenditures by you must be in addition to any advertising expenditures required pursuant to Articles 6.4 and 6.5 and any other provisions of this Agreement.

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 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.

Except as described in this Item, neither Cost Cutters, its affiliates, nor company-owned Cost Cutters businesses have any obligation to contribute to the Advertising Fund or otherwise spend for advertising, marketing, promotion, or related matters.

For the fiscal year ended June 30, 2022, Cost Cutters spent 25% of the total advertising fund expenditures on production and creation of advertising, 37% for Cost Cutters' general and administrative advertising fund expenses, shipping and courier expenses, creative duplication and printing of advertising materials and 38% for media placement.

Cost Cutters has established an advisory council composed of five Cost Cutters franchisees who are elected by all the Cost Cutters franchisees (the "Cost Cutters Council"). 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.

The Fund solely administrated by Cost Cutters. An unaudited profit and loss and balance sheet for the Advertising 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 does not use advertising fund monies to solicit franchise sales. Neither Cost Cutters nor its affiliated companies receive payment for goods or services provided to the Advertising Fund.

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 has no obligation to ensure expenditures are proportionate or equivalent to your contributions to the Advertising Fund, or are for the benefit of your market area or your Cost Cutters Business(s), or that your (or any) Cost Cutters Business will benefit directly or pro rata from Cost Cutters' expenditures from the Advertising Fund.Cost Cutters may require you to participate in an advertising cooperative.

b. System Website and Electronic Advertising

We or our designees may establish a website or series of websites (with or without restricted access) for the Cost Cutters Store network: (1) to advertise, market, identify, and promote Cost Cutters Stores, the products and services they offer, and/or the Cost Cutters Store franchise opportunity; (2) to help us operate the Cost Cutters Store network; and/or (3) for any other purposes we deem appropriate for Cost Cutters Stores or otherwise (collectively, the "System Website"). The System Website need not provide you with a separate interior webpage or "micro-site" referencing your Store. We will own all intellectual property and other rights in the System Website and all information it contains.

All Marketing Materials you develop for the Cost Cutters Store must comply with Brand Standards. You may not develop, maintain, or authorize any Digital Marketing or Social Media mentioning or

describing the Cost Cutters Store or displaying any Marks without our prior written approval and, if applicable, without complying with our Brand Standards for such Digital Marketing and Social Media. (Franchise Agreement – Section 7.26)

Computer System

You must obtain and use the computer hardware and software, point-of-sale and backoffice system, credit card processing system, computer-related accessories and peripheral equipment, tablets, smart phones, on-line, digital, and mobile-app ordering systems, and on-line inventory-ordering system we periodically specify (the "Computer System"). You must use the Computer System to access the System Website or other system of ours and to input and access information about your sales and operations. The Computer System must permit 24-hours-per-day, 7-days-per-week electronic communications between you and us. (Franchise Agreement – Section 25.2) We and our designee have continuous, unlimited, independent access to all operational information on the Computer System, excluding employment-related information. There are no contractual limitations on our right to access the information on your Computer System, except that we will not unreasonably interfere with your Store's operation.

The current approved Computer System is the Zenoti System that must be licensed from Soham, Inc. that is offered solely on a software-as-a-service (SaaS) basis (the "Zenoti System"). The total annual cost for the Zenoti System, is approximately $2,040 ($170 per month). The hardware and installation required for the Zenoti System ranges from $1,700-$3,950. The total initial investment required for the Zenoti hardware and SaaS software service in the first year is $5,360-$8,810. Payment processing fees are set by Zenoti, our third party point-of-sale platform. Integrated processing is required for its use. Rates start at the below and are subject to change, and subject to individual franchisee discussion with Zenoti via zenotipaymentssupport@zenoti.com. Rates are currently:

a. Non-Amex Card Fees: Interchange (including Visa FANF and MC location fee): +0.15% +$0.15

b. Monthly Fee: $10 per center

c. Card Failed Auth Fee: $0.05 per failed auth

d. Chargeback Fee $15/lost dispute

e. Amex Card processing fee: 2.9% (no additional interchange fees apply) * All these are billed monthly based on Gross Monthly Card Processing

In addition to point-of-sale capabilities, the Computer System also should be used to access our Education Playground, Franchise Resource Center, Salon Detail Admin, order retail product on Super Center portal, and LMS. Additionally, the Managing Owner and Store Manager should have the ability to send and receive email as well as telephone calls. Hardware specifications are defined at help.zenoti.com. To ensure compatibility with web applications, the Computer System must be able to run current versions of browsers and other runtime components listed below, including the expected cost:

a. Point of Sale

- PC on Windows 10 or newer (Price new $700-$1,300 USD) with minimum 8 GB RAM (16 GB recommended), or

- Mac running Mac OS 10.6 or later (Price new $1,000-1,600USD) with minimum 8 GB RAM (16 GB recommended)

b. Internet service with recommended minimum speed 50 Mbps, preferred speed 150 Mbps or faster (Estimated monthly cost $125-$225USD, Installation fee $100-200USD)

c. Switch/router/hub and some cabling, depending upon, among other things, whether you hardwire the Computer System or have wifi. ($250-450USD)

d. Zenoti compatible Credit Card Terminal ($375USD)

e. Receipt Printer ($200-$450USD)

f. Cash Drawer recommended ($75-$150USD)

g. Customer-facing price display if required ($300-600USD)

You may elect to have a barcode scanner, although that is not required. Additionally, if Education Playground is used heavily in the salon, you may need to upgrade your internet service to ensure good performance of the POS and other internet based systems.

We may periodically modify the Computer System's specifications and components. Our modification of Computer System specifications and/or other technological developments or events may require you to purchase, lease, or license new or modified computer components, software, and peripherals and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, you must incur the costs to obtain the computer components, software, and peripherals comprising the Computer System (and additions and modifications) and required service or support. Within sixty (60) days after we deliver notice to you, you must obtain the Computer System components we designate and ensure that your Computer System, as modified, is functioning properly.

We and our affiliates may condition any license to you of required or recommended proprietary software, and/or your use of technology developed or maintained by or for us, on your signing a software license agreement, liability waiver, and/or similar document, or otherwise agreeing to the terms (for example, by acknowledging your consent in a click-through license agreement), that we and our affiliates require to regulate your use of the software or technology.

Despite your obligation to buy, use, and maintain the Computer System according to our standards and specifications, you have sole and complete responsibility for: (1) acquiring, operating, maintaining, and upgrading the Computer System; (2) the manner in which your Computer System interfaces with our and any third party's computer system; (3) any and all consequences if the Computer System is not properly operated, maintained, and upgraded; and (4) independently determining what is required for you to comply (and then complying) at all times with the most-current version of the Payment Card Industry Data Security Standards, and with all laws (including privacy laws) governing the use, disclosure, and protection of Consumer Data and the Computer System, and validating compliance with those standards and laws as periodically required. "Consumer Data" means the names, addresses, telephone numbers, email addresses, dates of birth, demographic or related information, buying habits, preferences, credit-card information, and other personally-identifiable information of customers. Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication-line disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders. It is your responsibility to protect yourself from these problems, which include taking steps to secure your systems (including continually updating firewalls, password protection, and anti-virus systems) and using backup systems.

Training

a. Initial Training Program

We will furnish through virtual learning and other electronic means and, at our option, at a designated training location of our choice (which may be our corporate headquarters, an operating Cost Cutters Store, and/or your Store) an initial training program ("Initial Training") on operating a Cost Cutters Store. We will train you and your other managerial employees, although you must satisfactorily complete Initial Training only once, regardless of the number of Cost Cutters Stores that you or your affiliates own and operate. (Franchise Agreement—Section 14.1 and 15.3) We expect training to occur after you sign the Franchise Agreement and while you develop the Cost Cutters Store. Before you open the Cost Cutters Store for business, you must complete Initial Training to our satisfaction. The Store must have one manager on-site, whether that individual is you or another Store manager.

We try to be flexible in scheduling training to accommodate our personnel and your Managing Owner. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. We use manuals, videos, online resources, and other hands-on training aids during the training program. Your training attendees must complete training before the Cost Cutters Store's scheduled opening date. We provide the initial training program for no additional fee. You must pay your employees' wages, benefits, and travel, hotel, and food expenses while they complete training. Our training program may include a "train the trainer" module so your senior-level personnel can learn how to train your other employees to follow Brand Standards.

The following chart describes our current initial training program:

TRAINING PROGRAM			
Subject	**Hours Of Classroom Training**	**Hours On The Job Training**	**Location**
Introduction to Regis and Cost Cutters	24 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Cost Cutters Brand & Culture	15 hours, 25 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Cost Cutters Education	25 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Cost Cutters Marketing	1 hour, 5 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Cost Cutters Merchandising	15 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.

TRAINING PROGRAM			
Subject	**Hours Of Classroom Training**	**Hours On The Job Training**	**Location**
Financial Tools & Compensation	17 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Recruiting, Hiring & Retention	36 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Daily Operations	1 hour, 12 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.
Salon Leadership	2 hours, 3 min	0	Online or virtual learning, Cost Cutters Corporate Office in Minneapolis, MN, or other location designated by us.

Tara Aiken, our Associate Vice President of Training & Development, oversees Training. Ms. Aiken became the Associate Vice President, Training & Development for us, Regis and the Regis Affiliates in August 2020. She was Senior Manager, Learning & Development Strategy & Operations of Target in Minneapolis, MN from October 2017 to August 2020. 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.

b. Additional Training

Additionally, we provide you with optional online technical training in Customer service, Haircutting, Color, Textured hair services, Styling, Back Bar services, Waxing and Retail. We also hold a Design Team Training event annual that you may elect to attend.

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). 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 on the internal website and include Franchise Orientation, Situational Management Training, and Customized Workshops. These programs are offered either at the Franchised Location or at various regional locations or online.

ITEM 12
TERRITORY

Franchise Agreement

You will operate the Cost Cutters Store at an approved location, and that approved location may be in a Walmart store. You may operate the Cost Cutters Store only at the site we approve. You receive no territorial rights. You may not relocate the Cost Cutters Store. Cost Cutters reserves the right to offer Cost Cutters franchises at approved locations outside Walmart stores. 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. Although exclusivity is not dependent upon achieving a certain sales volume, Walmart has the right to deny your option to renew the lease for the location if the gross sales of your salon are lower than $150,000 per year. If Walmart does not renew the lease, your franchise agreement will terminate.

You will operate your Cost Cutters Business at a site that we first accept. You will sublease that site from our affiliate unless we approve a location outside of a Walmart store, in which case, we may require you to lease directly from the landlord.

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 " businesses under Cool Cuts 4 Kids®, The Barbers®, Cost Cutters®, Holiday Hair® 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®”, “Cost Cutters®,” “Holiday Hair®,” 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”, “Cost Cutters®”, “Holiday Hair®” 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®,” “Cost Cutters®,” “Holiday Hair®” and “City Looks® Salons” businesses are not competitive with Cost Cutters businesses. You are not authorized to open or operate a "Cool Cuts 4 Kids®," “Cost Cutters®,” “Holiday Hair®,” “City Looks® Salons”, or “The Barbers®” business under a Cost Cutters Franchise Agreement or Development Agreement.

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. The current affiliated franchise programs in the United States share The Barbers’ principal business address. 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

You may (if you qualify) develop and operate more than one Cost Cutters Stores within a specific territory (the “Territory”). We and you will identify the Territory in the Development Agreement before

signing it. The Territory typically is a city, cities, counties, or specific zip codes and may be depicted on a map attached to the Agreement. We base the Territory's size primarily on the number of Cost Cutters Stores you agree to develop, demographics, competitive businesses, and site availability. We will determine the number of Stores you must develop, and the deadlines for development, to keep your development rights. We and you then will complete the schedule in the Development Agreement before signing it. Under the Development Agreement, we first must accept each new site you propose for each new Cost Cutters Store. Our then-current standards for sites will apply. We may terminate the Development Agreement if you do not satisfy your development obligations.

Whether we grant you non-exclusive or exclusive development rights under the Development Agreement, you may face competition from other franchisees, from outlets that Cost Cutters owns, or from other channels of distribution, including the Internet, or competitive brands that Cost Cutters or its affiliates controls.

If we grant you non-exclusive development rights under the Development Agreement, Cost Cutters and its affiliates reserve all rights, at any location inside or outside the territory and under either the trade name "Cost Cutters" or any other trade name, to acquire, merge with, develop, establish or operate other franchise systems for the same, similar, or different services or products; and to grant and sell similar franchises and licenses to others to operate, and to establish, own, or operate for their own account or with others, other hair care establishments; and to sell the services and products authorized for Cost Cutters Stores through any other channels of distribution, including the Internet, and under any terms and conditions they deem appropriate; and to engage in all other activities not expressly prohibited under the Development Agreement. Cost Cutters need not compensate you for these activities.

In addition, another franchisee's or licensee's development and operation of a Cost Cutters Store in the Territory pursuant to its other rights will not count toward your compliance with the development schedule.

We may delay your development and/or opening of additional Cost Cutters Stores within the Territory if we believe, when you apply for another Store or after you (or your Approved Affiliate) have developed and constructed but not yet opened a particular Store, that you (or your Approved Affiliate) are not yet operationally, managerially, or otherwise prepared (no matter the reason) to develop, open, and/or operate the additional Cost Cutters Store in full compliance with our standards and specifications. We may delay additional development and/or a Store's opening for the time period we deem best if the delay will not in our reasonable opinion cause you to breach your development obligations under the development schedule (unless we are willing to extend the schedule to account for the delay).

Except as described above, continuation of your territorial rights does not depend on your achieving a certain sales volume, market penetration, or other contingency. We may not alter your Territory during the term of the Development Agreement.

Development Obligations

During the term of the Development Agreement, you must at all times faithfully, honestly, and diligently perform your contractual obligations and continuously exert your best efforts to promote and enhance the development of Cost Cutters Stores within the Franchised Area. You also must have open and operating within the Franchised Area the minimum agreed upon number of Cost Cutters Stores at the end of each Development Period, which may be one Store or 3 or 6 Stores total ("Minimum Development Quota"). The Development Periods are fixed for all franchisees to locate and open Stores. Therefore, once you sign the Development Agreement and Franchise Agreement for the first (and, if applicable, only) Store to be developed in the Franchised Area, you will have 12 months to find a site for and then open that Store. If you commit to the Fast Start Program described in Item 1 of this disclosure document, you will have 12 months from contract signing to find a site for and then open your first Store, 18 months

from the deadline for opening your first Store to find a site for and then open your second Store, 18 months from the deadline for opening your second Store to find a site for and then open your third Store, and then a final 18 months from the deadline for opening your third Store to find a site for and then open your fourth Store.

If you fail to meet any Minimum Development Quota, Cost Cutters has the right to terminate the Development Agreement by delivering a termination notice to you. While Cost Cutters' right to terminate the Development Agreement is, except as described below, its sole and exclusive remedy for your failure to meet a Minimum Development Quota, no development fees paid are refundable. If the Development Agreement requires you to develop more than one Cost Cutters Store within the Franchised Area, then Cost Cutters' decision to terminate the Development Agreement due to your failure to meet the Minimum Development Quota for your first Store also will, without separate notice, concurrently and automatically terminate the Franchise Agreement for that first Store (which you and Cost Cutters will sign concurrently with signing the Development Agreement). If the Development Agreement requires the development of only one Store within the Franchised Area, your failure to meet the Minimum Development Quota by the last day of the lone Development Period results in the expiration of the Development Agreement and, without separate notice, the concurrent and automatic expiration of the Franchise Agreement for that first Store (which you and Cost Cutters will sign concurrently with signing the Development Agreement).

Competition

You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We and our affiliates retain all rights with respect to Cost Cutters Stores, the Marks, the offer and sale of products and services that are similar to, competitive with, or dissimilar from the products and services your Store offers and sells, and any other activities we and they deem appropriate, whenever and wherever we and they desire. Those rights include the following:

(1) to own and operate, and to allow other franchisees and licensees to own and operate, Cost Cutters Stores at any physical locations (other than at the Cost Cutters Store's specific premises), in any geographic markets, and on any terms and conditions we and they deem appropriate;

(2) to offer and sell and to allow others (including franchisees, licensees, and other distributors) to offer and sell, on any terms and conditions we deem appropriate, products and services that are identical or similar to and/or competitive with those offered and sold by Cost Cutters Stores, whether such products and services are identified by the Marks or other trademarks or service marks, through any advertising media, distribution channels (including the Internet), and shipping and delivery methods and to any customer, no matter where located;

(3) to establish and operate, and to allow others (including franchisees and licensees) to establish and operate, anywhere any business (whether operated at a set physical location or through trucks, vans, and other mobile methods) offering identical, similar, and/or competitive products and services under trademarks and service marks other than the Marks;

(4) to acquire the assets or ownership interests of one or more businesses offering and selling products and services similar to those offered and sold at Cost Cutters Stores (even if such a business operates, franchises, or licenses "Competitive Businesses"), and operate, franchise, license, or create similar arrangements for those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating;

(5) to be acquired (through acquisition of assets, ownership interests, or otherwise, regardless of the transaction form) by a business offering and selling products and services similar to those offered

and sold at Cost Cutters Stores, or by another business, even if such a business operates, franchises, or licenses Competitive Businesses; and

(6) to engage in all other activities the Franchise Agreement does not expressly prohibit.

We and our affiliates need not compensate you if we engage in these activities.

ITEM 13
TRADEMARKS

Cost Cutters gives you the right to operate a hair care establishment under the COST CUTTERS® trademark and to use other trademarks, service marks, names, logos, and symbols. You must follow Cost Cutters' rules when you use these Marks. You may not use any Mark as part of any corporate name or with any modifying words, terms, designs or symbols except for those Cost Cutters licenses to you. You may not use "COST CUTTERS" or another Mark in selling any unauthorized product or service or in any other manner Cost Cutters does not explicitly authorize in writing. If you use any of the "COST CUTTERS" Marks, you must include a clear disclaimer that you are the employer of the employees at your Store and that Cost Cutters is not their employer and does not engage in any employer-type activities for which only you are responsible, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions.

The following is a list of COST CUTTERS' trademarks and service marks trademark registrations, all of which are on the Principal Register of the United States Patent and Trademark Office (USPTO):

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
1,851,812	August 30, 1994	COST CUTTERS Trademark and Service Mark
1,724,880	October 20, 1992	COST CUTTERS Trademark and Service Mark

We have filed, and intend to file, all required renewals and affidavits when due in order to maintain these registrations. There are no current effective material determinations of the USPTO, any Trademark Trial and Appeal Board, any state trademark administrator or any court, nor is there any pending interference, infringement, opposition or cancellation proceedings or material litigation, involving any of the Proprietary Marks in any manner that is material to the franchised business. There are no infringements, cancellation or opposition proceedings that are decided in which we unsuccessfully fought to prevent registration of another trademark to protect the Proprietary Marks.

Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of the Proprietary Marks in any manner that is material to the franchised business.

Protection of Rights

We will control any administrative proceedings or litigation involving the Proprietary Marks. You must notify us promptly of any use by any person or legal entity other than us or our franchisees, of any of our Proprietary Marks or any variation of any of our Proprietary Marks. We will decide the actions to be taken against the use of any of our Proprietary Marks by any persons or legal entities other than us or our franchisees. Our current intent is to take strong and progressive actions (that may include bringing litigation) against that use. Any actions that we take will be at our expense.

You must notify us promptly of any litigation brought against you involving any of our Proprietary Marks, and you must deliver to us copies of any documents for the litigation that we request. We will decide whether to settle or defend any trademark litigation brought against you. If we decide to take action, we will do so at our expense, but you must cooperate with us. If the defense does not involve issues concerning the operation of the franchised business, we will reimburse you for your out-of-pocket costs. If we decide not to defend or settle any trademark litigation brought against you, you must defend or settle the litigation at your expense.

We may acquire or develop additional trademarks, and may use those trademarks ourselves, make those trademarks available for use by you and other Cost Cutters Men's Grooming Center businesses, or make those trademarks available for use by other persons or entities. You may not directly or indirectly contest our rights in our Proprietary Marks.

Indemnification of You

We will indemnify you to the extent that litigation involves defending against infringement or unfair competition if you: (i) are using our trademarks in strict compliance and accordance with the franchise agreement and our manuals, (ii) allow us sole control of the defense and settlement of any claim and (iii) give us notice of a claim within thirty (30) days after you learn about the claim.

Modification of Trademarks

We may require you to modify or use a substitute for any trademark. If we do, you must pay your cost of compliance. We will allow you sufficient time to make the change in a cost effective matter. We also may require you to use and display a notice in a form we approve that you are a franchisee under the Cost Cutters Men's Grooming Center system using the Proprietary Marks under a franchise agreement**.**

Superior Prior Rights or Infringing Uses

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

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Cost Cutters does not own any patents or any pending patent applications. Cost Cutters claims common law copyrights consisting primarily of advertising copy and design; training, operation, and

procedure manuals; and other items relating to the operation of Cost Cutters Stores. Cost Cutters has not registered these copyrights with the United States Copyright Office but currently need not do so to protect them. You may use copyrighted items only as Cost Cutters specifies while operating your Store (and must stop using them at Cost Cutters' direction).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding Cost Cutters' copyrighted materials. Cost Cutters does not know of any infringing uses that could materially affect your use of any copyrighted material. No agreement limits Cost Cutters' right to use or license the use of copyrighted materials in any manner material to the franchise.

You may not contest Cost Cutters' ownership, title, right or interest in its copyrighted materials which are part of the Cost Cutters business or franchise operation or contest Cost Cutters' sole right to register, use, or license others to use this copyrighted material. While Cost Cutters has no contractual obligation to defend you against or indemnify you for a third-party copyright infringement claim (whether you bring it to Cost Cutters' attention or Cost Cutters independently learns about it), Cost Cutters intends to hold you harmless from this type of claim if you used the copyrighted materials in compliance with the Franchise Agreement. Cost Cutters intends to protect its copyrights to the extent they are material to the Cost Cutters system. Cost Cutters may control all litigation involving its copyrights.

In addition to the Marks and copyrights, Regis owns proprietary rights to numerous technical processes used in cutting hair that are licensed to you to use in your Cost Cutters store according to the Franchise Agreement. You agree that your entire knowledge of these processes, services and products, all proprietary formulations, technology, and know-how, and the operation of a Cost Cutters Store comes from information licensed to you and that this information is proprietary, confidential, and a trade secret of Cost Cutters and Regis. You (1) may disclose this information to your employees only to the extent necessary to market Cost Cutters products and services and to operate your Cost Cutters Store; (2) may not use any of this information in any other business or in any manner that Cost Cutters and Regis do not specifically authorize or approve in writing; and (3) must exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all this information during and after the franchise term.

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

Brand Standards may require adequate staffing levels to operate the Cost Cutters Store in compliance with Brand Standards and may address appearance of Store personnel and courteous service to customers. However, you have sole responsibility and authority for your labor relations and employment practices, including, among other things, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Store employees are under your control at the Cost Cutters Store. You must communicate clearly with Store employees in your employment agreements, human resources manuals, written and electronic correspondence, paychecks, and other materials that you (and only you) are their employer and that we, as the franchisor of Cost Cutters Stores, and our affiliates are not their employer and do not engage in any employer-type activities (including those described above) for which only franchisees are responsible. You must obtain an acknowledgment (in the form we specify or approve) from all Store employees that you (and not we or our affiliates) are their employer.

You must have a District Manager for each 6 Cost Cutters Stores you own. That District Manager must be approved by us, be certified and successfully complete our training program. Additionally, the District Manager must be responsible for the operation and supervision of at least 6 Cost

Cutters that you own, as well as supervision of the salon manager, assistant manager or other managers that you may have. The Store must have at least 1 on-site manager, whether that individual is you or another Store manager. A Store manager need not have an equity interest in you or the Cost Cutters Store. Store managers and your officers and directors must sign confidentiality and other agreements (including non-compete agreements) we specify or pre-approve (if applicable law allows). Our right to pre-approve your forms is solely to protect Confidential Information and the competitiveness of Stylestyle Stores. Under no circumstances will we control the forms or terms of employment agreements you use with Store employees or otherwise be responsible for your labor relations or employment practices. We do not limit whom your Store may hire.

You (or a managing partner or owner Cost Cutters approves) must exert your best efforts to comply with the obligations under the Development Agreement. You (or the managing partner or owner) must supervise the development and operations of franchised Cost Cutters Stores according to the Development Agreement but need not be engaged in the day-to-day operations of any Store. If you are a legal entity, each owner must personally guarantee all of your obligations under the Development Agreement and agree to be bound personally by every contractual obligation, both monetary and non-monetary, including the covenant not to compete. This "Guaranty and Assumption of Obligations" is at the end of the Development Agreement.

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.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Store must offer for sale all products and services we periodically specify. The Store may not offer, sell, or otherwise distribute at the Cost Cutters Store premises or another location any products or services we have not authorized. There are no limits on our right to modify the products and services your Store must or may offer and sell. We may change such products and services from time to time and from market to market based on numerous considerations. Brand Standards may regulate (to the extent the law allows) price advertising policies and maximum, minimum, or other pricing requirements for products and services the Cost Cutters Store sells, including requirements for national, regional, and local promotions, special offers, and discounts in which some or all Cost Cutters Stores must participate.

Your right to operate the Cost Cutters Store is limited to products sold, and services provided, at the Cost Cutters Store's physical location. It does not include the right to distribute products and services over the Internet, on a wholesale basis (for resale to another retailer or wholesaler), through delivery, or through other supply or distribution channels (for example, unapproved mobile apps, catalog sales, mail-order sales, infomercials, or telemarketing). There otherwise are no limits on the customers to whom your Store may sell products.

You may communicate with the Cost Cutters Store's customers only through branded mobile apps, branded email domains, online brand-reputation-management sites, or other channels we expressly designate.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	Article 2.1	15 Years from the date your salon opens
b. Renewal or extension of the term	Article 2.2	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	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	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	You are in breach of the Franchise Agreement
g. "Cause" defined – curable defaults	Article 9.1	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

Provision	Section in Franchise Agreement	Summary
		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
h. "Cause" defined – non-curable defaults	Article 9.5	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; you fail to comply with Cost Cutters' request for an audit; or Cost Cutters has sent a notice of termination under another franchise agreement (for a Cost Cutters store or any other brand store) between FRANCHISEE (or any of its affiliates) and Cost Cutters, or FRANCHISEE (or any of its affiliates) has terminated another franchise agreement with Cost Cutters without cause
i. Your obligations on termination/ nonrenewal	Article 11	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	No restriction on Cost Cutters' right to assign
k. "Transfer" by you – defined	Articles 20.2 and 20.3	Assignment of rights under the Franchise Agreement
l. Cost Cutters' approval of transfer by you	Article 20.4	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, 20.6 and 20.7	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

Provision	Section in Franchise Agreement	Summary
		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	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.
p. Your death or disability	Article 20.3	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	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	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	Any modification must be in writing and signed by both you and Cost Cutters
t. Integration/ merger clauses	Article 24.9	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	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

Provision	Section in Franchise Agreement	Summary
		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	Arbitration and litigation must be in Hennepin County, Minnesota (Subject to State Law)
w. Choice of law	Article 28.1	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 development term	Article 2.1	To be determined by you and Cost 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 Franchised Area under terms then-proposed by Cost Cutters if Cost Cutters determines that the Franchised 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 Franchised 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

Provision	Section in Development Agreement	Summary
		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 Franchised 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 Franchised 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 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	Article 8.2	You may not participate in any business that competes with Cost Cutters Businesses.

Provision	Section in Development Agreement	Summary
term of the franchise		
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)
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 Franchised Area is located (Subject to State Law)

ITEM 18
PUBLIC FIGURES

Cost Cutters does not use any public figure to promote its franchise.

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

Fiscal Year 2022

	Total Salon Count	Average Sales	Median Sales	Max	Min	Number of Salons Exceeding Average	Percentage of Salons Exceeding Avg
Top	190	$355,004	$331,307	$1,107,117	$264,084	70	36.84%
Mid	192	$217,536	$220,802	$262,600	$181,369	102	53.13%
Bottom	191	$127,407	$134,653	$180,727	$16,092	114	59.69%
TOTALS	**573**	**$233,076[(1)]**	**$220,651**	**$1,107,117**	**$16,092**	**244**	**42.58%[(1)]**

(1) This is an average of the numbers presented above.

The Average, Median, and Max/Min Store Gross Revenues Information for the Fiscal-Year Period from July 1, 2021 through June 30, 2022, for franchised Cost Cutters Stores that were open during that period ("Fiscal Year 2022") and located throughout the United States with sales in all 12 months as shown in Item 20 of this Disclosure Document.

The products and services offered by each franchised Store covered in this financial performance representation are essentially the same, and the franchised Stores whose gross sales numbers appear 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.

This financial performance representation 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 independently investigate the costs and expenses you will incur in operating your Cost Cutters Store. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

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

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Franchise Development, 3701 Wayzata Boulevard, Suite 500, Minneapolis, MN 55416, (952) 947-7777, franchisedevelopment@regiscorp.com, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

All year-end numbers appearing in the tables below are as of June 30 in each year (Cost Cutters' fiscal year end). All "Company-Owned" Stores listed in the tables below are owned and operated by Regis Corp.

Table No. 1

Systemwide Outlet Summary
For years 2020 to 2022

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the end of the Year	Column 5 Net Change
Franchised	2020	378	547	+169
	2021	548	638	+90
	2022	638	604	-34
Company-Owned	2020	206	129	-77
	2021	129	6	-123
	2022	6	1	-5
Total Outlets	2020	584	676	+92
	2021	677	644	-33
	2022	644	605	-39

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(Other than the Franchisor)
For Years ending June 30, 2020, 2021 and 2022

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Alabama	2020	0
	2021	2
	2022	0
Illinois	2020	1
	2021	0
	2022	0
Idaho	2020	0
	2021	0
	2022	1
Indiana	2020	0
	2021	3
	2022	8
Iowa	2020	0
	2021	0
	2022	3
Massachusetts	2020	0
	2021	0
	2022	7
Minnesota	2020	7
	2021	2
	2022	0
Nebraska	2020	0
	2021	1
	2022	1
North Carolina	2020	0
	2021	3
	2022	0
Ohio	2020	0
	2021	0

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2022	1
Tennessee	2020	0
	2021	1
	2022	4
Texas	2020	1
	2021	0
	2022	26
Virginia	2020	0
	2021	1
	2022	0
Washington	2020	0
	2021	0
	2022	1
Wisconsin	2020	1
	2021	2
	2022	0
Total	2020	10
	2021	15
	2022	52

Table No. 3

STATUS OF FRANCHISED OUTLETS
For Years ending June 30, 2020, 2021 and 2022

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Re-acquired by Fran-chisor	Ceased Opera-tions—Other Reasons	Outlets at End of the Year
Alabama	2020	11	0	0	0	0	0	11
	2021	11	1	0	0	0	2	10
	2022	10	0	0	0	0	0	10
Arizona	2020	2	1	0	0	0	0	3
	2021	3	24	0	0	0	0	27
	2022	27	3	0	0	0	1	29
California	2020	7	0	0	0	0	2	5

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Re-acquired by Fran-chisor	Ceased Opera-tions—Other Reasons	Outlets at End of the Year
	2021	5	0	0	0	0	3	2
	2022	2	0	0	0	0	0	2
Colorado	2020	0	4	0	0	0	0	4
	2021	4	34	0	0	0	0	38
	2022	38	0	0	0	0	0	38
Connecticut	2020	14	0	0	0	0	1	13
	2021	13	3	0	0	0	0	16
	2022	16	0	0	0	0	0	16
Delaware	2020	0	4	0	0	0	0	4
	2021	4	1	0	0	0	0	5
	2022	5	0	0	0	0	0	5
Florida	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	2	1
	2022	1	0	0	0	0	0	1
Idaho	2020	8	0	0	0	0	1	7
	2021	7	0	0	0	0	4	3
	2022	3	0	0	0	0	0	3
Iowa	2020	47	8	0	0	0	7	48
	2021	48	0	0	0	0	6	42
	2022	42	0	0	0	0	0	42
Illinois	2020	19	4	0	0	0	2	21
	2021	21	1	0	0	0	3	19
	2022	19	0	0	0	0	3	16
Indiana	2020	5	10	0	0	0	0	15
	2021	15	13	0	0	0	1	27
	2022	27	0	0	0	0	2	25
Kentucky	2020	19	0	0	0	0	1	18
	2021	18	0	0	0	0	5	13
	2022	13	0	0	0	0	1	12
Massachusetts	2020	18	0	0	0	0	2	16
	2021	16	0	0	0	0	2	14
	2022	14	0	0	0	0	1	13
Michigan	2020	10	11	0	0	0	0	21
	2021	21	0	0	0	0	0	21
	2022	21	0	0	0	0	3	18

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Re-acquired by Fran-chisor	Ceased Opera-tions—Other Reasons	Outlets at End of the Year
Minnesota	2020	25	0	0	0	0	0	25
	2021	25	1	0	0	0	4	22
	2022	22	0	0	0	0	3	19
Missouri	2020	9	0	0	0	0	3	6
	2021	6	1	0	0	0	1	6
	2022	6	0	0	0	0	1	5
Montana	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Nebraska	2020	23	1	0	0	0	0	24
	2021	24	4	0	0	0	1	27
	2022	27	0	0	0	0	1	26
Nevada	2020	0	0	0	0	0	0	0
	2021	0	3	0	0	0	0	3
	2022	3	0	0	0	0	0	3
New Jersey	2020	1	2	0	0	0	1	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
New Mexico	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
New York	2020	0	6	0	0	0	0	6
	2021	7	4	0	0	0	0	11
	2022	11	1	0	0	0	0	12
North Carolina	2020	3	0	0	0	0	0	3
	2021	3	4	0	0	0	0	7
	2022	7	0	0	0	0	0	7
North Dakota	2020	5	0	0	0	0	0	5
	2021	5	0	0	0	0	1	4
	2022	4	0	0	0	0	0	4
Ohio	2020	9	65	0	0	0	3	71
	2021	71	1	0	0	0	2	70
	2022	70	0	0	0	0	2	68

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Re-acquired by Fran-chisor	Ceased Opera-tions—Other Reasons	Outlets at End of the Year
Oregon	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Pennsylvania	2020	0	26	0	0	0	0	26
	2021	26	0	0	0	0	1	25
	2022	25	0	0	0	0	4	21
South Carolina	2020	9	0	0	0	0	0	9
	2021	9	2	0	0	0	1	10
	2022	10	0	0	0	0	1	9
South Dakota	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	3	6
	2022	6	0	0	0	0	2	4
Tennessee	2020	16	1	0	0	0	3	14
	2021	14	0	0	0	0	3	11
	2022	11	0	0	0	0	1	10
Texas	2020	18	23	0	0	0	2	39
	2021	39	28	0	0	0	2	65
	2022	65	1	0	0	0	4	62
Virginia	2020	8	5	0	0	0	0	13
	2021	13	0	0	0	0	0	13
	2022	13	0	0	0	0	3	10
Washington	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Wisconsin	2020	77	24	0	0	0	3	98
	2021	98	9	0	0	0	4	103
	2022	103	1	0	0	0	5	99
West Virginia	2020	3	3	0	0	0	0	6
	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	2	4
Wyoming	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Re-acquired by Fran-chisor	Ceased Opera-tions—Other Reasons	Outlets at End of the Year
Totals	2020	378	200	0	0	0	31	547
	2021	548	141	0	0	0	51	638
	2022	638	6	0	0	0	40	604

Table No. 4

STATUS OF COMPANY OWNED OUTLETS

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Alabama	2020	1	0	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
Arizona	2020	40	2	0	0	8	34
	2021	34	0	0	7	24	3
	2022	3	0	0	2	0	1
Colorado	2020	52	0	0	0	8	44
	2021	44	0	0	13	30	1
	2022	1	0	0	1	0	0
Connecticut	2020	4	0	0	0	0	4
	2021	4	0	0	1	3	0
	2022	0	0	0	0	0	0
Florida	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Illinois	2020	7	0	0	1	4	2
	2021	2	0	0	1	1	0
	2022	0	0	0	0	0	0
Iowa	2020	6	0	0	2	4	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Massachusetts	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Minnesota	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Mississippi	2020	1	0	0	0	0	1
	2021	1	0	0	1	0	0
	2022	0	0	0	0	0	0
Montana	2020	9	0	0	1	0	8
	2021	8	0	0	5	3	0
	2022	0	0	0	0	0	0
Nevada	2020	6	0	0	2	0	4
	2021	4	0	0	1	3	0
	2022	0	0	0	0	0	0
New Hampshire	2020	2	0	0	0	0	2
	2021	2	0	0	2	0	0
	2022	0	0	0	0	0	0
New York	2020	16	0	0	0	6	10
	2021	10	0	0	4	5	1
	2022	1	0	0	0	1	0
North Carolina	2020	1	0	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
Pennsylvania	2020	13	0	0	0	12	1
	2021	1	0	0	1	0	0
	2022	0	0	0	0	0	0
Texas	2020	1	0	0	1	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Virginia	2020	4	0	0	2	2	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
Wisconsin	2020	36	0	0	0	24	12
	2021	12	0	0	4	8	0
	2022	0	0	0	0	0	0
Wyoming	2020	4	0	0	0	0	4
	2021	4	0	0	3	1	0

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
	2022	0	0	0	0	0	0
Totals	2020	206	0	0	11	66	129
	2021	129	0	0	43	80	6
	2022	6	0	0	4	1	1

Table No. 5

PROJECTED OPENINGS
AS OF JULY 1, 2022 FOR FISCAL YEAR ENDED JUNE 30, 2023

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	0	0
Arizona	0	0	0
California	0	0	0
Colorado	0	0	0
Connecticut	1	1	0
Delaware	0	0	0
New York	0	0	0
Texas	0	0	0
Wisconsin	0	0	
Totals:	1	1	0

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, 2022, 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 aware of an independent association of Cost Cutters franchisees. You can contact Salon Owners Franchisee Association, Inc. at 1701 Barrett Lakes Blvd. NW, Suite 180, Kennesaw, GA 30144 or at www.salonownersfa.com or by email at info@salonownersfa.com. Cost Cutters is not aware of any other franchisee associations of Cost Cutters franchisees.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit C are the unaudited financial statements of Regis Corporation, the parent company of The Barbers, Hairstyling for Men & Women, Inc. ("Cost Cutters"), for the quarter ended September 30, 2022, and audited Consolidated Financial Statements as of June 30, 2022, June 30, 2021 and June 30, 2020. Regis Corporation absolutely and unconditionally guarantees our obligations under the Franchise Agreement. See Exhibit C for a copy of the guarantee.

ITEM 22
CONTRACTS

The following contracts are attached to this disclosure document:

Exhibit D:	Franchise Agreement
Exhibit E:	Development Agreement
Exhibit F:	Cost Cutters Sublease
Exhibit G:	Regis Sublease for Wal-Mart Sites
Exhibit H:	Walmart Master Lease
Exhibit I :	State Specific Addenda
Exhibit K:	Franchisee Participation Agreement
Exhibit L:	Gift Card Participation Agreement
Exhibit M:	Construction Management Service Agreements
Exhibit N:	Agreement for Purchase and Sale of Assets
Exhibit O:	Lease Addendum

ITEM 23
RECEIPT

A detachable document in duplicate, which you will find in Exhibit R of this disclosure document, acknowledges your receipt of the disclosure document. The Federal Trade Commission requires Cost Cutters to have one dated and signed copy of the Receipt back from you before Cost Cutters can move forward with you. Please promptly sign and return one copy of the Receipt to Cost Cutters. This does not obligate you to purchase a franchise or Cost Cutters to sell you a franchise.

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A: LIST OF OPERATIONAL SALONS

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15988	COST CUTTERS	LOCATED INSIDE WALMART #661	1011 US HIGHWAY 72 E	ATHENS	AL	35611	US	256-771-1640	BROWNING THORNTON
15362	COST CUTTERS	NORTHSIDE MALL	3525 ROSS CLARK CIR STE 203	DOTHAN	AL	36303	US	334-792-0144	JASON STEVENSON & RYAN ROSE
15995	COST CUTTERS	LOCATED INSIDE WALMART #766	3100 HOUGH RD	FLORENCE	AL	35630	US	256-718-0762	BROWNING THORNTON
16067	COST CUTTERS	COX CREEK CENTER	392 COX CREEK PKWY	FLORENCE	AL	35630	US	256-764-1933	BROWNING THORNTON
16001	COST CUTTERS	LOCATED INSIDE WALMART #691	2001 GLENN BLVD SW	FORT PAYNE	AL	35968	US	256-997-0105	BROWNING THORNTON
17307	COST CUTTERS	KILLEN MARKETPLACE	1145 HIGHWAY 72	KILLEN	AL	35645	US	256-757-6676	BROWNING THORNTON
16852	COST CUTTERS	CITY LINE ROAD	12060 COUNTY LINE RD STE 1	MADISON	AL	35756	US	256-230-2785	BROWNING THORNTON
15994	COST CUTTERS	LOCATED INSIDE WALMART #660	517 W AVALON AVE	MUSCLE SHOALS	AL	35661	US	256-381-6711	BROWNING THORNTON
11108	COST CUTTERS	HUNTINGTON MARKETPLACE	13560 HIGHWAY 43 N	NORTHPORT	AL	35475	US	205-333-2445	BROWNING THORNTON
11096	COST CUTTERS	OXFORD EXCHANGE	600 OXFORD EXCHANGE BLVD	OXFORD	AL	36203	US	256-832-8795	BROWNING THORNTON
15929	COST CUTTERS		39506 N DAISY MOUNTAIN DR #124	ANTHEM	AZ	85086	US	623-551-6669	REBECCA & KELLY JOHNSON
15355	COST CUTTERS	LAS TIENDAS VILLAGE	2925 S ALMA SCHOOL RD STE 7	CHANDLER	AZ	85286	US	480-662-7361	REBECCA & KELLY JOHNSON

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15356	COST CUTTERS	CHANDLER HEIGHTS MARKETPLACE	4970 S GILBERT RD STE C-1	CHANDLER	AZ	85249	US	480-662-4585	REBECCA & KELLY JOHNSON
15372	COST CUTTERS	SAFEWAY PLAZA	3990 STOCKTON HILL RD STE C	KINGMAN	AZ	86409	US	928-757-7782	RICHARD BERGER
15774	COST CUTTERS	BEVERLY AVENUE PLAZA	1949 E BEVERLY AVE STE 103C	KINGMAN	AZ	86409	US	928-757-1510	RICHARD BERGER
16934	COST CUTTERS	SMITH'S PLAZA	2231 MCCULLOCH BLVD STE 101	LAKE HAVASU CITY	AZ	86403	US	928-505-5838	RICHARD BERGER
16936	COST CUTTERS	HAVASU NORTH SHOPPING CENTER	1799 KIOWA AVE STE 102	LAKE HAVASU CITY	AZ	86403	US	928-453-1211	RICHARD BERGER
15912	COST CUTTERS	CANADA HILLS MARKETPLACE	10420 LA CANADA DR STE 100	ORO VALLEY	AZ	85737	US	520-544-5554	ANTHONY AND APRIL CREED
15371	COST CUTTERS	ALBERTSONS CENTER	8940 W BELL RD STE 105	PEORIA	AZ	85382	US	623-875-9128	REBECCA & KELLY JOHNSON
15918	COST CUTTERS	TATUM POINT	4727 E BELL RD STE 35	PHOENIX	AZ	85032	US	602-788-9009	REBECCA & KELLY JOHNSON
15925	COST CUTTERS	UNION HILLS VILLAGE	18631 N 19TH AVE STE 106	PHOENIX	AZ	85027	US	623-582-5504	REBECCA & KELLY JOHNSON
15843	COST CUTTERS	DEPOT MARKETPLACE	377 N MONTEZUMA ST STE 107	PRESCOTT	AZ	86301	US	928-771-2020	MARISA GILARDONI
15454	COST CUTTERS	ROLLING HILLS SHOPPING CENTER	7016 E GOLF LINKS RD	TUCSON	AZ	85730	US	520-745-8568	ANTHONY AND APRIL CREED
15569	COST CUTTERS	VENTANA VILLAGE	6890 E SUNRISE DR STE 110	TUCSON	AZ	85750	US	520-299-1413	ANTHONY AND APRIL CREED
15571	COST CUTTERS	COLONIA VERDE PLAZA	7139 E TANQUE VERDE RD	TUCSON	AZ	85715	US	520-298-6395	ANTHONY AND APRIL CREED

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15572	COST CUTTERS	MONTESA CENTER	120 S HOUGHTON RD STE 102	TUCSON	AZ	85748	US	520-751-7454	ANTHONY AND APRIL CREED
15581	COST CUTTERS	OLD SPANISH TRAIL	9565 22ND ST E STE 149	TUCSON	AZ	85748	US	520-733-9955	ANTHONY AND APRIL CREED
15582	COST CUTTERS	EL RIO PLAZA	1370 N SILVERBELL RD STE 100	TUCSON	AZ	85745	US	520-882-8047	ANTHONY AND APRIL CREED
15888	COST CUTTERS	SAGUARO VISTA SHOPPING CENTER	7784 E SPEEDWAY BLVD	TUCSON	AZ	85710	US	520-298-6889	ANTHONY AND APRIL CREED
15902	COST CUTTERS	CONTINENTAL RANCH	7850 N SILVERBELL RD STE 120	TUCSON	AZ	85743	US	520-579-1277	ANTHONY AND APRIL CREED
15927	COST CUTTERS	LA TOSCANA VILLAGE	7090 N ORACLE RD STE 188	TUCSON	AZ	85704	US	520-219-9877	ANTHONY AND APRIL CREED
15939	COST CUTTERS	TUCSON PLACE SHOPPING CENTER	485 E WETMORE RD ROOM 105	TUCSON	AZ	85705	US	520-888-0979	ANTHONY AND APRIL CREED
15997	COST CUTTERS	UNIVERSITY SQUARE	990 E UNIVERSITY BLVD	TUCSON	AZ	85719	US	520-792-3282	ANTHONY AND APRIL CREED
16090	COST CUTTERS	CAMPBELL PLAZA	2950 CAMPBELL AVE	TUCSON	AZ	85719	US	520-325-7441	ANTHONY AND APRIL CREED
16603	COST CUTTERS	GOLD CANYON PLAZA	3720 W INA RD STE 128	TUCSON	AZ	85741	US	520-744-4311	ANTHONY AND APRIL CREED
15921	COST CUTTERS	VISTOSO PLAZA	12112 N RANCHO VISTOSO BLVD	TUSCON	AZ	85755	US	520-877-8270	ANTHONY AND APRIL CREED
15936	COST CUTTERS	PLAZA DEL RIO	2568 W 16TH ST PAD A-2	YUMA	AZ	85364	US	928-343-0114	REBECCA & KELLY JOHNSON
15943	COST CUTTERS	FORTUNA COMMONS	11259 S FRONTAGE RD STE 100	YUMA	AZ	85367	US	928-305-1676	REBECCA & KELLY JOHNSON

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
17310	COST CUTTERS	CIELO VERDE	3325 S AVE 8E STE 2	YUMA	AZ	85365	US	928-344-1237	REBECCA & KELLY JOHNSON
17465	COST CUTTERS	VONS CENTER	1758 GRAND AVE	GROVER BEACH	CA	93433	US	805-473-5920	CINDY FLORES
17576	COST CUTTERS	IRISH HILLS PLAZA	1511 FROOM RANCH WAY	SAN LUIS OBISPO	CA	93405	US	805-541-2270	SHERI GRASSLE
17001	COST CUTTERS	CUB SQUARE	8025 SHERIDAN BLVD UNIT A	ARVADA	CO	80003	US	303-429-0788	VIKIE AGRAWAL
15932	COST CUTTERS	BENNETT MARKETPLACE	965 S 1ST ST STE 400	BENNETT	CO	80102	US	303-644-4422	VIKIE AGRAWAL
17140	COST CUTTERS	FOUNDERS MARKETPLACE	848 RIDGE RD UNIT B	CASTLE ROCK	CO	80104	US	303-663-1482	VIKIE AGRAWAL
11081	COST CUTTERS	POWERS POINT CENTER	5620 E WOODMEN RD STE 4	COLORADO SPRINGS	CO	80920	US	719-277-0444	VIKIE AGRAWAL
11083	COST CUTTERS	CHEYENNE MEADOWS SHOPPING CTR	833 CHEYENNE MEADOWS RD	COLORADO SPRINGS	CO	80906	US	719-527-7795	VIKIE AGRAWAL
15920	COST CUTTERS	JACKSON CREEK CROSSING	1048 W BAPTIST RD	COLORADO SPRINGS	CO	80921	US	719-487-0338	VIKIE AGRAWAL
15922	COST CUTTERS	TARGET CENTER	1670 E CHEYENNE MT BLVD STE D	COLORADO SPRINGS	CO	80906	US	719-538-0971	VIKIE AGRAWAL
15923	COST CUTTERS	WOODMEN PLAZA	3560 HARTSEL DR STE A	COLORADO SPRINGS	CO	80920	US	719-260-1835	VIKIE AGRAWAL
15928	COST CUTTERS	PALMER PARK SUPER CENTER	1580 SPACE CENTER DR STE 102	COLORADO SPRINGS	CO	80915	US	719-637-9111	VIKIE AGRAWAL
17225	COST CUTTERS	THE VILLAGE AT ASPEN PARK	25587 CONIFER RD	CONIFER	CO	80433	US	303-838-2506	VIKIE AGRAWAL

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
17137	COST CUTTERS	GREEN VALLEY RANCH CENTER	18607 GREEN VALLEY RANCH BLVD	DENVER	CO	80249	US	303-574-1252	VIKIE AGRAWAL
17720	COST CUTTERS	BROADWAY MARKETPLACE	303 S BROADWAY STE 300	DENVER	CO	80209	US	303-722-1515	VIKIE AGRAWAL
17727	COST CUTTERS	LOWRY TOWN CENTER	200 QUEBEC ST STE 300-115	DENVER	CO	80230	US	303-360-9090	VIKIE AGRAWAL
15931	COST CUTTERS	DILLON RIDGE MARKETPLACE	294 DILLON RIDGE RD STE C	DILLON	CO	80435	US	970-468-1020	VIKIE AGRAWAL
16660	COST CUTTERS	ARAPAHOE RIDGE SHOPPING CENTER	3335 ARAPAHOE RD STE 60	ERIE	CO	80516	US	303-926-8973	VIKIE AGRAWAL
15930	COST CUTTERS	STANLEY VILLAGE SHOPPING CTR	459 E WONDERVIEW AVE BLVD D#3	ESTES PARK	CO	80517	US	970-577-1311	VIKIE AGRAWAL
15942	COST CUTTERS	EVERGREEN SAFEWAY RETAIL CTR	3885 EVERGREEN PKWY	EVERGREEN	CO	80439	US	303-679-0023	VIKIE AGRAWAL
17326	COST CUTTERS	FEDERAL PLAZA	10350 FEDERAL BLVD UNIT 600	FEDERAL HEIGHTS	CO	80260	US	303-404-9891	VIKIE AGRAWAL
17381	COST CUTTERS	MARKET SQUARE	1407 W 84TH AVE UNIT D2	FEDERAL HEIGHTS	CO	80260	US	303-427-9107	VIKIE AGRAWAL
11263	COST CUTTERS	HIGH PLAINS MARKET PLACE	6160 FIRESTONE BLVD STE 109	FIRESTONE	CO	80504	US	303-485-9999	DEAN AND ELIZABETH GOUIN
16907	COST CUTTERS	SAFEWAY CENTER	1514 E HARMONY RD STE 5	FORT COLLINS	CO	80525	US	970-223-5353	VIKIE AGRAWAL
16998	COST CUTTERS	RIGDEN FARMS	2614 S TIMBERLINE RD STE 103	FORT COLLINS	CO	80525	US	970-226-6999	VIKIE AGRAWAL

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15924	COST CUTTERS	MESA MALL	2424 HIGHWAY 6 AND 50	GRAND JUNCTION	CO	81505	US	970-242-4574	VIKIE AGRAWAL
15926	COST CUTTERS	SAFEWAY HORIZON	683 HORIZON DR UNIT 108	GRAND JUNCTION	CO	81506	US	970-241-7216	VIKIE AGRAWAL
11259	COST CUTTERS	CENTER PLACE AT GREELEY	4626 CENTERPLACE DR STE 136	GREELEY	CO	80634	US	970-330-1135	DEAN AND ELIZABETH GOUIN
11260	COST CUTTERS	BITTERSWEET SHOPPING CENTER	3514 W 10TH ST BLVD A UNIT A	GREELEY	CO	80634	US	970-353-0770	DEAN AND ELIZABETH GOUIN
11261	COST CUTTERS	UNIVERSITY SQUARE	2644 11TH AVE STE E	GREELEY	CO	80631	US	970-353-5505	VIKIE AGRAWAL
17180	COST CUTTERS	MARKET SQUARE SHOPPING CENTER	12075 W ALAMEDA PKWY STE G1	LAKEWOOD	CO	80228	US	303-914-9939	VIKIE AGRAWAL
17203	COST CUTTERS	LAKEWOOD CITY COMMONS	7978 W ALAMEDA AVE UNIT C	LAKEWOOD	CO	80226	US	303-232-8832	VIKIE AGRAWAL
15940	COST CUTTERS	KIPLING PLAZA SHOPPING CENTER	5005 S KIPLING ST STE A6	LITTLETON	CO	80127	US	303-978-1986	VIKIE AGRAWAL
15933	COST CUTTERS	PANDA LOVELAND PAVILLION	1385 N DENVER AVE	LOVELAND	CO	80537	US	970-203-9775	VIKIE AGRAWAL
16975	COST CUTTERS	THOMPSON VALLEY TOWNE CENTER	1127 EAGLE DR	LOVELAND	CO	80537	US	970-635-3035	VIKIE AGRAWAL
15935	COST CUTTERS	ALBERTSONS CENTER	420 E 120TH AVE UNIT B6	NORTHGLENN	CO	80233	US	303-457-1757	VIKIE AGRAWAL
17742	COST CUTTERS	STROHS RANCH CENTER	12989 S PARKER RD	PARKER	CO	80134	US	303-840-1880	VIKIE AGRAWAL

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
11262	COST CUTTERS	HIGH PLAINS SHOPPING CENTER	1303 W MAIN ST	STERLING	CO	80751	US	970-521-0300	DEAN AND ELIZABETH GOUIN
15934	COST CUTTERS	THORNTON PLAZA	3960 E 120TH AVE	THORNTON	CO	80233	US	303-452-8300	VIKIE AGRAWAL
17975	COST CUTTERS	CORNERS AT WHEAT RIDGE	3727 WADSWORTH BLVD STE 124	WHEAT RIDGE	CO	80033	US	303-421-0678	VIKIE AGRAWAL
17105	COST CUTTERS		122 MILL ST	BERLIN	CT	06037	US	860-828-0261	JAMES MENDENHALL
16871	COST CUTTERS	SHOPS AT FARMINGTON VALLEY	110 ALBANY TURNPIKE STE 405	CANTON	CT	06019	US	860-693-8909	NICK & JOANNE SINACORI
16064	COST CUTTERS		77 BERLIN RD	CROMWELL	CT	06416	US	860-632-7859	JAMES MENDENHALL
15551	COST CUTTERS	FRESHWATER COMMONS	57C PALOMBA DR	ENFIELD	CT	06082	US	860-749-1451	JASON STEVENSON & RYAN ROSE
16128	COST CUTTERS		441 LONGHILL RD	GROTON	CT	06340	US	860-445-5884	TOM PAGLEY
16035	COST CUTTERS		1131 TOLLAND TPKE STE L	MANCHESTER	CT	06042	US	860-646-1018	TOM PAGLEY
15550	COST CUTTERS	BIG Y PLAZA	PO BOX 606	MANSFIELD	CT	06250	US	860-456-2772	JASON STEVENSON & RYAN ROSE
16059	COST CUTTERS		533 S BROAD ST	MERIDEN	CT	06450	US	203-235-5066	MARK CLAPP

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
16071	COST CUTTERS	STOP & SHOP SILVER SANDS PLAZA	829 BRIDGEPORT AVE	MILFORD	CT	06460	US	203-882-9191	JOE GOLDBERG
16371	COST CUTTERS	COLUMBUS PLAZA	172 COLUMBUS BLVD	NEW BRITAIN	CT	06051	US	860-224-7282	JAMES MENDENHALL
16859	COST CUTTERS	WALGREENS PLAZA	975 MAIN ST	NEWINGTON	CT	06111	US	860-665-0484	JAMES MENDENHALL
16448	COST CUTTERS	SOUTHBURY PLAZA	100 MAIN ST N	SOUTHBURY	CT	06488	US	203-267-7117	NICK & JOANNE SINACORI
16273	COST CUTTERS	SOUTHINGTON PLAZA	756 QUEEN ST	SOUTHINGTON	CT	06489	US	860-621-8308	NICK & JOANNE SINACORI
16277	COST CUTTERS	BIG Y PLAZA	508 WINSTED RD	TORRINGTON	CT	06790	US	860-496-1502	NICK & JOANNE SINACORI
15549	COST CUTTERS	TRI CITY PLAZA	35 TALCOTTVILLE RD	VERNON	CT	06066	US	860-875-0588	JASON STEVENSON & RYAN ROSE
16933	COST CUTTERS	WATERFORD PLAZA	117 BOSTON POST RD	WATERFORD	CT	06385	US	860-440-3655	TOM PAGLEY
15670	COST CUTTERS	COLLEGE PARK SHOPPING CENTER	6 COLLEGE PARK LN STE 1	GEORGETOWN	DE	19947	US	302-856-2575	VIJAY KOTTAM
15388	COST CUTTERS	DOVE RUN SHOPPING CENTER	282 DOVE RUN CENTRE DR	MIDDLETOWN	DE	19709	US	302-751-3400	VIJAY KOTTAM
15669	COST CUTTERS	BAYSHORE PLAZA	25935 PLAZA DR STE 3	MILLSBORO	DE	19966	US	302-945-2546	VIJAY KOTTAM
15668	COST CUTTERS	REHOBOTH MARKETPLACE	19287 MILLER RD UNIT 6	REHOBOTH BEACH	DE	19971	US	302-227-9730	VIJAY KOTTAM
15673	COST CUTTERS	SEAFORD VILLAGE	22980 SUSSEX HWY	SEAFORD	DE	19973	US	302-629-2916	VIJAY KOTTAM

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15944	COST CUTTERS	UNIVERSITY CROSSING	13401 SUMMERLIN RD UNIT 10	FORT MYERS	FL	33919	US	239-489-1268	CHRISTOPHER DIEMER
17586	COST CUTTERS	VENBURY SQUARE	301 CENTER PL SW STE B	ALTOONA	IA	50009	US	515-967-5664	MARK EVANS
16113	COST CUTTERS	NORTHVIEW CENTRE	1620 N ANKENY BLVD	ANKENY	IA	50023	US	515-963-4530	MARK EVANS
15561	COST CUTTERS	CUMBERLAND	2925 18TH ST UNIT 3	BETTENDORF	IA	52722	US	563-355-0643	DAVID POSTEN II
16190	COST CUTTERS	FAMILY VIDEO	528 STORY ST	BOONE	IA	50036	US	515-432-3018	MARK EVANS
16493	COST CUTTERS	BLACK HAWK VILLAGE	5901 UNIVERSITY AVE STE 3	CEDAR FALLS	IA	50613	US	319-277-7520	BERTIL AND CHERYL ANDERBERG
17076	COST CUTTERS		1710 W 1ST ST	CEDAR FALLS	IA	50613	US	319-266-1140	MARK EVANS
17126	COST CUTTERS	BLACK HAWK POINTE	618 BRANDILYN BLVD	CEDAR FALLS	IA	50613	US	319-277-7535	MARK EVANS
16057	COST CUTTERS		500 BLAIRS FERRY RD STE A	CEDAR RAPIDS	IA	52402	US	319-294-9336	MARK EVANS
16066	COST CUTTERS		3301 MOUNT VERNON RD SE	CEDAR RAPIDS	IA	52403	US	319-365-0305	MARK EVANS
16069	COST CUTTERS	EDGEWOOD STATION	2300 EDGEWOOD RD SW STE E	CEDAR RAPIDS	IA	52404	US	319-390-3776	MARK EVANS
16608	COST CUTTERS	BOWMAN SQUARE	540 BOYSON RD NE UNIT A	CEDAR RAPIDS	IA	52402	US	319-294-2662	MARK EVANS
16771	COST CUTTERS		368 EDGEWOOD RD NW	CEDAR RAPIDS	IA	52405	US	319-390-1325	MARK EVANS

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16961	COST CUTTERS	CLARK CENTER	1944 42ND ST NE STE A	CEDAR RAPIDS	IA	52402	US	319-261-0014	MARK EVANS
17038	COST CUTTERS	LOCATED INSIDE WALMART #1528	2645 BLAIRS FERRY RD NE	CEDAR RAPIDS	IA	52402	US	319-393-6053	MARK EVANS
18494	COST CUTTERS	LOCATED INSIDE WALMART #2716	3601 29TH AVE SW	CEDAR RAPIDS	IA	52404	US	319-390-1008	MARK EVANS
17415	COST CUTTERS		15956 HICKMAN RD	CLIVE	IA	50325	US	515-987-9152	MARK EVANS
17536	COST CUTTERS	LOCATED INSIDE WALMART #2827	2801 COMMERCE DR	CORALVILLE	IA	52241	US	319-545-6482	MARK EVANS
15562	COST CUTTERS		3876 ELMORE AVE	DAVENPORT	IA	52807	US	563-344-9063	DAVID POSTEN II
15565	COST CUTTERS	5 POINTS CENTER	1724 W LOCUST ST	DAVENPORT	IA	52804	US	563-323-8701	DAVID POSTEN II
15566	COST CUTTERS	KIMBERLY CENTER	3301 W KIMBERLY RD STE H	DAVENPORT	IA	52806	US	563-388-6060	DAVID POSTEN II
16286	COST CUTTERS	KENNEDY MALL	555 JOHN F KENNEDY RD STE 476	DUBUQUE	IA	52002	US	563-583-1633	JEANETTE LEIGH, ANN MCDOWLL, JANIE SCOTT
16290	COST CUTTERS		1960 ELM ST	DUBUQUE	IA	52001	US	563-582-9009	JEANETTE LEIGH, ANN MCDOWLL, JANIE SCOTT
16294	COST CUTTERS		2600 DODGE ST	DUBUQUE	IA	52003	US	563-583-8266	JEANETTE LEIGH, ANN MCDOWLL, JANIE SCOTT

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16298	COST CUTTERS	LOCATED INSIDE WALMART #886	3036 1ST AVE S STE A	FORT DODGE	IA	50501	US	515-573-4633	DOUG BARNES
17659	COST CUTTERS		250 SE DESTINATION DR	GRIMES	IA	50111	US	515-986-0809	MARK EVANS
16076	COST CUTTERS	WALDON SQUARE	729 MORMON TREK	IOWA CITY	IA	52246	US	319-466-1091	MARK EVANS
16091	COST CUTTERS		1216 W MAIN ST	MANCHESTER	IA	52057	US	563-927-4370	MARK EVANS
17323	COST CUTTERS	EAGLE RIDGE PARK	1101 EAGLEVIEW DR	MARION	IA	52302	US	319-447-5701	MARK EVANS
16100	COST CUTTERS	PLAZA WEST SHOPPING CENTER	2432 4TH ST SW	MASON CITY	IA	50401	US	641-423-6267	MARK EVANS
16919	COST CUTTERS	LOCATED INSIDE WALMART #784	1045 N GRAND AVE	MOUNT PLEASANT	IA	52641	US	319-385-2771	MARK EVANS
16257	COST CUTTERS		465 HIGHWAY 965 STE C	NORTH LIBERTY	IA	52317	US	319-665-5033	MARK EVANS
16324	COST CUTTERS	EAST VIEW CENTER	1613 1ST AVE SW	SIOUX CENTER	IA	51250	US	712-722-1295	DOUG BARNES
16111	COST CUTTERS	SUNNYBROOK PLAZA SHOPPING MALL	5706 SUNNYBROOK DR	SIOUX CITY	IA	51106	US	712-255-3373	DOUG BARNES
16114	COST CUTTERS	MARKET PLACE	3017 HAMILTON BLVD	SIOUX CITY	IA	51104	US	712-255-9200	DOUG BARNES
16520	COST CUTTERS	LOCATED INSIDE WALMART #3590	3101 FLOYD BLVD	SIOUX CITY	IA	51108	US	712-239-3802	DOUG BARNES
16595	COST CUTTERS	LOCATED INSIDE WALMART #1361	3400 SINGING HILLS BLVD	SIOUX CITY	IA	51106	US	712-252-0901	DOUG BARNES

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18529	COST CUTTERS	LOCATED INSIDE WALMART #1415	2200 17TH ST	SPIRIT LAKE	IA	51360	US	712-336-0458	DOUG BARNES
17267	COST CUTTERS	FAMILY VIDEO PLAZA #303	4631 86TH ST	URBANDALE	IA	50322	US	515-276-0922	MARK EVANS
16102	COST CUTTERS	KIMBALL PLAZA	1029 PEOPLE'S SQ	WATERLOO	IA	50702	US	319-232-2932	MARK EVANS
16126	COST CUTTERS	FOURTH STREET PLAZA	1810 4TH ST SW STE 102	WAVERLY	IA	50677	US	319-352-3252	BERTIL AND CHERYL ANDERBERG
15965	COST CUTTERS	FRED MEYER CENTER	10751 W OVERLAND RD STE B	BOISE	ID	83709	US	208-377-2887	BRAD RAMSOUR AND DAN STRITTMATTER
15969	COST CUTTERS	FRED MEYER CENTER	1794 E FAIRVIEW AVE STE F	MERIDIAN	ID	83642	US	208-888-5056	BRAD RAMSOUR AND DAN STRITTMATTER
16580	COST CUTTERS	LOCATED INSIDE WALMART #3472	3050 E MULLAN	POST FALLS	ID	83854	US	208-457-9727	DAVID WUNDERLIN AND KARI LYNN TUPPER
15408	COST CUTTERS	THE PARKWAY	2103 N VETERANS PKWY STE 104	BLOOMINGTON	IL	61704	US	309-662-1945	LAURA & PAUL PIOTROWSKI
15406	COST CUTTERS		10 E GREEN ST	CHAMPAIGN	IL	61820	US	217-398-6098	LAURA & PAUL PIOTROWSKI
17708	COST CUTTERS	LOCATED INSIDE WALMART #5399	1640 S GALENA AVE	DIXON	IL	61021	US	815-288-1204	LAURA & PAUL PIOTROWSKI
15560	COST CUTTERS	KENNEDY SQUARE SHOPPING CENTER	157 AVENUE OF THE CITIES	EAST MOLINE	IL	61244	US	309-755-2046	DAVID POSTEN II
16211	COST CUTTERS		2 W GRAND AVE STE 108	FOX LAKE	IL	60020	US	847-587-5500	KARLA LENNON

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16924	COST CUTTERS	FOX LAKE RETAIL CENTER	1392 ROUTE 12 S	FOX LAKE	IL	60020	US	847-587-6700	KARLA LENNON
16601	COST CUTTERS	THE QUARRY	9270 W JOLIET RD	HODGKINS	IL	60525	US	708-387-0868	BARRY MEISEL & MADISON O'KELLEY
17668	COST CUTTERS	ORLANDO CENTER	1335 W LANE RD	MACHESNEY PARK	IL	61115	US	779-210-3732	LAURA & PAUL PIOTROWSKI
16186	COST CUTTERS		2206 N RICHMOND RD	MCHENRY	IL	60051	US	815-363-1600	KARLA LENNON
18027	COST CUTTERS	LOCATED INSIDE WALMART #852	4041 VETERANS RD	OTTAWA	IL	61350	US	815-433-5610	LAURA & PAUL PIOTROWSKI
18026	COST CUTTERS	LOCATED INSIDE WALMART #796	5307 ROUTE 251	PERU	IL	61354	US	815-220-0196	LAURA & PAUL PIOTROWSKI
16738	COST CUTTERS	COUNTRYSIDE SQUARE	13518 JULIE DR	POPLAR GROVE	IL	61065	US	815-765-2485	LAURA & PAUL PIOTROWSKI
17615	COST CUTTERS	CHANDAN PLACE CENTER	3031 N PERRYVILLE RD	ROCKFORD	IL	61114	US	815-639-4911	LAURA & PAUL PIOTROWSKI
18025	COST CUTTERS	LOCATED INSIDE WALMART #891	4115 E LINCOLN WAY	STERLING	IL	61081	US	815-535-0844	LAURA & PAUL PIOTROWSKI
17667	COST CUTTERS	WINNEBAGO CROSSING CENTER	809 CANNEL-PURI COURT STE 3	WINNEBAGO	IL	61088	US	815-335-2179	LAURA & PAUL PIOTROWSKI
17581	COST CUTTERS	LOCATED INSIDE WALMART #3893	4000 ROUTE 173	ZION	IL	60099	US	847-746-5590	MICHELLE BARNES
11139	COST CUTTERS	AUBURN PLAZA	1035 W 7TH ST	AUBURN	IN	46706	US	260-925-9832	FREDERICK AND KRISTIN PUNKE
15764	COST CUTTERS	WHITEHALL PLAZA	3259 W 3RD ST	BLOOMINGTON	IN	47404	US	812-334-9750	FREDERICK AND KRISTIN PUNKE

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15723	COST CUTTERS	FOREST PARK PLAZA	97 FOREST PARK CTR	BRAZIL	IN	47834	US	812-443-8300	RYAN AND KAITLIN WARDLOW
15765	COST CUTTERS	SOUTHSIDE PLAZA	1843 S US HIGHWAY 231	CRAWFORDSVILLE	IN	47933	US	765-362-9843	FREDERICK AND KRISTIN PUNKE
16052	COST CUTTERS	HERITAGE SQUARE	1115 MERRILLVILLE RD	CROWN POINT	IN	46307	US	219-226-1474	SANDI CEPLINA
15882	COST CUTTERS	NORTHFIELD MARKET SHOPPING CTR	197 COUNTY ROAD 6	ELKHART	IN	46514	US	574-264-7505	RYAN AND KAITLIN WARDLOW
15883	COST CUTTERS	TOWNE CENTER	594 E DIAMOND AVE	EVANSVILLE	IN	47711	US	812-424-8422	RYAN AND KAITLIN WARDLOW
15884	COST CUTTERS	EVANSVILLE PAVILLION	6401 E LLOYD EXPY STE 10	EVANSVILLE	IN	47715	US	812-491-0119	RYAN AND KAITLIN WARDLOW
15886	COST CUTTERS	RED BANK COMMONS	222 REDBANK RD STE D	EVANSVILLE	IN	47712	US	812-464-9414	RYAN AND KAITLIN WARDLOW
11133	COST CUTTERS	STELLHORN VILLAGE	4538 MAPLECREST RD	FORT WAYNE	IN	46835	US	260-486-4677	FREDERICK AND KRISTIN PUNKE
11134	COST CUTTERS	COLDWATER CROSSING	5525 COLDWATER RD UNIT E	FORT WAYNE	IN	46825	US	260-484-1903	FREDERICK AND KRISTIN PUNKE
15759	COST CUTTERS	VILLAGE AT TIMES CORNER	6407 W JEFFERSON BLVD	FORT WAYNE	IN	46804	US	260-436-1987	FREDERICK AND KRISTIN PUNKE
15766	COST CUTTERS	EMERSON COMMONS	6815 S EMERSON AVE STE G	INDIANAPOLIS	IN	46237	US	317-788-9362	FREDERICK AND KRISTIN PUNKE
15763	COST CUTTERS	NORTHWEST PLAZA	637N DIXON RD	KOKOMO	IN	46901	US	765-459-9852	FREDERICK AND KRISTIN PUNKE

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15879	COST CUTTERS	K-MART CENTER	504 MCKINLEY AVE W	MISHAWAKA	IN	46545	US	574-258-6084	RYAN AND KAITLIN WARDLOW
11132	COST CUTTERS	BETHEL SHOPPING CENTER	3800 W BETHEL AVE	MUNCIE	IN	47304	US	765-282-7888	FREDERICK AND KRISTIN PUNKE
16881	COST CUTTERS		6036 CENTRAL AVE	PORTAGE	IN	46368	US	219-764-1126	SANDI CEPLINA
11131	COST CUTTERS	GATEWAY CENTER	4525 E MAIN ST	RICHMOND	IN	47374	US	765-488-1193	RYAN AND KAITLIN WARDLOW
16432	COST CUTTERS	LINCOLN RIDGE PLAZA	220 W LINCOLN HWY	SCHERERVILLE	IN	46375	US	219-865-8639	SANDI CEPLINA
15775	COST CUTTERS	SOUTH POINTE CROSSING	4836 S US HIGHWAY 41	TERRE HAUTE	IN	47802	US	812-298-1666	RYAN AND KAITLIN WARDLOW
15760	COST CUTTERS	WABASH CROSSING SHOPPING CTR	1457 CASS ST	WABASH	IN	46992	US	260-563-9123	FREDERICK AND KRISTIN PUNKE
11138	COST CUTTERS	LAKE VILLAGE SHOPPING CENTER	3310 LAKE CITY HWY	WARSAW	IN	46580	US	574-269-9272	FREDERICK AND KRISTIN PUNKE
15782	COST CUTTERS		1735 S STATE ROAD 57 STE 105	WASHINGTON	IN	47501	US	812-257-1967	RYAN AND KAITLIN WARDLOW
16103	COST CUTTERS	LOCATED INSIDE WALMART #2638	12504 US ROUTE 60	ASHLAND	KY	41102	US	606-929-9565	LEWIS AND NIDIA JOHNSON
16112	COST CUTTERS	KROGER CENTER	330 US 31 W BYP UNIT 330	BOWLING GREEN	KY	42101	US	270-783-0417	HAROLD AND RENEE BIEBEL
16125	COST CUTTERS	LOCATED INSIDE WALMART #709	100 WALMART DR	ELIZABETHTOWN	KY	42701	US	270-763-1575	MARTIN TIMM

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16202	COST CUTTERS	LOCATED INSIDE WALMART #655	420 FACTORY OUTLET RD STE 106	HANSON	KY	42413	US	270-322-0177	MARTIN TIMM
16602	COST CUTTERS	LOCATED INSIDE WALMART #445	1801 ELIZABETHTOWN RD	LEITCHFIELD	KY	42754	US	270-287-9753	MARTIN TIMM
16152	COST CUTTERS	LOCATED INSIDE WALMART #1113	1851 W HIGHWAY 192	LONDON	KY	40741	US	606-877-3247	LEWIS AND NIDIA JOHNSON
17122	COST CUTTERS	ISLAND FORD SQUARE	526 ISLAND FORD RD	MADISONVILLE	KY	42431	US	270-825-9008	MARTIN TIMM
16229	COST CUTTERS	LOCATED INSIDE WALMART #701	5031 FREDERICA ST	OWENSBORO	KY	42301	US	270-683-6111	MARTIN TIMM
17297	COST CUTTERS	STARLITE KROGER CENTER	1650 STARLITE DR STE K	OWENSBORO	KY	42301	US	270-685-9096	MARTIN TIMM
17342	COST CUTTERS	LOCATED INSIDE WALMART #3363	3151 LEITCHFIELD RD	OWENSBORO	KY	42303	US	270-852-5798	MARTIN TIMM
16246	COST CUTTERS	LOCATED INSIDE WALMART #1505	254 CASSIDY BLVD	PIKEVILLE	KY	41501	US	606-432-6629	LEWIS AND NIDIA JOHNSON
17113	COST CUTTERS	INSIDE WALMART #2548 TO SALON	28402 US HIGHWAY 119 N	SOUTH WILLIAMSON	KY	41503	US	606-237-4499	LEWIS AND NIDIA JOHNSON
18712	COST CUTTERS	PLAZA CENTER	856 SUFFIELD RD	AGAWAM	MA	01001	US	413-317-7154	DARSHAN & ANKITA DESAI
17281	COST CUTTERS	SHAW'S PLAZA	333 POND ST	ASHLAND	MA	01721	US	508-881-1175	DAVID AND TRACEY SOLON
17161	COST CUTTERS	DRUM HILL SHOPPING CENTER	90 DRUM HILL RD STE A140	CHELMSFORD	MA	01824	US	978-735-4545	RADHIKA SIRIPIREDDY
11112	COST CUTTERS	HORACE MANN PLAZA	277 E CENTRAL ST	FRANKLIN	MA	02038	US	508-541-2011	RADHIKA SIRIPIREDDY

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11113	COST CUTTERS	WATERTOWER PLAZA	26 WATERTOWER PL	LEOMINSTER	MA	01453	US	978-534-9690	RADHIKA SIRIPIREDDY
11111	COST CUTTERS	LUNENBURG CROSSING	329 MASSACHUSETTS AVE	LUNENBURG	MA	01462	US	978-582-0320	RADHIKA SIRIPIREDDY
15962	COST CUTTERS	LYNNGATE PLAZA	148 BOSTON ST	LYNN	MA	01904	US	781-596-1130	RADHIKA SIRIPIREDDY
17606	COST CUTTERS	FELLSWAY PLAZA	720 FELLSWAY	MEDFORD	MA	02155	US	781-350-4418	RADHIKA SIRIPIREDDY
18506	COST CUTTERS	MEDWAY COMMONS SHOPPING CENTER	67 C MAIN ST UNIT 109	MEDWAY	MA	2053	US	508-533-6800	DAVID AND TRACEY SOLON
17362	COST CUTTERS	MILLISTON COMMONS	6 MILLISTON RD	MILLIS	MA	02054	US	508-376-4555	DAVID AND TRACEY SOLON
16741	COST CUTTERS		55 STOREY AVE	NEWBURYPORT	MA	01950	US	978-499-9500	RADHIKA SIRIPIREDDY
17648	COST CUTTERS	NORTHGATE SHOPPING CENTER	339 SQUIRE RD STE 105B	REVERE	MA	2151	US	781-289-2100	JOHN KONTIS
17368	COST CUTTERS	SUNNYHURST PLAZA	200 MAIN ST UNIT G	STONEHAM	MA	02180	US	781-438-4400	JOHN KONTIS
16180	COST CUTTERS		1272 PERRY AVE	BIG RAPIDS	MI	49307	US	231-796-1627	LYNN FLYNN-GRETZ
15728	COST CUTTERS	THE SHOPPES AT GREEN OAKS	9290 LEE RD STE 109	BRIGHTON	MI	48116	US	810-225-2957	MICHAEL SARAFA
16185	COST CUTTERS	LAKELAND SQUARE	2168 N MITCHELL ST	CADILLAC	MI	49601	US	231-779-8144	LYNN FLYNN-GRETZ
17011	COST CUTTERS	LOCATED INSIDE WALMART #1432	8917 E 34 RD	CADILLAC	MI	49601	US	231-775-2906	LYNN FLYNN-GRETZ

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15573	COST CUTTERS	ARBOR PLAZA	2723 S TELEGRAPH RD	DEARBORN	MI	48124	US	313-562-8800	MICHAEL SARAFA
16496	COST CUTTERS	DELTA PLACE	2507 3RD AVE N	ESCANABA	MI	49829	US	906-786-9638	LYNN FLYNN-GRETZ
16499	COST CUTTERS	GRAND PLAZA	544 N BEACON BLVD	GRAND HAVEN	MI	49417	US	616-842-4412	LYNN FLYNN-GRETZ
15720	COST CUTTERS	HASTING CENTER	818 W STATE ST	HASTINGS	MI	49058	US	269-948-9470	MICHAEL SARAFA
16512	COST CUTTERS		1830 S STEPHENSON AVE	IRON MOUNTAIN	MI	49801	US	906-779-5969	LYNN FLYNN-GRETZ
15717	COST CUTTERS	WESTWOOD PLAZA	4518 W MAIN ST	KALAMAZOO	MI	49006	US	269-381-1222	MICHAEL SARAFA
15719	COST CUTTERS	CLOCK TOWER CENTER	6147 KALAMAZOO AVE SE	KENTWOOD	MI	49508	US	616-554-9885	MICHAEL SARAFA
15718	COST CUTTERS	FRANDOR PLAZA	310 N CLIPPERT ST STE 3	LANSING	MI	48912	US	517-332-9388	MICHAEL SARAFA
16538	COST CUTTERS	AMERICAN PLAZA	2867 US HIGHWAY 41 W	MARQUETTE	MI	49855	US	906-226-7099	LYNN FLYNN-GRETZ
16546	COST CUTTERS	M & M PLAZA	1205 8TH AVE	MENOMINEE	MI	49858	US	906-863-7436	LYNN FLYNN-GRETZ
15725	COST CUTTERS		2007 S MISSION ST	MOUNT PLEASANT	MI	48858	US	989-772-6396	MICHAEL SARAFA
15721	COST CUTTERS	GOULD EAST SHOPPING CENTER	1357 E MAIN ST	OWOSSO	MI	48867	US	989-725-6222	MICHAEL SARAFA
15729	COST CUTTERS	MARKETPLACE COURT	35752 VAN DYKE AVE	STERLING HEIGHTS	MI	48312	US	586-978-1105	MICHAEL SARAFA
15724	COST CUTTERS	HERITAGE SQUARE PLAZA	8795 HALL RD	UTICA	MI	48317	US	586-739-6677	MICHAEL SARAFA

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16573	COST CUTTERS	PINE TREE MALL	707 HIGHWAY 33 S STE 69	CLOQUET	MN	55720	US	218-879-6774	DAVID MCGOVERN
16898	COST CUTTERS	LOCATED INSIDE WALMART #1929	1308 HIGHWAY 33 S	CLOQUET	MN	55720	US	218-879-8400	DAVID MCGOVERN
16533	COST CUTTERS	KENWOOD SHOPPING CENTER	1348 ARROWHEAD RD	DULUTH	MN	55811	US	218-724-7770	DAVID MCGOVERN
16544	COST CUTTERS	VALLEY CENTER	215 N CENTRAL AVE	DULUTH	MN	55807	US	218-624-5447	DAVID MCGOVERN
17736	COST CUTTERS	LOCATED INSIDE WALMART #1609	100 SE 29TH ST	GRAND RAPIDS	MN	55744	US	218-327-9331	DAVID MCGOVERN
17737	COST CUTTERS	LOCATED INSIDE WALMART #1757	4740 MALL DR	HERMANTOWN	MN	55811	US	218-722-4119	DAVID MCGOVERN
16078	COST CUTTERS	LOCATED INSIDE WALMART #2937	12080 HIGHWAY 169 W	HIBBING	MN	55746	US	218-263-4100	DAVID MCGOVERN
17294	COST CUTTERS	LOCATED INSIDE WALMART #1722	1221 E MAIN ST	MARSHALL	MN	56258	US	507-532-2743	VIKKI HAHN
16953	COST CUTTERS		3003 NICOLLET AVE S	MINNEAPOLIS	MN	55408	US	612-825-0623	JENNY NGUYEN
17065	COST CUTTERS	LOCATED INSIDE WALMART #1971	3400 55TH ST NW	ROCHESTER	MN	55901	US	507-289-0679	DAVID MCGOVERN
17734	COST CUTTERS	SHOPPES ON MAINE	4607 MAINE AVE SE STE 207	ROCHESTER	MN	55904	US	507-288-1417	DAVID MCGOVERN
17251	COST CUTTERS		13 N BENTON DR	SAUK RAPIDS	MN	56379	US	320-654-6855	TERRI GETTLER
16887	COST CUTTERS	STILLWATER MARKET PLACE	1990 MARKET DR	STILLWATER	MN	55082	US	651-430-7164	Richard and Catherine MacChesney

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15361	COST CUTTERS	PLAZA 53 WEST	5465 MOUNTAIN IRON DR	VIRGINIA	MN	55792	US	218-741-2207	DAVID MCGOVERN
17289	COST CUTTERS	ROBERTS SQUARE	1684 S ROBERT ST	WEST SAINT PAUL	MN	55118	US	651-455-0924	Richard and Catherine MacChesney
17293	COST CUTTERS	WHITE BEAR SHOPPING CENTER	4401 S LAKE AVE	WHITE BEAR LAKE	MN	55110	US	651-407-7019	Richard and Catherine MacChesney
17303	COST CUTTERS	KANDI MALL	1605 1ST ST S	WILLMAR	MN	56201	US	320-231-2218	MICHELLE MURPHY-BUDDE
17305	COST CUTTERS		1217 GILMORE AVE	WINONA	MN	55987	US	507-454-6030	BRIAN MASYGA
17311	COST CUTTERS	EAGLE VALLEY MARKETPLACE	2190 EAGLE CREEK LN STE C	WOODBURY	MN	55129	US	651-998-0333	Richard and Catherine MacChesney
16023	COST CUTTERS	CROSSROADS WEST SHOPPING CTR	2101 W BROADWAY STE R	COLUMBIA	MO	65203	US	573-446-9599	SHANNON SIVILS
17235	COST CUTTERS	BROADWAY MARKETPLACE	27 CONLEY RD STE 100	COLUMBIA	MO	65201	US	573-875-4247	SHANNON SIVILS
17612	COST CUTTERS	CHURCHILL CENTER	1885 N BLUFF ST	FULTON	MO	65251	US	573-642-3300	SHANNON SIVILS
17241	COST CUTTERS	LOCATED INSIDE WALMART #29	724 W STADIUM BLVD STE 32	JEFFERSON CITY	MO	65109	US	573-634-5566	SHANNON SIVILS
17599	COST CUTTERS	BISHOP COMMONS	201 S BISHOP AVE STE J	ROLLA	MO	65401	US	573-426-2606	SHANNON SIVILS
15368	COST CUTTERS	BUTTREY-TARGET SHOPPING CENTER	2116 10TH AVE S	GREAT FALLS	MT	59405	US	406-727-9296	DAVID WUNDERLIN

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									AND KARI LYNN TUPPER
15367	COST CUTTERS	SKYWAY REGIONAL SHOPPING CTR	2030 CROMWELL DIXON LN STE G	HELENA	MT	59602	US	406-442-2053	DAVID WUNDERLIN AND KARI LYNN TUPPER
15366	COST CUTTERS	NORTHGATE MALL	2230 N RESERVE ST STE 410	MISSOULA	MT	59808	US	406-543-6800	DAVID WUNDERLIN AND KARI LYNN TUPPER
18616	COST CUTTERS		544 CC CAMP RD STE 1400	ELKIN	NC	28621	US	336-835-9132	RANDALL BOLL
15417	COST CUTTERS	SUNSET LAKE MARKETPLACE	1356 N MAIN ST	FUQUAY VARINA	NC	27526	US	919-557-5519	PRASOBH MATHEW
15426	COST CUTTERS	MIDWAY PLANTATION	1016G SHOPPES AT MIDWAY DR	KNIGHTDALE	NC	27545	US	919-217-1398	PRASOBH MATHEW
15416	COST CUTTERS	MONROE MALL	2115 W ROOSEVELT BLVD STE 103	MONROE	NC	28110	US	704-292-7286	PRASOBH MATHEW
18615	COST CUTTERS	FORREST OAKS SHOPPING CENTER	2123 ROCKFORD ST	MOUNT AIRY	NC	27030	US	336-789-9906	RANDALL BOLL
18613	COST CUTTERS		1235 N BRIGHTLEAF BLVD	SMITHFIELD	NC	27577	US	919-989-9941	RANDALL BOLL
15418	COST CUTTERS	PINECREST PLAZA	10205 US 15 501 HWY UNIT 25	SOUTHERN PINES	NC	28387	US	910-693-1780	PRASOBH MATHEW
16818	COST CUTTERS	CIVIC PLAZA	309 S 3RD ST	BISMARCK	ND	58504	US	701-258-6707	DON & DEB THORPE
16833	COST CUTTERS		1823 N 13TH ST	BISMARCK	ND	58501	US	701-255-3515	DON & DEB THORPE

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16872	COST CUTTERS	GRAND CITIES MALL	1726 S WASHINGTON ST	GRAND FORKS	ND	58201	US	701-772-4523	BOB WEDIN, JR
17268	COST CUTTERS		2475 32ND AVE S STE 4	GRAND FORKS	ND	58201	US	701-772-1488	BOB WEDIN, JR
16495	COST CUTTERS	LOCATED INSIDE WALMART #2784	3620 N 6TH ST	BEATRICE	NE	68310	US	402-223-5898	DOUG BARNES
17286	COST CUTTERS	LOCATED INSIDE WALMART #774	818 E 23RD ST	COLUMBUS	NE	68601	US	402-563-9672	DOUG BARNES
16807	COST CUTTERS		3351 E 24TH ST STE 100	FREMONT	NE	68025	US	402-727-6770	GABRIEL AND MELINDA TRAMP
17291	COST CUTTERS	LOCATED INSIDE WALMART #3395	3501 S LOCUST	GRAND ISLAND	NE	68801	US	308-384-6057	DOUG BARNES
17298	COST CUTTERS	LOCATED INSIDE WALMART #1326	2250 N DIERS AVE	GRAND ISLAND	NE	68803	US	308-384-4340	DOUG BARNES
17295	COST CUTTERS	LOCATED INSIDE WALMART #1460	3803 OSBORNE DR W	HASTINGS	NE	68901	US	402-463-3002	DOUG BARNES
17106	COST CUTTERS		1010 3RD ST STE C	KEARNEY	NE	68845	US	308-234-5077	DOUG BARNES
16918	COST CUTTERS	LOCATED INSIDE WALMART #637	200 S FRONTIER ST	LEXINGTON	NE	68850	US	308-324-2749	DOUG BARNES
16454	COST CUTTERS	LOCATED INSIDE WALMART #1943	4700 N 27TH ST	LINCOLN	NE	68521	US	402-435-1041	DOUG BARNES
16814	COST CUTTERS	BELMONT PLAZA SHOPPING CTR	2601 N 11TH BLDG E	LINCOLN	NE	68521	US	402-477-5650	DOUG BARNES
16819	COST CUTTERS	LENOX VILLAGE	4500 S 70TH ST STE 108	LINCOLN	NE	68516	US	402-488-8589	DOUG BARNES

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16822	COST CUTTERS	PIEDMONT	1265 S COTNER BLVD	LINCOLN	NE	68510	US	402-488-3130	DOUG BARNES
16823	COST CUTTERS	LOCATED INSIDE WALMART #3278	8700 ANDERMATT DR	LINCOLN	NE	68526	US	402-486-9353	DOUG BARNES
17608	COST CUTTERS	SOUTH STREET SHOPPING CENTER	1606 SOUTH ST	LINCOLN	NE	68502	US	402-435-2002	DOUG BARNES
17646	COST CUTTERS	CROSSROADS PAVILION	233 N 48TH ST STE S	LINCOLN	NE	68504	US	402-466-5473	DOUG BARNES
17733	COST CUTTERS	YANKEE RIDGE CENTER	3900 YANKEE HILL RD STE 107	LINCOLN	NE	68516	US	402-423-2555	DOUG BARNES
17492	COST CUTTERS		2100 MARKET LN	NORFOLK	NE	68701	US	402-379-3432	DOUG BARNES
17296	COST CUTTERS	LOCATED INSIDE WALMART #1585	1401 S DEWEY ST	NORTH PLATTE	NE	69101	US	308-534-2681	DOUG BARNES
15578	COST CUTTERS		6909 S 157TH ST STE B	OMAHA	NE	68136	US	402-896-0477	RUPINDER GILL & SATNAM SANGHERA
15580	COST CUTTERS	SPRING VALLEY PLAZA	4216 S 50TH ST	OMAHA	NE	68117	US	402-733-9915	GABRIEL AND MELINDA TRAMP
15583	COST CUTTERS		8014 W DODGE RD	OMAHA	NE	68114	US	402-926-3333	GABRIEL AND MELINDA TRAMP
15585	COST CUTTERS	EAGLE RUN SHOPPING CENTER	13370 W MAPLE RD	OMAHA	NE	68164	US	402-493-1211	GABRIEL AND MELINDA TRAMP
17645	COST CUTTERS	HY VEE SHOPPING CENTER	16401 WEST SIDE DR STE C	PLATTSMOUTH	NE	68048	US	402-298-7232	DOUG BARNES

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16663	COST CUTTERS	LOCATED INSIDE WALMART #867	3322 AVE I	SCOTTSBLUFF	NE	69361	US	308-635-1660	DOUG BARNES
17074	COST CUTTERS	LOCATED INSIDE WALMART #1332	1601 CORNHUSKER DR	SOUTH SIOUX CITY	NE	68776	US	402-494-5154	DOUG BARNES
17285	COST CUTTERS	LOCATED INSIDE WALMART #350	101 E DAVID DR	YORK	NE	68467	US	402-362-3331	DOUG BARNES
15592	COST CUTTERS	CROSSROADS SHOPPING CENTER	1520 ROUTE 38 UNIT 15	HAINESPORT	NJ	08036	US	609-267-8165	MICHAEL SARAFA
15593	COST CUTTERS	SHARPS RUN SHOPPING CENTER	175 ROUTE 70 STE 16	MEDFORD	NJ	08055	US	609-953-3691	MICHAEL SARAFA
15357	COST CUTTERS		2901 N MAIN ST STE B	ROSWELL	NM	88201	US	575-623-9414	COBY CROUCH AND JARED CRAMER
15890	COST CUTTERS	KEYSTONE SQUARE SHOPPING CTR	409 KEYSTONE AVE	RENO	NV	89503	US	775-786-8787	WESLEY KAGUNI
15891	COST CUTTERS	MIRA LOMA SHOPPING CENTER	3320 S MCCARRAN BLVD	RENO	NV	89502	US	775-825-6565	WESLEY KAGUNI
15892	COST CUTTERS	NORTH VALLEY SHOPPING CENTER	214 LEMMON DR	RENO	NV	89506	US	775-972-0348	WESLEY KAGUNI
15439	COST CUTTERS	AUBURN PLAZA	217 GRANT AVE STE 1	AUBURN	NY	13021	US	315-253-2123	JOHN AND HOLLY MEADE
15871	COST CUTTERS	GIANT PLAZA-ROBINSON STREET	160 ROBINSON ST	BINGHAMTON	NY	13904	US	607-722-4682	CLIFFORD MILOWICKI
15586	COST CUTTERS	RIVERSIDE PLAZA	164 CLINTON AVE	CORTLAND	NY	13045	US	607-756-4294	ROBERT OWEN
15877	COST CUTTERS	CONSUMER SQUARE	830 COUNTY ROAD 64 BOX 11	ELMIRE	NY	14903	US	607-796-6000	CLIFFORD MILOWICKI

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15875	COST CUTTERS	PRICE CHOPPER PLAZA	1007 NORTH ST	ENDICOTT	NY	13760	US	607-748-0951	CLIFFORD MILOWICKI
15567	COST CUTTERS	TOPS PLAZA	722 S MEADOW ST	ITHACA	NY	14850	US	607-272-6308	ROBERT OWEN
15443	COST CUTTERS		216 GENESEE ST	ONEIDA	NY	13421	US	315-363-7539	JOHN AND HOLLY MEADE
15878	COST CUTTERS	ERWIN CENTER	3159 SILVERBACK LN STE 104	PAINTED POST	NY	14870	US	607-936-6222	CLIFFORD MILOWICKI
15872	COST CUTTERS	FOUR CORNERS PLAZA	142 VESTAL PKWY W	VESTAL	NY	13850	US	607-748-7810	CLIFFORD MILOWICKI
15873	COST CUTTERS	PARKWAY PLAZA	3128 VESTAL PKWY E STE A	VESTAL	NY	13850	US	607-770-6336	CLIFFORD MILOWICKI
15874	COST CUTTERS	VESTAL PLAZA	4700 VESTAL PKWY E	VESTAL	NY	13850	US	607-797-0394	CLIFFORD MILOWICKI
15440	COST CUTTERS	WATERTOWN COMMONS	20991 ROUTE 3	WATERTOWN	NY	13601	US	315-782-4304	JOHN AND HOLLY MEADE
15741	COST CUTTERS	TRI COUNTY PLAZA	1500 CANTON RD	AKRON	OH	44312	US	330-784-0342	MICHAEL SARAFA
15744	COST CUTTERS	ACME PLAZA	3235 MANCHESTER RD STE 3	AKRON	OH	44319	US	330-645-1915	MICHAEL SARAFA
15745	COST CUTTERS	SOUTH PLAZA	372 E WATERLOO RD	AKRON	OH	44319	US	330-786-1447	MICHAEL SARAFA
15849	COST CUTTERS	ELLET WEDGEWOOD PLAZA	2420 WEDGEWOOD DR	AKRON	OH	44312	US	330-794-4058	MICHAEL SARAFA
15845	COST CUTTERS	BUCKEYE VILLAGE CENTER	1836 W STATE ST	ALLIANCE	OH	44601	US	330-823-8271	MICHAEL SARAFA

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15847	COST CUTTERS	AMHERST PLAZA	1913 COOPER FOSTER PARK RD	AMHERST	OH	44001	US	440-960-2269	MICHAEL SARAFA
15792	COST CUTTERS	EAST MAIN STREET COMMERCE CTR	1145 E MAIN ST	ASHLAND	OH	44805	US	419-289-3945	MICHAEL SARAFA
15736	COST CUTTERS	NORTH RIDGE EAST SHOPPING PLZ	2912 N RIDGE RD E	ASHTABULA	OH	44004	US	440-997-5771	MICHAEL SARAFA
15798	COST CUTTERS	MARKETPLACE AT FOUR CORNERS	7209 AURORA RD	AURORA	OH	44202	US	330-995-2304	MICHAEL SARAFA
15909	COST CUTTERS	CARDINAL PLAZA	1698 S RACOON RD	AUSTINTOWN	OH	44515	US	330-792-8881	MICHAEL SARAFA
15858	COST CUTTERS		219 W MAIN ST STE B	BELLEVUE	OH	44811	US	419-483-5165	MICHAEL SARAFA
15907	COST CUTTERS	SOUTHLAND CROSSINGS	1214 DORAL DR	BOARDMAN	OH	44514	US	330-726-6470	MICHAEL SARAFA
15908	COST CUTTERS	SHOPS AT BOARDMAN PARK	397 BOARDMAN POLAND RD	BOARDMAN	OH	44512	US	330-758-4538	MICHAEL SARAFA
15903	COST CUTTERS	FOSTORIA PLAZA	832 S MAIN ST	BOWLING GREEN	OH	43402	US	419-352-9763	MICHAEL SARAFA
15904	COST CUTTERS	SOUTHTOWN CENTRE	1232 S MAIN ST	BRYAN	OH	43506	US	419-636-2899	MICHAEL SARAFA
15746	COST CUTTERS	CANFIELD COLONIAL PLAZA	421 E MAIN ST	CANFIELD	OH	44406	US	330-702-0213	MICHAEL SARAFA
15846	COST CUTTERS	CANTON CENTRE MALL OUTLOT	4330 W TUSCARAWAS ST	CANTON	OH	44708	US	330-478-8880	MICHAEL SARAFA
15852	COST CUTTERS		3230 CLEVELAND AVE NW	CANTON	OH	44709	US	330-493-0400	MICHAEL SARAFA

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15894	COST CUTTERS	MARKETPLACE AT NOBLES POND	7218 FULTON DR NW	CANTON	OH	44718	US	330-830-3347	MICHAEL SARAFA
15895	COST CUTTERS	CANTON SOUTHGATE	3009 CLEVELAND AVE SW	CANTON	OH	44707	US	330-484-6245	MICHAEL SARAFA
15896	COST CUTTERS	BAINBRIDGE MARKET SQUARE	16779 CHILLICOTHE RD	CHAGRIN FALLS ANNEX	OH	44023	US	440-543-2644	MICHAEL SARAFA
15910	COST CUTTERS	MEADOWLAND TOWN CENTER	255 MEADOWLANDS DR STE 150	CHARDON	OH	44024	US	440-285-2500	MICHAEL SARAFA
15844	COST CUTTERS	IMAGINE PLAZA	69 GRAHAM RD STE C	CUYAHOGA FALLS	OH	44223	US	330-922-4111	MICHAEL SARAFA
15574	COST CUTTERS	DEFIANCE KROGER PLAZA	1842 E 2ND ST	DEFIANCE	OH	43512	US	419-782-2121	MICHAEL SARAFA
15575	COST CUTTERS	CLINTON STREET CROSSINGS	1601 N CLINTON ST	DEFIANCE	OH	43512	US	419-782-1137	MICHAEL SARAFA
15732	COST CUTTERS	VINE STREET PLAZA	34021 VINE ST UNIT C	EASTLAKE	OH	44095	US	440-946-6260	MICHAEL SARAFA
15828	COST CUTTERS	RIVER STREET SQUARE	237 MIDWAY BLVD	ELYRIA	OH	44035	US	440-324-2312	MICHAEL SARAFA
15733	COST CUTTERS	FAIRLAWN CENTER	2673 W MARKET ST	FAIRLAWN	OH	44333	US	330-864-9903	MICHAEL SARAFA
15917	COST CUTTERS	POTTER VILLAGE	1230 OAK HARBOUR RD	FREMONT	OH	43420	US	419-332-6808	MICHAEL SARAFA
15885	COST CUTTERS	NORTH TOWNE PLAZA	1309 WAGNER AVE	GREENVILLE	OH	45331	US	937-548-9061	RYAN AND KAITLIN WARDLOW
15906	COST CUTTERS	SPRING MEADOWS PLACE	1331 MCCORD RD	HOLLAND	OH	43528	US	419-867-9524	MICHAEL SARAFA

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15748	COST CUTTERS	TOPS PLAZA	1590 S WATER ST STE B	KENT	OH	44240	US	330-677-1765	MICHAEL SARAFA
15854	COST CUTTERS	LOUISVILLE RETAIL CENTER	524 W MAIN ST	LOUISVILLE	OH	44641	US	330-875-9145	MICHAEL SARAFA
15742	COST CUTTERS		1327 LEXINGTON AVE	MANSFIELD	OH	44907	US	419-756-0625	MICHAEL SARAFA
15842	COST CUTTERS	WALMART PLAZA	331 N LEXINGTON SPRINGMILL#150	MANSFIELD	OH	44906	US	419-529-8343	MICHAEL SARAFA
15799	COST CUTTERS	WALES SQUARE	7999 HILLS N DALE RD	MASSILLON	OH	44646	US	330-833-6664	MICHAEL SARAFA
15848	COST CUTTERS	MEADOWS PLAZA	2010B LINCOLN WAY E	MASSILLON	OH	44646	US	330-837-4943	MICHAEL SARAFA
15899	COST CUTTERS	GOLDEN GATE SHOPPING CENTER	251 GOLDEN GATE SHOPPING CTR	MAUMEE	OH	43537	US	419-893-8005	MICHAEL SARAFA
15837	COST CUTTERS	MEDWICK MARKETPLACE	1093 N COURT	MEDINA	OH	44256	US	330-722-5592	MICHAEL SARAFA
15827	COST CUTTERS	POINTS EAST SHOPPING CENTER	7325 MENTOR AVE STE 5-4AS	MENTOR	OH	44060	US	440-951-3757	MICHAEL SARAFA
15747	COST CUTTERS	HERITAGE TOWN CENTER	1835 SCOTT ST	NAPOLEON	OH	43545	US	419-592-0111	MICHAEL SARAFA
15743	COST CUTTERS	GREAT EAST PLAZA	940 GREAT EAST PLZ	NILES	OH	44446	US	330-544-5353	MICHAEL SARAFA
15830	COST CUTTERS	NEW BERLIN COMMONS	1664 N MAIN ST STE 19	NORTH CANTON	OH	44720	US	330-497-0329	MICHAEL SARAFA
15836	COST CUTTERS	BELDEN PARK CROSSINGS	5560 DRESSLER RD	NORTH CANTON	OH	44720	US	330-494-3962	MICHAEL SARAFA
15850	COST CUTTERS	MARKETPLACE AT WASHINGTON	1963 E MAPLE ST	NORTH CANTON	OH	44720	US	330-244-8928	MICHAEL SARAFA

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15734	COST CUTTERS	GREAT NORTHERN PLAZA SOUTH	5160 GREAT NORTHERN PLAZA S	NORTH OLMSTED	OH	44070	US	440-734-3443	MICHAEL SARAFA
15838	COST CUTTERS	GIANT EAGLE PLAZA	34307 CENTER RIDGE RD	NORTH RIDGEVILLE	OH	44039	US	440-353-3822	MICHAEL SARAFA
15677	COST CUTTERS	ROYALTON PLAZA	6140 ROYALTON RD	NORTH ROYALTON	OH	44133	US	440-237-7123	MICHAEL SARAFA
15738	COST CUTTERS	NORTON PLAZA	4162 S CLEVELAND MASSILON RD	NORTON	OH	44203	US	330-825-9863	MICHAEL SARAFA
15840	COST CUTTERS	NORWALK KRONERS	201 MILAN AVE STE D	NORWALK	OH	44857	US	419-663-0338	MICHAEL SARAFA
15983	COST CUTTERS	PARMATOWN MALL	7471 W RIDGEWOOD DR	PARMA	OH	44129	US	440-884-6300	MICHAEL SARAFA
15795	COST CUTTERS	SOUTH PARK PLAZA	6883 W 130TH ST	PARMA HEIGHTS	OH	44130	US	440-845-3400	MICHAEL SARAFA
15900	COST CUTTERS	PERRYSBURG MARKETPLACE	27072 CARRONADE DR STE L	PERRYSBURG	OH	43551	US	419-874-9825	MICHAEL SARAFA
15751	COST CUTTERS	PLAZA EAST	320 E MAIN ST STE 104	RAVENNA	OH	44266	US	330-297-0333	MICHAEL SARAFA
15750	COST CUTTERS	BROADWAY PLAZA	200 E 2ND ST	SALEM	OH	44460	US	330-332-2366	MICHAEL SARAFA
15789	COST CUTTERS	PARK PLACE PLAZA	5500 MILAN RD	SANDUSKY	OH	44870	US	419-621-9002	MICHAEL SARAFA
15739	COST CUTTERS		161 MANSFIELD AVE	SHELBY	OH	44875	US	419-347-8271	MICHAEL SARAFA
15829	COST CUTTERS	GRAHAM SQUARE	3515 HUDSON DR STE 400	STOW	OH	44224	US	330-928-0066	MICHAEL SARAFA

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15832	COST CUTTERS	STOW KENT SHOPPING CENTER	4301 KENT RD	STOW	OH	44224	US	330-686-9656	MICHAEL SARAFA
15735	COST CUTTERS	STREETSBORO CROSSING SHOPPING	9772 STATE ROUTE 14	STREETSBORO	OH	44241	US	330-626-5395	MICHAEL SARAFA
15893	COST CUTTERS	FIRST FEDERAL COMMONS	14236 PEARL RD	STRONGSVILLE	OH	44136	US	440-572-3316	MICHAEL SARAFA
15839	COST CUTTERS	EASTWOOD SQUARE	616 SOUTH AVE	TALLMADGE	OH	44278	US	330-633-0988	MICHAEL SARAFA
15897	COST CUTTERS	NORTHTOWNE COMMONS PLAZA	821 W ALEXIS RD STE A-102	TOLEDO	OH	43612	US	419-478-1043	MICHAEL SARAFA
15898	COST CUTTERS	FOUNDATION PARK SHOPPING CTR	1515 S BYRNE RD	TOLEDO	OH	43614	US	419-381-9064	MICHAEL SARAFA
15833	COST CUTTERS	TOWN PARK CENTER	1840 TOWN PARK BLVD STE Q	UNIONTOWN	OH	44685	US	330-899-0454	MICHAEL SARAFA
15901	COST CUTTERS	WAUSEON MARKETPLACE	836 N SHOOP AVE	WAUSEON	OH	43567	US	419-335-2255	MICHAEL SARAFA
15740	COST CUTTERS	BLOSSOM CENTER	110 BLOSSOM CENTER BLVD	WILLARD	OH	44890	US	419-933-8501	MICHAEL SARAFA
15851	COST CUTTERS	WAYNETOWN PLAZA	3939 BURBANK RD	WOOSTER	OH	44691	US	330-345-6116	MICHAEL SARAFA
16861	COST CUTTERS	SANTA CLARA SQUARE	65 DIVISION AVE STE C	EUGENE	OR	97404	US	541-688-8123	FARHAN KHAN
15979	COST CUTTERS	ONTARIO MARKETPLACE	203 E LANE N STE 4	ONTARIO	OR	97914	US	541-889-7312	BRAD RAMSOUR AND DAN STRITTMATTER
16854	COST CUTTERS	MCKENZIE CROSSING	5717 MAIN ST	SPRINGFIELD	OR	97478	US	541-726-0455	FARHAN KHAN

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15594	COST CUTTERS	CREST PLAZA	1632 N CEDAR CREST BLVD # I-2	ALLENTOWN	PA	18104	US	610-391-8400	MICHAEL SARAFA
15605	COST CUTTERS	MORNINGSIDE PLAZA	B518 W PLANK RD ROOM A	ALTOONA	PA	16602	US	814-941-7881	MICHAEL SARAFA
15591	COST CUTTERS	MIFFLIN COUNTY COMMONS	325 W FREEDOM AVE STE 142	BURNHAM	PA	17009	US	717-248-3538	MICHAEL SARAFA
15589	COST CUTTERS	CARLISLE CROSSING	262 WESTMINSTER DR STE 136	CARLISLE	PA	17013	US	717-218-9640	MICHAEL SARAFA
15662	COST CUTTERS	NORTH STAR PLAZA	225 STATE ROUTE 288	ELLWOOD CITY	PA	16117	US	724-758-5499	MICHAEL SARAFA
15599	COST CUTTERS	K-MART PLAZA	2891 W 26TH ST	ERIE	PA	16506	US	814-838-1166	MICHAEL SARAFA
15600	COST CUTTERS	LIBERTY PLAZA II	709 W 38TH ST	ERIE	PA	16508	US	814-866-1168	MICHAEL SARAFA
15601	COST CUTTERS	PEACH STREET SQUARE	1905 ROTUNDA DR	ERIE	PA	16509	US	814-866-9907	MICHAEL SARAFA
15603	COST CUTTERS	ERIE COMMONS SHOPPING CENTER	1715 E 38TH ST	ERIE	PA	16510	US	814-824-4003	MICHAEL SARAFA
15606	COST CUTTERS	HILLCREST SHOPPING CENTER	143 HILLCREST SHOPPING CTR	LOWER BURRELL	PA	15068	US	724-335-9177	MICHAEL SARAFA
15648	COST CUTTERS	KENNEDY CENTER	1825 MCKEES ROCKS RD	MCKEES ROCKS	PA	15136	US	412-331-2930	MICHAEL SARAFA
11084	COST CUTTERS	OLYMPIA SHOPPING CENTER	4313 WALNUT ST STE 116	MCKEESPORT	PA	15132	US	412-751-1223	ISMAIL LATIF
15604	COST CUTTERS	WALMART PLAZA	16230 CONNEAUT LAKE RD	MEADVILLE	PA	16335	US	814-337-8158	MICHAEL SARAFA

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15667	COST CUTTERS	SHENANGO SQUARE	2618 ELLWOOD RD	NEW CASTLE	PA	16101	US	724-652-3010	MICHAEL SARAFA
15708	COST CUTTERS	UNION SQUARE	2529 W STATE ST	NEW CASTLE	PA	16101	US	724-654-3457	MICHAEL SARAFA
15616	COST CUTTERS	WHARTON SQUARE SHOPPING CENTER	2011 WHARTON SQ	PITTSBURGH	PA	15203	US	412-431-4545	MICHAEL SARAFA
15628	COST CUTTERS	MARSHALLS GREENTREE ROAD SHOP	1968 GREENTREE RD	PITTSBURGH	PA	15220	US	412-563-6360	MICHAEL SARAFA
15651	COST CUTTERS	ROBINSON TOWN CENTER	1905 PARK MANOR BLVD	PITTSBURGH	PA	15205	US	412-788-0310	MICHAEL SARAFA
15768	COST CUTTERS	CARRICK SHOPPING CENTER	2150 BROWNSVILLE RD STE 128	PITTSBURGH	PA	15210	US	412-882-2664	MICHAEL SARAFA
11085	COST CUTTERS	WIDEWATER COMMONS	104 MATTHEW DR	UNIONTOWN	PA	15401	US	724-438-8821	ISMAIL LATIF
15633	COST CUTTERS	CENTURY SQUARE	3585 MOUNTAIN VIEW	WEST MIFFLIN	PA	15122	US	412-653-7726	MICHAEL SARAFA
16932	COST CUTTERS	EAST FOREST PLAZA	5510 FOREST DR STE 2	COLUMBIA	SC	29206	US	803-782-1874	GIL YOUMANS
17152	COST CUTTERS	HARBISON CENTER	275 HARBISON BLVD SHOP FF	COLUMBIA	SC	29212	US	803-732-7983	GIL YOUMANS
17184	COST CUTTERS	LOCATED INSIDE WALMART #1382	508 HIGHWAY 72 BYP W	GREENWOOD	SC	29649	US	864-227-0966	GIL YOUMANS
17173	COST CUTTERS	LEXINGTON PLACE	100 OLD CHEROKEE RD SHOP H	LEXINGTON	SC	29072	US	803-356-6557	GIL YOUMANS

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17177	COST CUTTERS	MILLS CORNER	4360 AUGUSTA RD	LEXINGTON	SC	29073	US	803-356-0011	GIL YOUMANS
16783	COST CUTTERS	SHOPPES AT NORTH AUGUSTA	1239 KNOX AVE	NORTH AUGUSTA	SC	29841	US	803-279-1998	GIL YOUMANS
17188	COST CUTTERS	LOCATED INSIDE WALMART #616	2795 NORTH RD	ORANGEBURG	SC	29118	US	803-539-0081	GIL YOUMANS
15415	COST CUTTERS	NORTHWOOD SQUARE	2744 CELENESE RD	ROCK HILL	SC	29732	US	803-327-4118	PRASOBH MATHEW
16925	COST CUTTERS		1285 BROAD ST STE 2	SUMTER	SC	29150	US	803-469-4887	GIL YOUMANS
17202	COST CUTTERS		1923 6TH AVE SE STE 110	ABERDEEN	SD	57401	US	605-226-3410	DAWN ERHARDT
17270	COST CUTTERS	RUSHMORE CROSSING	1612 EGLIN ST STE 400	RAPID CITY	SD	57701	US	605-791-5911	ROD & BETTY STROBEL
17230	COST CUTTERS	WEST PARK PLAZA	2720 W 12TH ST STE 300	SIOUX FALLS	SD	57104	US	605-335-3264	KIM PIERCE
17587	COST CUTTERS	YANKTON PLACE	3013 BROADWAY AVE	YANKTON	SD	57078	US	605-260-4334	DOUG BARNES
16525	COST CUTTERS	LOCATED INSIDE WALMART #3495	2315 MADISON ST	CLARKSVILLE	TN	37043	US	931-553-6662	HAROLD AND RENEE BIEBEL
17239	COST CUTTERS	LOCATED INSIDE WALMART #673	3050 WILMA RUDOLPH BLVD	CLARKSVILLE	TN	37040	US	931-645-1084	HAROLD AND RENEE BIEBEL
16597	COST CUTTERS	LOCATED INSIDE WALMART #192	2200 BROOKMEAD DR	COLUMBIA	TN	38401	US	931-388-0425	HAROLD AND RENEE BIEBEL
16900	COST CUTTERS	CROWN POINT SHOPPING CENTER	1233 N EASTMAN RD STE 315	KINGSPORT	TN	37664	US	423-245-2748	JIM & KAREN CARISTO
18360	COST CUTTERS	LOCATED INSIDE WALMART #4482	300 PLEASANT GROVE RD STE 600	MOUNT JULIET	TN	37122	US	615-758-5664	KOTESWAR GAJAVELLI

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18363	COST CUTTERS	LOCATED INSIDE WALMART #659	7044 CHARLOTTE PIKE	NASHVILLE	TN	37209	US	615-354-0508	KOTESWAR GAJAVELLI
17332	COST CUTTERS	LOCATED INSIDE WALMART #177	1210 MINERAL WELL DR	PARIS	TN	38242	US	731-641-0400	JOHN DOBBINS
16719	COST CUTTERS	RIVERS EDGE SHOPPING CENTER	639 PARKWAY	SEVIERVILLE	TN	37862	US	865-428-1906	TOM & LINDA GILTZ
18362	COST CUTTERS	LOCATED INSIDE WALMART #406	570 ENON SPRINGS RD E	SMYRNA	TN	37167	US	615-459-0310	KOTESWAR GAJAVELLI
18361	COST CUTTERS	LOCATED INSIDE WALMART #4483	222 WILKINSON LN	WHITE HOUSE	TN	37188	US	615-672-1472	KOTESWAR GAJAVELLI
15778	COST CUTTERS	TECH RIDGE CENTER	500 CANYON RIDGE DR STE J 200	AUSTIN	TX	78753	US	512-491-8100	ERNEST AND SUSAN TEVES
17201	COST CUTTERS	THE PLAZA AT AVERY RANCH	14900 AVERY RANCH BLVD B-600	AUSTIN	TX	78717	US	512-687-0429	KEVIN AND LIZ MCILLECE
15665	COST CUTTERS	WILLOWCREEK SHOPPING CENTER	4539 GARTH RD	BAYTOWN	TX	77521	US	281-422-0006	PRASHANT AND RUCHIKA NAGRATH
17660	COST CUTTERS	HEB CENTER	3025 N DOWLEN RD STE E510	BEAUMONT	TX	77706	US	409-860-9141	LE BUI & QUOC NAM TRAN
16255	COST CUTTERS	HEB SHOPPING CENTER	15300 S IH 35 STE 360	BUDA	TX	78610	US	512-295-8295	KEVIN AND LIZ MCILLECE
15781	COST CUTTERS	WHITESTONE MARKET SHPNG CTR	2800 E WHITESTONE BLVD STE 215	CEDAR PARK	TX	78613	US	512-260-5255	ERNEST AND SUSAN TEVES
16260	COST CUTTERS	CYPRESS CREEK VILLAGE	1525 CYPRESS CREEK RD STE F	CEDAR PARK	TX	78613	US	512-257-7897	KEVIN AND LIZ MCILLECE

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15359	COST CUTTERS	CONROE SHOPPING CENTER	2214 INTERSTATE 45 N	CONROE	TX	77301	US	936-441-5440	PRASHANT AND RUCHIKA NAGRATH
17331	COST CUTTERS	NORTHWEST CROSSING SHOP CTR	13605 NW BLVD STE 100	CORPUS CHRISTI	TX	78410	US	361-387-7727	KATHY AND MIGUEL SHERMAN
15683	COST CUTTERS	CYFAIR TOWN CENTER	17445 SPRING CYPRESS STE I	CYPRESS	TX	77429	US	281-213-8002	FABIO TEIXEIRA
15637	COST CUTTERS	BAY COLONY TOWN CENTER	1804 FM 646 RD W STE S	DICKINSON	TX	77539	US	281-534-7575	PRASHANT AND RUCHIKA NAGRATH
15634	COST CUTTERS	GALVEZ SHOPPING CENTER	6228 BROADWAY ST STE H	GALVESTON	TX	77551	US	409-740-2525	PRASHANT AND RUCHIKA NAGRATH
15780	COST CUTTERS	HEB SHOPPING CENTER	4500 WILLIAMS DR STE 242	GEORGETOWN	TX	78633	US	512-863-4800	ERNEST AND SUSAN TEVES
15617	COST CUTTERS	SHOPS AT THREE CORNERS	8144 KIRBY DR	HOUSTON	TX	77054	US	713-666-1133	PRASHANT AND RUCHIKA NAGRATH
15618	COST CUTTERS	WESLAYAN PLAZA-WEST	5314 WESLAYAN ST	HOUSTON	TX	77005	US	713-349-8881	PRASHANT AND RUCHIKA NAGRATH
15620	COST CUTTERS	VANDERBILT SQUARE	3179 W HOLCOMBE BLVD	HOUSTON	TX	77025	US	832-778-1300	PRASHANT AND RUCHIKA NAGRATH
15638	COST CUTTERS	CLEAR LAKE SHOPPING CENTER	2323 CLEAR LAKE CITY BLVD #185	HOUSTON	TX	77062	US	281-286-3030	PRASHANT AND RUCHIKA NAGRATH

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15640	COST CUTTERS	WOODFOREST MALL	12620 WOODFOREST BLVD STE 190	HOUSTON	TX	77015	US	713-451-3000	PRASHANT AND RUCHIKA NAGRATH
15643	COST CUTTERS	NEW FOREST CROSSING SHOP CTR	5805 E SAM HOUSTON PKWY STE C	HOUSTON	TX	77049	US	281-458-4100	PRASHANT AND RUCHIKA NAGRATH
15684	COST CUTTERS	RANDALLS STEEPLECHASE SHOPPING	9575 JONES RD STE B	HOUSTON	TX	77065	US	281-955-2828	FABIO TEIXEIRA
15685	COST CUTTERS	BELTWAY 8	9105 W SAM HOUSTON PKWY N # E	HOUSTON	TX	77064	US	832-237-2828	FABIO TEIXEIRA
15686	COST CUTTERS	CYPRESS TOWN CENTER	12220 JONES RD STE G	HOUSTON	TX	77070	US	281-477-3500	FABIO TEIXEIRA
15687	COST CUTTERS	COPPERFIELD VILLAGE	7085 HIGHWAY 6 N STE B	HOUSTON	TX	77095	US	281-859-9090	FABIO TEIXEIRA
15688	COST CUTTERS	ELDRIDGE LAKES TOWN CENTER	6340 N ELDRIDGE PKWY STE E	HOUSTON	TX	77041	US	713-856-9799	FABIO TEIXEIRA
15697	COST CUTTERS	WOODLAKE SQUARE	9650 WESTHEIMER RD STE 200	HOUSTON	TX	77063	US	713-266-8700	FABIO TEIXEIRA
15698	COST CUTTERS	SOUTH VOSS SHOPPING CENTER	2534 S VOSS RD	HOUSTON	TX	77057	US	713-781-7333	FABIO TEIXEIRA
15699	COST CUTTERS	SHOPS OF HILLSHIRE VILLAGE	1437 WIRT RD	HOUSTON	TX	77055	US	713-647-0100	FABIO TEIXEIRA
15700	COST CUTTERS	HEIGHTS PLAZA SHOPPING CENTER	205 W 20TH ST	HOUSTON	TX	77008	US	713-869-0400	FABIO TEIXEIRA
15701	COST CUTTERS	RIVER OAKS SHOPPING CENTER	1944 W GRAY ST	HOUSTON	TX	77019	US	713-520-0044	FABIO TEIXEIRA

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15702	COST CUTTERS	MEMORIAL SHOPPING CENTER	14680 MEMORIAL DR	HOUSTON	TX	77079	US	281-870-0950	FABIO TEIXEIRA
15703	COST CUTTERS	TOWN & COUNTRY VILLAGE	650 W BOUGH LN STE 126	HOUSTON	TX	77024	US	713-461-9119	FABIO TEIXEIRA
15712	COST CUTTERS	PARKWAY VILLAGE	1510 ELDRIDGE RD STE 128	HOUSTON	TX	77077	US	281-759-2221	FABIO TEIXEIRA
17596	COST CUTTERS	ATASCOCITA COMMONS	6707 FM 1960 E	HUMBLE	TX	77346	US	281-548-3000	FABIO TEIXEIRA
17124	COST CUTTERS	HANSON'S CORNER	560 HIGHWAY 79 STE A-700	HUTTO	TX	78634	US	512-846-2165	KEVIN AND LIZ MCILLECE
17663	COST CUTTERS	HEB PLUS SHOPPING CENTER	5002 GATTIS SCHOOL RD STE 180	HUTTO	TX	78634	US	512-373-8489	KEVIN AND LIZ MCILLECE
15690	COST CUTTERS	GREEN TREE RETAIL CENTER	515 S FRY RD	KATY	TX	77450	US	281-579-6660	FABIO TEIXEIRA
15692	COST CUTTERS	CINCO RANCH	22072 WESTHEIMER PKWY	KATY	TX	77450	US	281-398-6000	FABIO TEIXEIRA
15695	COST CUTTERS		3042 N FRY RD	KATY	TX	77449	US	281-398-3400	FABIO TEIXEIRA
15663	COST CUTTERS	KINGWOOD COMMONS	524 KINGWOOD DR	KINGWOOD	TX	77339	US	281-312-3294	PRASHANT AND RUCHIKA NAGRATH
15664	COST CUTTERS		1422 W FAIRMONT PKWY	LA PORTE	TX	77571	US	281-867-0000	PRASHANT AND RUCHIKA NAGRATH
17656	COST CUTTERS	CRYSTAL FALLS	3501 N LAKELINE BLVD STE 140	LEANDER	TX	78641	US	512-986-7991	KEVIN AND LIZ MCILLECE

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15654	COST CUTTERS	COLONY LAKES SOPPING CENTER	6160 HIGHWAY 6 S	MISSOURI CITY	TX	77459	US	281-208-0106	PRASHANT AND RUCHIKA NAGRATH
15660	COST CUTTERS	FORT BEND TOWN CENTER	10330 HIGHWAY 6 STE 1	MISSOURI CITY	TX	77459	US	281-431-2436	PRASHANT AND RUCHIKA NAGRATH
15666	COST CUTTERS	FAIRWAY CENTRE	5689 FAIRMONT PKWY	PASADENA	TX	77505	US	281-998-9966	PRASHANT AND RUCHIKA NAGRATH
15626	COST CUTTERS		2800 BROADWAY ST STE J	PEARLAND	TX	77581	US	281-412-2221	PRASHANT AND RUCHIKA NAGRATH
15629	COST CUTTERS	SILVERLAKE SOPPING CENTER	10228 BROADWAY ST STE 100	PEARLAND	TX	77584	US	713-436-5100	PRASHANT AND RUCHIKA NAGRATH
15777	COST CUTTERS	H E B SHOPPING CENTER @ PFLUG	900 E PECAN ST STE 200	PFLUGERVILLE	TX	78660	US	512-670-9998	ERNEST AND SUSAN TEVES
17117	COST CUTTERS		1434 W WELLS BRANCH PKWY # 130	PFLUGERVILLE	TX	78660	US	512-251-2295	KEVIN AND LIZ MCILLECE
17103	COST CUTTERS	PORTLAND TOWNE SHOPPING CENTER	1850 US HIGHWAY 181 STE F	PORTLAND	TX	78374	US	361-643-2777	KATHY AND MIGUEL SHERMAN
15655	COST CUTTERS	BRAZOS TOWN CENTER	4002 FM 762 STE 300	ROSENBERG	TX	77469	US	281-232-9563	PRASHANT AND RUCHIKA NAGRATH
15576	COST CUTTERS	GREENLAWN CROSSING	603 LOUIS HENNA BLVD STE B 180	ROUND ROCK	TX	78664	US	512-671-8111	ERNEST AND SUSAN TEVES

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16452	COST CUTTERS	SHOPS AT FOREST COMMONS	3720 GATTIS SCHOOL RD STE 200	ROUND ROCK	TX	78664	US	512-248-9578	KEVIN AND LIZ MCILLECE
17219	COST CUTTERS		110 N I H 35 STE 280	ROUND ROCK	TX	78681	US	512-244-2111	KEVIN AND LIZ MCILLECE
11082	COST CUTTERS	BROOKS CORNER	3151 SE MILITARY DR STE 100	SAN ANTONIO	TX	78223	US	210-337-4645	VIKIE AGRAWAL
15613	COST CUTTERS	KLEINWOOD CENTER	7312 LOUETTA RD STE B-130	SPRING	TX	77379	US	281-320-0330	PRASHANT AND RUCHIKA NAGRATH
15614	COST CUTTERS		8765 SPRING CYPRESS RD STE G	SPRING	TX	77379	US	281-320-0300	PRASHANT AND RUCHIKA NAGRATH
15644	COST CUTTERS	FIRST COLONY SHOPPING CENTER	3679 HIGHWAY 6 S	SUGAR LAND	TX	77478	US	281-980-0200	PRASHANT AND RUCHIKA NAGRATH
17200	COST CUTTERS	HEB CENTER	103 NW CARLOS G PARKER BLVD	TAYLOR	TX	76574	US	512-352-7522	KEVIN AND LIZ MCILLECE
15608	COST CUTTERS	COCHRAN'S SHOPPING CENTER	4747 RESEARCH FOREST DR # 435	THE WOODLANDS	TX	77381	US	281-362-0550	PRASHANT AND RUCHIKA NAGRATH
15609	COST CUTTERS	ALDEN BRIDGE SHOPPING CENTER	8000 RESEARCH FOREST DR # 305	THE WOODLANDS	TX	77382	US	281-362-7006	PRASHANT AND RUCHIKA NAGRATH
15611	COST CUTTERS	TOMBALL TOWN CENTER	14030 FM 2920 RD STE G	TOMBALL	TX	77377	US	281-351-1422	PRASHANT AND RUCHIKA NAGRATH
16386	COST CUTTERS	LOCATED INSIDE WALMART #1399	1126 E LYNCHBURG SALEM TPKE	BEDFORD	VA	24523	US	540-587-9300	TOM & LINDA GILTZ

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17229	COST CUTTERS	LOCATED INSIDE WALMART #2089	13245 LEE HWY	BRISTOL	VA	24202	US	276-466-6013	TOM & LINDA GILTZ
17231	COST CUTTERS	SHOPS AT EUCLID SHOPPING CTR	1118 LITTLE CREEK CROSSING	BRISTOL	VA	24201	US	276-466-2301	JIM & KAREN CARISTO
11091	COST CUTTERS	EAGLE HARBOR SHOPPING CENTER	13478 CARROLLTON BLVD STE J	CARROLLTON	VA	23314	US	757-238-2480	ADAM KENT & GEOFFREY BLOCK
15430	COST CUTTERS	GREENBRIAR MARKET CENTER	1244 GREENBRIAR PKWY STE 560	CHESAPEAKE	VA	23320	US	757-436-5487	ADAM KENT & GEOFFREY BLOCK
18612	COST CUTTERS	SHOPPES AT FARMVILLE	1427 S MAIN ST STE D	FARMVILLE	VA	23901	US	434-392-9188	RANDALL BOLL
16967	COST CUTTERS	LOCATED INSIDE WALMART #2565	197 MADISON HEIGHTS SQ STE 100	MADISON HEIGHTS	VA	24572	US	434-845-6515	TOM & LINDA GILTZ
16972	COST CUTTERS	LOCATED INSIDE WALMART #1243	976 COMMONWEALTH BLVD	MARTINSVILLE	VA	24112	US	276-634-5441	TOM & LINDA GILTZ
15786	COST CUTTERS	CAVE SPRINGS CORNERS	3943 BRAMBLETON AVE	ROANOKE	VA	24018	US	540-725-3981	TOM & LINDA GILTZ
17172	COST CUTTERS	GATEWAY SQUARE	370 BRIDGE ST STE 8-B	CLARKSTON	WA	99403	US	509-758-0253	DAVID WUNDERLIN AND KARI LYNN TUPPER
17030	COST CUTTERS	K-MART PLAZA	437 HIGHWAY 64	ANTIGO	WI	54409	US	715-627-4484	EARL FAULKNER
15479	COST CUTTERS	CALUMET STREET RETAIL CENTER	3212 E CALUMET STE STE C	APPLETON	WI	54915	US	920-738-5307	LYNN & CHRISTOPHER KRAUS

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15505	COST CUTTERS	MEMORIAL SQUARE	420 E NORTHLAND AVE	APPLETON	WI	54911	US	920-738-5313	LYNN & CHRISTOPHER KRAUS
15951	COST CUTTERS	PARK VILLAGE MALL	820 PARK AVE STE C	BEAVER DAM	WI	53916	US	920-885-0437	MIRIAM VAN DE SYPE & FLAVIUS CUCU
17433	COST CUTTERS	LOCATED INSIDE WALMART #2532	2785 MILWAUKEE RD	BELOIT	WI	53511	US	608-362-2600	KYLE HOVEY
16988	COST CUTTERS	LOCATED INSIDE WALMART #3488	1901 MILWAUKEE AVE	BURLINGTON	WI	53105	US	262-763-2200	MICHELLE BARNES
17556	COST CUTTERS	COLUMBUS CENTER	1540 W JAMES ST STE 100	COLUMBUS	WI	53925	US	920-623-1900	STACEY CARROLL & STEVEN KAMINSKI
17728	COST CUTTERS		443 W COTTAGE GROVE RD	COTTAGE GROVE	WI	53527	US	608-839-0135	STACEY CARROLL & STEVEN KAMINSKI
15767	COST CUTTERS	FESTIVAL MARKETPLACE	999 MAIN AVE	DE PERE	WI	54115	US	920-964-0187	NIALL O'LEARY
17400	COST CUTTERS	DEFOREST TOWNE CENTER	116 VINBURN RD	DEFOREST	WI	53532	US	608-846-2260	STACEY CARROLL & STEVEN KAMINSKI
16789	COST CUTTERS	DELAVAN CROSSING RETAIL CENTER	1741 E GENEVA ST STE 600	DELAVAN	WI	53115	US	262-728-6618	KARLA LENNON
17639	COST CUTTERS	MADISON STREET RETAIL CENTER	309 E MADISON ST	EAU CLAIRE	WI	54703	US	715-835-5971	TERESA ROGERS

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15956	COST CUTTERS	SHOPS AT JOHNSON CROSSING	1147 E JOHNSON ST	FOND DU LAC	WI	54935	US	920-322-9191	LYNN & CHRISTOPHER KRAUS
15957	COST CUTTERS	FOND DU LAC SHOPPES	928 S MAIN ST STE 500	FOND DU LAC	WI	54935	US	920-922-2539	LYNN & CHRISTOPHER KRAUS
15946	COST CUTTERS	GRAFTON PLAZA	418 FALLS RD	GRAFTON	WI	53024	US	262-375-3520	MIRIAM VAN DE SYPE & FLAVIUS CUCU
15758	COST CUTTERS	WEST MASON PLAZA	2416 W MASON ST STE 102	GREEN BAY	WI	54303	US	920-498-1180	NIALL O'LEARY
16666	COST CUTTERS		1981 E MASON ST STE 106	GREEN BAY	WI	54302	US	920-468-8282	NIALL O'LEARY
16667	COST CUTTERS	BELLEVUE TOWN CENTER	2064 LIME KILN RD STE 6	GREEN BAY	WI	54311	US	920-884-8822	NIALL O'LEARY
16999	COST CUTTERS	GREENFIELD	7438 W HOLMES	GREENFIELD	WI	53220	US	414-282-4355	DAVID AND CAROL HAGEMEIER
15954	COST CUTTERS	HARTFORD PLAZA	1239 BELL AVE	HARTFORD	WI	53027	US	262-673-3128	LYNN & CHRISTOPHER KRAUS
15752	COST CUTTERS		2465 LINEVILLE RD	HOWARD	WI	54313	US	920-434-7110	NIALL O'LEARY
17054	COST CUTTERS	NORTHTOWNE PLACE	1809 MILTON AVE STE 1	JANESVILLE	WI	53545	US	608-757-1600	KYLE HOVEY
17419	COST CUTTERS	LOCATED INSIDE WALMART #1305	3800 DEERFIELD DR	JANESVILLE	WI	53546	US	608-757-1900	KYLE HOVEY

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15480	COST CUTTERS		2141 CROOKS AVE	KAUKAUNA	WI	54130	US	920-766-6499	LYNN & CHRISTOPHER KRAUS
17017	COST CUTTERS		8038 22ND AVE	KENOSHA	WI	53143	US	262-652-6440	MICHELLE BARNES
17345	COST CUTTERS	SHOPPES AT INDIAN TRAIL PLAZA	6430 GREEN BAY RD	KENOSHA	WI	53142	US	262-925-8855	MICHELLE BARNES
15472	COST CUTTERS		229 N WASHINGTON ST	KIMBERLY	WI	54136	US	920-788-3883	LYNN & CHRISTOPHER KRAUS
16034	COST CUTTERS	LOCATED INSIDE WALMART #3505	PO BOX 321	LAKE DELTON	WI	53940	US	608-254-5600	STACEY CARROLL & STEVEN KAMINSKI
16996	COST CUTTERS	LOCATED INSIDE WALMART #910	201 S EDWARDS BLVD	LAKE GENEVA	WI	53147	US	262-248-9940	KARLA LENNON
17027	COST CUTTERS	GENEVA SQUARE	164 E GENEVA SQ	LAKE GENEVA	WI	53147	US	262-248-7799	KARLA LENNON
17621	COST CUTTERS	LAKE MILLS CENTER	144 E TYRANENA PARK RD	LAKE MILLS	WI	53551	US	920-648-8000	STACEY CARROLL & STEVEN KAMINSKI
16214	COST CUTTERS	MAPLE GROVE SHOPPING CENTER	6615 MCKEE RD	MADISON	WI	53719	US	608-848-6883	STACEY CARROLL & STEVEN KAMINSKI
16983	COST CUTTERS	OLD SAUK ROW	8456 OLD SAUK RD STE 350	MADISON	WI	53562	US	608-833-3911	STACEY CARROLL &

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
									STEVEN KAMINSKI
17029	COST CUTTERS		4525 COTTAGE GROVE RD	MADISON	WI	53716	US	608-221-4440	STACEY CARROLL & STEVEN KAMINSKI
17370	COST CUTTERS		702 S GAMMON RD	MADISON	WI	53719	US	608-274-2804	STACEY CARROLL & STEVEN KAMINSKI
17372	COST CUTTERS		2829 E WASHINGTON AVE	MADISON	WI	53704	US	608-246-4311	STACEY CARROLL & STEVEN KAMINSKI
15540	COST CUTTERS	SHOPKO PLAZA	3375 CALUMET AVE	MANITOWOC	WI	54220	US	920-684-5585	GLENN GARDNER
15520	COST CUTTERS	WALMART OUT PARCEL	2910 ROOSEVELT RD STE C	MARINETTE	WI	54143	US	715-732-4747	GLENN GARDNER
16957	COST CUTTERS		404 N CENTRAL AVE	MARSHFIELD	WI	54449	US	715-486-8300	EARL FAULKNER
17626	COST CUTTERS	WOODLAND COMMONS RETAIL CENTER	4830 LARSON BEACH RD	MCFARLAND	WI	53558	US	608-579-1379	STACEY CARROLL & STEVEN KAMINSKI
16962	COST CUTTERS	K-MART PLAZA	176 MEDFORD PLAZA	MEDFORD	WI	54451	US	715-748-6006	EARL FAULKNER
15955	COST CUTTERS	NORTH POINTE CENTER	N78W14571 W APPLETON AVE	MENOMONEE FALLS	WI	53051	US	262-255-6929	LYNN & CHRISTOPHER KRAUS

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
16970	THE BARBERS	LOCATED INSIDE WALMART #1819	180 CEDAR FALLS RD	MENOMONIE	WI	54751	US	715-233-9890	EARL FAULKNER
16971	COST CUTTERS	RED CEDAR PLAZA	2421 HIGHWAY 25 N	MENOMONIE	WI	54751	US	715-235-3118	EARL FAULKNER
16990	COST CUTTERS	MERRILL RIDGE SHOP CENTER	3440 E MAIN ST	MERRILL	WI	54452	US	715-536-3445	EARL FAULKNER
17389	COST CUTTERS	STONEFIELD SHOPPING CENTER	1017 N GAMMON RD	MIDDLETON	WI	53562	US	608-841-1097	STACEY CARROLL & STEVEN KAMINSKI
17563	COST CUTTERS	LOCATED INSIDE WALMART #2510	8760 NORTH RIDGE WAY	MINOCQUA	WI	54548	US	715-356-3148	EARL FAULKNER
16030	COST CUTTERS	PIER 37	6518 MONONA DR	MONONA	WI	53716	US	608-223-0045	STACEY CARROLL & STEVEN KAMINSKI
17490	COST CUTTERS	TROLLWAY SHOPPES	1205 SPRINGDALE ST	MOUNT HOREB	WI	53572	US	608-437-1220	STACEY CARROLL & STEVEN KAMINSKI
15756	COST CUTTERS	RIVERVIEW CENTRE	827 S ROCHESTER STE 105	MUKWONAGO	WI	53149	US	262-363-8430	MICHAEL & KELLY ORZECHOWSKI
15500	COST CUTTERS	FOX POINT SHOPPING CENTER	868 FOX POINT PLAZA	NEENAH	WI	54956	US	920-722-9920	LYNN & CHRISTOPHER KRAUS
15755	COST CUTTERS	MOORLAND PLAZA	15431 W NATIONAL AVE	NEW BERLIN	WI	53151	US	262-789-0122	MICHAEL & KELLY ORZECHOWSKI

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15506	COST CUTTERS	LONDON CENTRE	1931 N SHAWANO ST STE 220	NEW LONDON	WI	54961	US	920-982-4082	LYNN & CHRISTOPHER KRAUS
15958	COST CUTTERS	TARGET OUTLOT	8907 S HOWELL AVE STE 200	OAK CREEK	WI	53154	US	414-762-8594	NIALL O'LEARY
11122	COST CUTTERS	WATERTOWER CENTER	1400 SUMMIT AVE STE C	OCONOMOWOC	WI	53066	US	262-569-2919	NIALL O'LEARY
11123	COST CUTTERS	PRAIRIE CREEK RETAIL CENTER	1280 BROWN ST STE C	OCONOMOWOC	WI	53066	US	262-567-6140	NIALL O'LEARY
16997	COST CUTTERS	LOCATED INSIDE WALMART #1679	3107 MARKET PL	ONALASKA	WI	54650	US	608-781-6501	DAVID MCGOVERN
15713	COST CUTTERS	FAIRACRES CENTER	1868 JACKSON ST	OSHKOSH	WI	54901	US	920-426-9293	LYNN & CHRISTOPHER KRAUS
15714	COST CUTTERS	WESTOWNE CENTER	2330 WESTOWNE AVE	OSHKOSH	WI	54904	US	920-231-6466	LYNN & CHRISTOPHER KRAUS
11118	COST CUTTERS	SILVERNAIL PLAZA	2100 SILVERNAIL RD	PEWAUKEE	WI	53072	US	262-542-6101	NIALL O'LEARY
11127	COST CUTTERS	LAKE COUNTRY SQUARE	601 C RYAN RD	PEWAUKEE	WI	53072	US	262-691-1921	NIALL O'LEARY
17073	COST CUTTERS	LOCATED INSIDE WALMART #958	800 PROGRESSIVE PKWY	PLATTEVILLE	WI	53818	US	608-348-3760	STACEY CARROLL & STEVEN KAMINSKI
17545	COST CUTTERS	PRAIRIE RIDGE COMMONS	9780 76TH ST STE 106	PLEASANT PRAIRIE	WI	53158	US	262-697-6993	MICHELLE BARNES
17066	COST CUTTERS	LOCATED INSIDE WALMART #1828	250 CROSSROADS DR	PLOVER	WI	54467	US	715-295-0550	EARL FAULKNER

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15947	COST CUTTERS	NORT PORT	209 W SEVEN HILLS RD	PORT WASHINGTON	WI	53074	US	262-284-9612	MIRIAM VAN DE SYPE & FLAVIUS CUCU
16965	COST CUTTERS	LOCATED INSIDE WALMART #1799	2950 NEW PINERY RD	PORTAGE	WI	53901	US	608-742-8787	STACEY CARROLL & STEVEN KAMINSKI
17338	COST CUTTERS		2937 NEW PINERY RD	PORTAGE	WI	53901	US	608-745-4173	STACEY CARROLL & STEVEN KAMINSKI
16475	COST CUTTERS	KOHL'S CENTER	5630 WASHINGTON AVE	RACINE	WI	53406	US	262-833-1100	MICHELLE BARNES
17349	COST CUTTERS	GREEN TREE CENTRE	5131 DOUGLAS AVE	RACINE	WI	53402	US	262-639-5353	MICHELLE BARNES
17388	COST CUTTERS	REGENCY POINT SHOPPING CENTER	6104 REGENCY WEST DR	RACINE	WI	53406	US	262-898-8300	MICHELLE BARNES
16382	COST CUTTERS		35 VIKING DR	REEDSBURG	WI	53959	US	608-524-1557	STACEY CARROLL & STEVEN KAMINSKI
16581	THE BARBERS	LOCATED INSIDE WALMART #1931	2121 LINCOLN ST	RHINELANDER	WI	54501	US	715-362-8800	EARL FAULKNER
17205	COST CUTTERS	EAST POINT CENTER	2146 LINCOLN ST	RHINELANDER	WI	54501	US	715-362-1200	EARL FAULKNER
17347	COST CUTTERS	LOCATED INSIDE WALMART #1446	2501 W AVE	RICE LAKE	WI	54868	US	715-234-5063	EARL FAULKNER
17148	COST CUTTERS	LOCATED INSIDE WALMART #1007	2401 HIGHWAY 14 E	RICHLAND CENTER	WI	53581	US	608-647-8493	STACEY CARROLL &

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
									STEVEN KAMINSKI
17214	COST CUTTERS		1196 W FOND DU LAC ST	RIPON	WI	54971	US	920-748-7504	EARL FAULKNER
17221	COST CUTTERS	ROTHSCHILD SHOPKO PLAZA	1051 E GRAND AVE	ROTHSCHILD	WI	54474	US	715-355-1958	EARL FAULKNER
17573	COST CUTTERS	SAUK CITY RETAIL	772 PHILLIPS BLVD	SAUK CITY	WI	53583	US	608-370-7979	STACEY CARROLL & STEVEN KAMINSKI
15949	COST CUTTERS	TAYLOR HEIGHTS	535 S TAYLOR DR	SHEBOYGAN	WI	53081	US	920-457-1095	MIRIAM VAN DE SYPE & FLAVIUS CUCU
17094	COST CUTTERS		101 DIVISION ST N	STEVENS POINT	WI	54481	US	715-345-0300	EARL FAULKNER
17096	COST CUTTERS	MCCOMB PLACE CONDO	2380 JACKSON ST	STOUGHTON	WI	53589	US	608-877-9790	STACEY CARROLL & STEVEN KAMINSKI
17197	COST CUTTERS	LOCATED INSIDE WALMART #2668	3049 S OAKES RD	STURTEVANT	WI	53177	US	262-554-8556	MICHELLE BARNES
17098	COST CUTTERS		1334 W MAIN ST STE A	SUN PRAIRIE	WI	53590	US	608-837-3877	STACEY CARROLL & STEVEN KAMINSKI
17732	COST CUTTERS	MARKET PLACE AT SUN PRAIRIE	310 S GRAND AVE	SUN PRAIRIE	WI	53590	US	608-825-2979	STACEY CARROLL & STEVEN KAMINSKI

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
17428	COST CUTTERS	LOCATED INSIDE WALMART #1447	3801 TOWER AVE	SUPERIOR	WI	54880	US	715-392-0969	DAVID MCGOVERN
11129	COST CUTTERS	SUSSEX COMMONS	N 65 W 24838 MAIN	SUSSEX	WI	53089	US	262-246-7140	NIALL O'LEARY
16003	COST CUTTERS	LOCATED INSIDE WALMART #965	222 W MCCOY BLVD	TOMAH	WI	54660	US	608-374-5007	DAVID MCGOVERN
17552	COST CUTTERS	VERONA SHOPPING CENTER	204 E VERONA AVE	VERONA	WI	53593	US	608-848-7580	STACEY CARROLL & STEVEN KAMINSKI
17555	COST CUTTERS	WATERTOWN SQUARE	628 S CHURCH ST	WATERTOWN	WI	53094	US	920-206-1640	STACEY CARROLL & STEVEN KAMINSKI
11119	COST CUTTERS	MEADOWBROOK MARKETPLACE	821 MEADOWBROOK RD STE 12	WAUKESHA	WI	53188	US	262-547-9542	NIALL O'LEARY
17057	COST CUTTERS		826 W FULTON ST	WAUPACA	WI	54981	US	715-258-5585	EARL FAULKNER
17088	COST CUTTERS		362 S 18TH AVE	WAUSAU	WI	54401	US	715-842-2400	EARL FAULKNER
17438	THE BARBERS	LOCATED INSIDE WALMART #2127	4300 RIB MOUNTAIN DR	WAUSAU	WI	54401	US	715-355-6840	EARL FAULKNER
16116	COST CUTTERS	LOCATED INSIDE WALMART #1396	920 US HIGHWAY 12	WEST BARABOO	WI	53913	US	608-356-2366	STACEY CARROLL & STEVEN KAMINSKI
15952	COST CUTTERS	WESTWOOD PLAZA	2366 W WASHINGTON ST	WEST BEND	WI	53095	US	262-334-9405	LYNN & CHRISTOPHER KRAUS

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
15757	COST CUTTERS	WHITEWATER PLAZA	1139 W MAIN ST	WHITEWATER	WI	53190	US	262-472-9138	MICHAEL & KELLY ORZECHOWSKI
17282	COST CUTTERS		2330 8TH ST S	WISCONSIN RAPIDS	WI	54494	US	715-424-3600	EARL FAULKNER
18594	COST CUTTERS	LOCATED INSIDE WALMART #2036	2700 MOUNTAINEER BLVD	CHARLESTON	WV	25309	US	304-746-7299	LEWIS AND NIDIA JOHNSON
17016	COST CUTTERS	LOCATED INSIDE WALMART #2576	100 NITRO MARKET PL	CROSS LANES	WV	25313	US	304-769-0012	LEWIS AND NIDIA JOHNSON
16986	COST CUTTERS	LOCATED INSIDE WALMART #2610	77 NORMAN MORGAN BLVD	LOGAN	WV	25601	US	304-752-5132	LEWIS AND NIDIA JOHNSON
15369	COST CUTTERS	FRONTIER SQUARE	1740 DELL RANGE BLVD STE F	CHEYENNE	WY	82009	US	307-778-7848	DAVID WUNDERLIN AND KARI LYNN TUPPER

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B: LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM

Salon Number	Franchisee	Address1	Address2	Address3	Address4	Legal Entity	Phone number
15431	Adam Kent & Geoffrey Block	6715 FOX CENTER PKWY	GLOUCESTER	VA	23061	HAMPTON ROADS ACQUISITION HOLDINGS LLC	804-6933764
15570	Anthony & April Creed	9095 E TANQUE VERDE RD STE 171	TUCSON	AZ	85749	ARCNV INC.	520-7605888
15584	Gabriel & Melinda Tramp	3105 N 108TH ST	OMAHA	NE	68164	TSQUARED, LLC	402-4939745
15596	Michael Sarafa	35 LAUREL MALL	HAZLE TOWNSHIP	PA	18202	SUPER C GROUP, LLC	570-4544432
15598	Michael Sarafa	4486 BUFFALO RD	ERIE	PA	16510	SUPER C GROUP, LLC	814-8982386
15602	Michael Sarafa	2501 W 12TH ST	ERIE	PA	16505	SUPER C GROUP, LLC	814-8361211
15610	Prashant & Ruchika Nagrath	6042 FM 2920 RD	SPRING	TX	77379	SPRING,TX-KLEIN CROSSING-CCF	281-3202670
15630	Prashant & Ruchika Nagrath	3521 PALMER HWY	TEXAS CITY	TX	77590	TEXAS CITY,TX-TEXAS CITY-CCF	409-9454800
15676	Michael Sarafa	2425 WILMINGTON RD ROOM 2C	NEW CASTLE	PA	16105	SUPER C GROUP, LLC	724-6523317
15680	Ismail Latif	732 VENTURE DR STE 13	MORGANTOWN	WV	26508	SHERIFA ENTERPRISES, LLC.	304-2929370
15682	Ismail Latif	548 EMILY DR	CLARKSBURG	WV	26301	SHERIFA ENTERPRISES, LLC.	304-6225993
15696	Fabio Teixeira	6725 S FRY RD STE 100	KATY	TX	77494	GAVI EXCELLENCE LLC	281-3925262
15716	Lynn & Christopher Kraus	1110 S KOELLER RD	OSHKOSH	WI	54902	PRIMROSE MANAGMENT GROUP INC.	920-2334567
15726	Michael Sarafa	3435 W SHORE DR STE 20	HOLLAND	MI	49424	SUPER C GROUP, LLC	616-3990640
15731	Michael Sarafa	3358 WARREN RD	CLEVELAND	OH	44111	SUPER C GROUP, LLC	216-9419407
15783	Ernest & Susan Teves	6600 S MOPAC EXPY STE 2120	AUSTIN	TX	78749	SET INVESTMENTS, LLC	512-8926060
15784	Tom &	979 HARDY RD	VINTON	VA	24179	TOMLIN HAIR	540-

Salon Number	Franchisee	Address1	Address2	Address3	Address4	Legal Entity	Phone number
	Linda Giltz					CARE, INC.	3457527
15785	Tom & Linda Giltz	664 BRANDEN AVE SW	ROANOKE	VA	24015	TOMLIN HAIR CARE, INC.	540-3429277
15887	Ryan & Kaitlin Wardlow	8680 HIGH POINTE DR STE E	NEWBURGH	IN	47630	108 ASSETS, LLC	812-8538146
16004	Browning Thornton	11610 MEMORIAL PKWY S	HUNTSVILLE	AL	35803	THE CLIPPER CORPORATION	256-8819932
16118	Harold & Renee Biebel	1725 W EVERLY BROTHERS BLVD	CENTRAL CITY	KY	42330	PARIS CC SALONS, INC.	270-7549004
16176	Lynn Flynn-Gretz	5700 BECKLEY RD STE C-1	BATTLE CREEK	MI	49015	SHALYN, INC.	269-9794247
16342	Michelle Barnes	1311 21ST ST	ZION	IL	60099	CC OF WISCONSIN, INC.	847-7465350
16465	sandi Ceplina	2400 E MORTHLAND DR	VALPARAISO	IN	46383	BRYLSKI, INC	219-4648313
16517	Earl Faulkner	1438 CLOVERLAND DR	IRONWOOD	MI	49938	GUNDERSON-FAULKNER WI CORP	906-9322373
16599	Bill Kennedy	38020 US HIGHWAY 18	PRAIRIE DU CHIEN	WI	53821	KENNEDY & KENNEDY, LLC	608-3262713
16700	Terri Gettler	PO BOX 358	SAINT JOSEPH	MN	56374	CABANA CUTS, INC.	320-2714247
16720	Tom & Linda Giltz	1133 OAK RIDGE TPKE STE B	OAK RIDGE	TN	37830	TOMLIN HAIR CARE OF TENNESSEE INC	865-4829776
16800	Michael Sarafa	110 HEDSTROM DR	ASHLAND	OH	44805	SUPER C GROUP, LLC	419-2810199
16877	Teresa Rogers	2142 FORD PKWY	SAINT PAUL	MN	55116	IMAGE PROFESSIONALS MN, LLC	651-6905211
16931	Rod & Betty Strobel	3025 1ST AVE STE 5	SPEARFISH	SD	57783	STROBEL ENTERPRISES, INC	605-5592678
16951	Dan & Jenny Linderman	329 CENTRAL AVE SE	MINNEAPOLIS	MN	55414	CC EASTGATE, INC.	612-3312753
17131	Tom & Linda Giltz	550 OLD FRANKLIN TURNPIKE	ROCKY MOUNT	VA	24151	TOMLIN HAIR CARE, INC.	540-4893454
17175	Gil	5556 SUNSET	LEXINGTON	SC	29072	FISH TANK	803-

Salon Number	Franchisee	Address1	Address2	Address3	Address4	Legal Entity	Phone number
	Youmans	BLVD				ENTERPRISES, INC.	9513333
17206	Rod & Betty Strobel	1430 HAINES AVE STE 106	RAPID CITY	SD	57701	STROBEL ENTERPRISES, INC	605-3889119
17215	Kevin & Liz McIllece	2110 NEW SLAUGHTER LN STE 112	AUSTIN	TX	78748	K & L SERVICES, INC.	512-2829770
17270	Rod & Betty Strobel	1612 EGLIN ST STE 400	RAPID CITY	SD	57701	STROBEL ENTERPRISES, INC	605-7915911
17340	Kahty & Miguel Sherman	1850 US HIGHWAY E	PORTLAND	TX	78374	Tiller-Sherman, Inc.	0
17403	Stacey Carroll & Steve Kaminski	2990 CAHILL MAIN	FITCHBURG	WI	53711	CC OF MADISON, INC.	608-2761403
17482	Aaron & Ashley Emel	3040 W BROADWAY BLVD STE 360	SEDALIA	MO	65301	FCE CAPITAL, L.L.C.	660-8293600
17540	Vikie Agrawal	240 ELIZABETH ST STE F	ELIZABETH	CO	80107	NITU SALONS CO LLC	303-6469003
17643	Stacey Carroll & Steve Kaminski	786 N MAIN ST	OREGON	WI	53575	CC OF SOUTHERN WISCONSIN, LLC	608-8358638
18028	Laura & Paul Piotrowski	2415 N BLOOMINGTON ST	STREATOR	IL	61364	TRENIK CORP	815-6727840
18368	Laura & Paul Piotrowski	2300 SYCAMORE RD	DEKALB	IL	60115	TRENIK CORP	815-7561969
18777	John Kontis	700 BOSTON RD STE 3	BILLERICA	MA	1821	E & J SALON GROUP INC.	978-3622417

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT C: FINANCIAL STATEMENTS

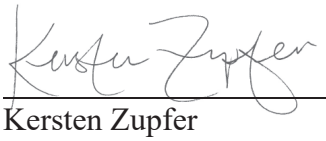
GUARANTEE OF PERFORMANCE

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 2022-2023 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 11th day of November, 2022.

Guarantor:

REGIS CORPORATION

By: 
Name: Kersten Zupfer
Title: Executive Vice President

Regis Corporation Consolidated Financial Statements

Index to Consolidated Financial Statements

Report of independent auditor on the Fiscal Years 2022, 2021, and 2020 Financial Statements

Fiscal year 2022 and 2021 Financial Statements

Report of independent registered public accounting firm on the Fiscal Year 2020 Financial Statements

Fiscal year 2020 Financial Statements

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Regis Corporation

Opinion

We have audited the consolidated financial statements of Regis Corporation (a Minnesota corporation) and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations, shareholders' (deficit) equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Emphasis of matter

As discussed in Note 3 to the financial statements, the Company retrospectively applied the accounting for discontinued operations that occurred in 2022 to all periods presented. Our opinion is not modified with respect to this matter.

Other matter

As part of our audit of the 2022 financial statements, we audited the adjustments to the 2020 financial statements to retrospectively apply the aforementioned accounting for discontinued operations described in Note 3 to the financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Company other than with respect to such adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally

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accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Grant Thornton LLP

Minneapolis, Minnesota
November 11, 2022

REGIS CORPORATION
Fiscal Years 2022 and 2021 Financial Statements

Financial Statements

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REGIS CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except per share data)

	June 30, 2022	June 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,041	$ 19,191
Receivables, net	14,531	26,270
Inventories	3,109	20,639
Other current assets	13,984	17,017
Current assets related to discontinued operations (Note 3)	—	3,542
Total current assets	48,665	86,659
Property and equipment, net	12,835	16,906
Goodwill (Note 5)	174,360	188,257
Other intangibles, net	3,226	3,761
Right of use asset (Note 6)	493,749	610,599
Other assets	36,465	41,388
Non-current assets related to discontinued operations (Note 3)	—	48,813
Total assets	$ 769,300	$ 996,383
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	$ 15,860	$ 27,157
Accrued expenses	33,784	51,242
Short-term lease liability (Note 6)	103,196	116,348
Current liabilities related to discontinued operations (Note 3)	—	3,738
Total current liabilities	152,840	198,485
Long-term debt, net (Note 8)	179,994	186,911
Long-term lease liability (Note 6)	408,445	517,626
Other non-current liabilities	58,974	75,075
Non-current liabilities related to discontinued operations (Note 3)	—	1,240
Total liabilities	800,253	979,337
Commitments and contingencies (Note 9)		
Shareholders' (deficit) equity:		
Common stock, $0.05 par value; issued and outstanding, 45,510,245 and 35,795,844 common shares at June 30, 2022 and 2021, respectively	2,276	1,790
Additional paid-in capital	62,562	25,102
Accumulated other comprehensive income	9,455	9,543
Accumulated deficit	(105,246)	(19,389)
Total shareholders' (deficit) equity	(30,953)	17,046
Total liabilities and shareholders' (deficit) equity	$ 769,300	$ 996,383

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	
	2022	2021
Revenues:		
Royalties	$ 65,753	$ 52,357
Fees	11,587	10,215
Product sales to franchisees	15,072	56,699
Advertising fund contributions	32,573	22,023
Franchise rental income (Note 6)	130,777	127,392
Company-owned salon revenue	20,205	142,965
Total revenue	275,967	411,651
Operating expenses:		
Cost of product sales to franchisees	17,391	43,756
Inventory reserve (1)	7,655	—
General and administrative	65,274	96,427
Rent (Note 6)	9,357	40,754
Advertising fund expense	32,573	22,023
Franchise rent expense	130,777	127,392
Company-owned salon expense (2)	21,952	141,204
Depreciation and amortization	6,224	21,749
Long-lived asset impairment (Note 1)	542	13,023
Goodwill impairment (Note 5)	13,120	—
Total operating expenses	304,865	506,328
Operating loss	(28,898)	(94,677)
Other (expense) income:		
Interest expense	(12,914)	(13,163)
Loss from sale of salon assets to franchisees, net	(2,334)	(16,696)
Interest income and other, net	(296)	15,902
Loss from operations before income taxes	(44,442)	(108,634)
Income tax (expense) benefit	(2,017)	5,428
Loss from continuing operations	(46,459)	(103,206)
Loss from discontinued operations, net of income taxes (Note 3)	(39,398)	(10,125)
Net loss	$ (85,857)	$ (113,331)
Net loss per share:		
Basic and diluted:		
Loss from continuing operations	$ (1.07)	$ (2.87)
Loss from discontinued operations	(0.90)	(0.28)
Net loss per share, basic and diluted (3)	$ (1.97)	$ (3.15)
Weighted average common and common equivalent shares outstanding:		
Basic and diluted	43,582	35,956

(1) Includes charges in the third and fourth quarter associated with liquidation of distribution center inventory. Excludes reserves for inventory at salons.

(2) Includes cost of service and product sold to guests in our Company-owned salons. Excludes general and administrative expense, rent and depreciation and amortization related to Company-owned salons.

(3) 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
(Dollars in thousands)

	Fiscal Years	
	2022	2021
Net loss	$ (85,857)	$ (113,331)
Other comprehensive (loss) income, net of tax:		
Net current period foreign currency translation adjustments	(547)	1,888
Recognition of deferred compensation	459	206
Other comprehensive (loss) income	(88)	2,094
Comprehensive loss	$ (85,945)	$ (111,237)

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

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

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
	Shares	Amount				
Balance, June 30, 2020	**35,625,716**	**$ 1,781**	**$ 22,011**	**$ 7,449**	**$ 94,462**	**$ 125,703**
Net loss	—	—	—	—	(113,331)	(113,331)
Foreign currency translation (Note 1)	—	—	—	1,888	—	1,888
Exercise of SARs	3,775	—	(24)	—	—	(24)
Stock-based compensation	—	—	3,254	—	—	3,254
Recognition of deferred compensation (Note 11)	—	—	—	206	—	206
Net restricted stock activity	166,353	9	(139)	—	—	(130)
Minority interest	—	—	—	—	(520)	(520)
Balance, June 30, 2021	**35,795,844**	**1,790**	**25,102**	**9,543**	**(19,389)**	**17,046**
Net loss	—	—	—	—	(85,857)	(85,857)
Foreign currency translation (Note 1)	—	—	—	(547)	—	(547)
Issuance of common stock, net of offering costs	9,295,618	465	36,720	—	—	37,185
Stock-based compensation	—	—	1,285	—	—	1,285
Recognition of deferred compensation (Note 11)	—	—	—	459	—	459
Net restricted stock activity	418,783	21	(545)	—	—	(524)
Balance, June 30, 2022	**45,510,245**	**$ 2,276**	**$ 62,562**	**$ 9,455**	**$ (105,246)**	**$ (30,953)**

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

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

	Fiscal Years	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (85,857)	$ (113,331)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from sale of OSP (Note 3)	36,143	—
Depreciation and amortization (Note 1)	6,504	17,871
Long-lived asset impairment	542	13,023
Deferred income taxes	391	(3,388)
Inventory reserve	10,478	12,068
Gain from disposal of distribution center assets	—	(14,997)
Loss from sale of salon assets to franchisees, net	2,334	16,696
Goodwill impairment	16,000	—
Stock-based compensation	1,334	3,254
Amortization of debt discount and financing costs	1,839	1,839
Other non-cash items affecting earnings	709	(351)
Changes in operating assets and liabilities (1):		
Receivables	11,896	(279)
Inventories	7,886	17,879
Income tax receivable	1,118	1,295
Other current assets	2,118	1,658
Other assets	2,703	(2,896)
Accounts payable	(10,966)	(21,669)
Accrued expenses	(21,983)	5,296
Net lease liabilities	(5,960)	(19,248)
Other non-current liabilities	(15,867)	(14,603)
Net cash used in operating activities:	(38,638)	(99,883)
Cash flows from investing activities:		
Capital expenditures	(5,316)	(11,475)
Proceeds from sale of OSP	13,000	—
Proceeds from sale of assets to franchisees	—	8,437
Costs associated with sale of assets to franchisees	—	(261)
Proceeds from company-owned life insurance policies	—	1,200
Net cash provided by (used in) investing activities:	7,684	(2,099)
Cash flows from financing activities:		
Borrowings on revolving credit facility	10,000	10,000
Repayments of revolving credit facility	(16,916)	(589)
Proceeds from issuance of common stock, net of offering costs	37,185	—
Taxes paid for shares withheld	(845)	(348)
Minority interest buyout	—	(562)
Distribution center lease payments	—	(724)
Net cash provided by financing activities:	29,424	7,777
Effect of exchange rate changes on cash and cash equivalents	(158)	477
Decrease in cash, cash equivalents and restricted cash	(1,688)	(93,728)
Cash, cash equivalents and restricted cash:		
Beginning of year	29,152	122,880
End of year	$ 27,464	$ 29,152

(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.

1. BUSINESS DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description:

Regis Corporation (the Company) franchises hairstyling and hair care salons throughout the United States (U.S.), Canada, Puerto Rico and the United Kingdom (U.K.). The business is evaluated in two segments, Franchise salons and Company-owned salons. Franchise salons in operation decreased from 5,563 to 5,395 at June 30, 2021 compared to June 30, 2022, primarily due to the closure of 299 salons, which was partially offset by the conversion of 110 salons from company-owned. Company-owned salons in operation decreased from 276 to 105 at June 30, 2021 compared to June 30, 2022, primarily due to the conversion of 110 salons to franchise. See Note 15 to the Consolidated Financial Statements. Salons are located in leased space in strip center locations, malls or Walmart.

COVID-19 Impact:

During fiscal years 2022 and 2021, the global coronavirus pandemic (COVID-19) had an adverse impact on operations. The COVID-19 pandemic continues to impact salon guest visits and franchisee staffing, resulting in a significant reduction in revenue and profitability. In response to COVID-19, the Company received Canadian rent relief, Canadian wage relief and U.S. employee retention payroll tax credits. In fiscal years 2022 and 2021, the Company received the following amounts in rent and wage assistance:

	Financial Statement Caption	Fiscal Years	
		2022	2021
		(Dollars in thousands)	
Canadian rent relief	Rent	$ 1,235	$ —
Canadian wage relief	Company-owned salon expense	1,966	1,629
U.S. employee retention payroll tax credit	Company-owned salon expense	—	1,547

Additionally, in December 2021 the Company paid $2.5 million of social security contributions that had been deferred under the CARES Act. Overall, COVID-19 has, and may continue to have, a negative effect on revenue and profitability. The ultimate impact of the COVID-19 pandemic in both the short- and long-term is not currently estimable due to the uncertainty surrounding the duration of the pandemic, the emergence and impact of new COVID-19 variants and changing government restrictions. Additional impacts to the business may arise that we are not aware of currently.

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 entities (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, 2022, the Company has no VIEs where the Company is the primary beneficiary.

The Company has an investment in Empire Education Group, Inc. (EEG). During fiscal year 2020, the Company signed an agreement to sell its interest in EEG to the other shareholder. Until the transaction closes, the Company continues to account for EEG as an equity investment under the voting interest model. 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.

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. Due to the economic disruption caused by the COVID-19 pandemic, the Company faces a greater degree of uncertainty than normal in making judgments and estimates needed to apply the Company's significant accounting policies. Actual results and outcomes may differ from management's estimates and assumptions.

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, 2022 and 2021.

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,	
	2022	2021
	(Dollars in thousands)	
Cash and cash equivalents	$ 17,041	$ 19,191
Restricted cash, included in other current assets	10,423	9,961
Total cash, cash equivalents and restricted cash	$ 27,464	$ 29,152

Receivables and Allowance for Doubtful Accounts:

The receivable balance on the Company's Consolidated Balance Sheet primarily includes accounts and notes receivable from franchisees, credit card receivables 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, 2022 and 2021, the allowance for doubtful accounts was $6.6 and $7.8 million, respectively. The allowance for doubtful accounts decreased in fiscal year 2022 due to higher write-offs. See Note 2 to the Consolidated Financial Statements.

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 is held at salons and a third-party distribution center as of June 30, 2022. A physical inventory count is conducted annually at the third-party distribution center. 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.

The Company has inventory valuation reserves for excess and obsolete inventories, or other factors that may render inventories unmarketable at their historical costs. In fiscal year 2021, the Company announced it would transition away from its wholesale product distribution model in favor of a third-party distribution model. As a result, the Company exited its two distribution centers in fiscal year 2022 and now stores inventory at a third-party facility. To facilitate the exit of the distribution centers, the Company sold and continues to sell inventory at discounts and dispose of hard-to-sell products. Additionally, the reduction in company-owned salons decreases the Company's ability to redistribute inventory from closed locations to other salons to be sold or used. The inventory valuation reserve as of June 30, 2022 and 2021 was $1.9 and $11.8 million, respectively. During fiscal year 2022, the Company recorded total inventory reserve charges of $10.5 million, of which $7.7 and $2.8 million were recorded in Inventory reserve and Company-owned salon expense, respectively, in the Consolidated Statement of Operations. Included in Company-owned salon expense in the Consolidated Statement of Operations is an inventory reserve charge of $12.1 million during fiscal year 2021.

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 (i.e., 30 to 39 years for buildings, 10 years or lease life for improvements and three to 10 years or lease life for equipment, furniture and software). Depreciation expense was $5.8 and $20.9 million in fiscal years 2022 and 2021, respectively. Depreciation expense for fiscal years 2022 and 2021 include $1.0 and $4.7 million of asset retirement obligations, which are cash expenses.

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.

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 an additional 5 to 10 year term at the option of the Company. In addition to the obligation to make fixed rental payments for the 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.

The Company leases salon premises in which the majority of its franchisees operate and has entered into corresponding sublease arrangements with franchisees. All lease-related costs are passed through to franchisees. 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.

For 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, including one lease term option when the lease is expected to be renewed. 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. For leases classified as operating leases, expense for lease payments is recognized on a straight-line basis over the lease term, including the lease renewal option when the lease is expected to be renewed. 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 the original lease term.

Certain leases provide for contingent rents that 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:

A lessee's ROU 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 that identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Poor salon performance in fiscal years 2022 and 2021, primarily due to the COVID-19 pandemic, resulted in ASC 360-10-35-21 triggering events. As a result, management assessed underperforming salon asset groups, which included the related ROU assets, for impairment in accordance with ASC 360.

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, 2022. See Note 6 to the Consolidated Financial Statements for further discussion related to right of use asset impairment.

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 the COVID-19 pandemic, 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.

The second step of the long-lived asset impairment test requires that the fair value of the asset group be estimated when determining 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 significant judgments and assumptions utilized to determine the fair value of the salon asset groups include the market rent of comparable properties and a discount rate. The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available.

For fiscal years 2022 and 2021, the Company recognized long-lived asset impairment charges of $0.5 and $13.0 million, respectively, which included $0.5 and $9.5 million, respectively, related to ROU assets on the Consolidated Statement of Operations. 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. 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. See Note 6 to the Consolidated Financial Statements.

Goodwill:

As of June 30, 2022 and 2021, the Franchise reporting unit had $174.4 and $229.6 million, respectively, of goodwill and the Company-owned reporting unit had no goodwill for both periods. See Note 5 to the Consolidated Financial Statements for changes to the goodwill balance. The Company assesses goodwill impairment on an annual basis as of April 30, 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. The Company performed its interim impairment tests 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. 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 2022

During fiscal year 2022, the Company performed a quantitative impairment test over goodwill during the second quarter due to a triggering event experienced in the quarter. This determination was made considering the sustained decrease in share price and a change in the Company's chief operating decision maker. In the second quarter, the Franchise reporting unit was determined to have a fair value in excess of its carrying value and no impairment was recorded. A quantitative goodwill impairment was performed in the third quarter due to a triggering event experienced during the quarter. This determination was made considering a decrease in forecasted revenue due to slower than expected recovery from COVID-19. In the third quarter, the Franchise reporting unit was determined to have a carrying value in excess of its fair value, resulting in a goodwill impairment charge of $16.0 million.

The Company performed its annual impairment assessment as of April 30. 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. The discounted cash flows model reflects management's assumptions regarding revenue growth rates, economic and market trends, cost structure, and other expectations about the anticipated short-term and long-term operating results. Management's

assumptions related to revenue growth rates were reduced and management increased expected salon closures compared to valuations in prior years. These changes, along with a decline in value from the market approach, reduced the fair value of the reporting unit. The discount rate of 20.0% was also a key assumption utilized in the discounted cash flows, which was an increase of 0.5% from the third quarter valuation due to an increase in market interest rates. As a result of the impairment testing, the Franchise reporting unit was determined to have a fair value in excess of its carrying value.

The Company derecognized $38.4 million of goodwill in fiscal year 2022 in connection to the sale of OSP. The $38.4 million represents the portion of goodwill related to the OSP business based on relative fair value. See Notes 3 and 5 to the Consolidated Financial Statements.

Fiscal 2021

During fiscal year 2021, 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 2021 annual impairment assessment, the Company performed a Step 1 impairment test for the Franchise reporting unit. The Company compared the carrying value of the Franchise reporting unit, including goodwill, to the estimated fair value. The results of this assessment indicated that the estimated fair value of the Company's Franchise reporting unit significantly exceeded the carrying value.

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 2022 and 2021, the Company recorded decreases in expense for changes in estimates related to prior year open policy periods of $0.5 and $3.6 million, respectively. The Company updates loss projections bi-annually 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, 2022, the Company had $4.7 and $9.7 million recorded in current liabilities and non-current liabilities, respectively, related to the Company's workers' compensation and general liability self-insurance accruals. As of June 30, 2021, the Company had $6.8 and $12.7 million recorded in current liabilities and non-current liabilities, respectively, related to the Company's workers' compensation and general liability self-insurance accruals.

Revenue Recognition and Deferred Revenue:

Franchise revenues primarily include royalties, fees, product sales to franchisees and advertising fund 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 recorded at the time product is delivered to franchise locations. Company-owned salon revenues are recognized at the time when the services are provided or the guest receives and pays for merchandise.

Classification of Revenue and Expenses:

Beginning in the first quarter of fiscal year 2022, the Company adjusted its Statement of Operations for all periods presented to align the presentation of results to its franchise-focused business. Below is a summary of the changes to the financial statement captions. The change does not have a financial impact on the Company's reported revenue, operating loss, reported net loss or cash flows from operations.

Royalties - sales-based royalty received from franchisees. In prior years, these fees were included in Royalties and Fees and disclosed in the footnotes.

Fees - fees received from franchisees and third parties, including franchise fees, software and hardware fees related to Opensalon Pro and fees received from the third-party distributors.

Product sales to franchisees - wholesale product sales to franchisees. This caption equates to Product sales in the Franchise segment in prior years. The Company changed its franchise product sales business in fiscal year 2022 from a wholesale distribution model to a third-party distribution model. This revenue was expected to decrease significantly during fiscal year 2022 and into fiscal year 2023.

Advertising fund contributions - sales-based advertising fund contributions received from franchisees. In prior years, these fees were included in Royalties and Fees and disclosed in the footnotes.

Company-owned salon revenue - service revenue and revenue derived from sales of product in Company-owned salons. This caption equates to revenue reported in the Company-owned segment in prior periods.

Cost of product sales to franchisees - direct cost of inventory and freight and other costs of sales. In prior years, these sales were included in the Franchise segment cost of product and site operating expenses.

Company-owned salon expense - cost of service and product sold to guests in our Company-owned salons and other salon-related costs. In prior years, these costs were classified as Company-owned segment cost of service, cost of product and site operating expenses. Excluded from this caption are general and administrative expense, rent and depreciation and amortization related to company-owned salons.

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.

Distribution Costs:

Distribution costs are incurred to store, move and ship product from the Company's distribution centers to salons and includes distribution center overhead. Such distribution costs related to product shipped to company-owned locations are included in Company-owned salon expenses in the Consolidated Statement of Operations. Distribution costs, including distribution center overhead, related to shipping product to franchise locations totaled $2.3 and $12.1 million during fiscal years 2022 and 2021, respectively, and are included within general and administrative on the Consolidated Statement of Operations. In fiscal year 2022, the Company exited its two distribution centers and changed the wholesale product distribution model in favor of a third-party distribution model, reducing the cost in fiscal year 2022. The Company now stores inventory at a third-party facility.

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 specific franchise salon concepts. Most maintain advertising funds that provide comprehensive advertising and sales promotion support. All salons are required to participate in the advertising funds for the same salon concept. The Company administers the advertising funds in accordance with franchise operating and other agreements. Advertising fund contributions are expensed when the contribution is made.

The Company's advertising costs included in the Consolidated Statement of Operations consist of the following:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Advertising fund contributions from franchisees	$ 32,573	$ 22,023
Advertising fund contributions from company-owned salons (1)	154	897
Corporate funded advertising costs (1)	671	7,015
Total advertising costs	$ 33,398	$ 29,935

(1) Included in General and administrative expense in the Consolidated Statement of Operations.

The Company records all advertising funds as assets and liabilities within the Company's Consolidated Balance Sheet. As of June 30, 2022 and 2021, approximately $10.5 and $9.9 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.

Interest Income and Other, Net:

In March 2021, the Company recorded a gain of $15.0 million related to the Company's distribution centers. The gain on distribution centers was recorded to Interest income and other, net in the Consolidated Statement of Operations in fiscal year 2021.

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 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 $201.7 and $192.5 million at June 30, 2022 and 2021, 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 2022 are as follows:

- The Company determined that it no longer had sufficient U.S. state indefinite-lived taxable temporary differences to support realization of its U.S. state indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate state indefinite-lived NOLs. As a result, the Company recorded a $4.1 million valuation allowance on its U.S. state indefinite-lived deferred tax assets.

Significant components of the valuation allowance which occurred during fiscal year 2021 are as follows:

- The Company recognized a tax loss on its investment in Luxembourg and established a corresponding valuation allowance of $34.4 million.

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.

Net Loss Per Share:

The Company's basic earnings per share is calculated as net loss 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 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. Due to the Company's net loss in all periods presented, basic and dilutive earnings per share are equal.

Comprehensive Loss:

Components of comprehensive loss include net loss, foreign currency translation adjustments and recognition of deferred compensation, net of tax within shareholders' (deficit) 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' (deficit) equity. Statement of Operations accounts are translated at the average rates of exchange prevailing during the year. During fiscal years 2022 and 2021, a $0.6 million foreign currency loss and $0.3 million foreign currency gain is included in loss from continuing operations, respectively.

Accounting Standards Recently Adopted by the Company:

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740)," which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Depending on the amendment, adoption may have been applied on the retrospective, modified retrospective or prospective basis. The adoption of this new guidance during fiscal year 2022 using the prospective method did not have a material impact on our Consolidated Financial Statements.

Recently Issued Accounting Standards Not Yet Adopted:

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and it does not believe any of these pronouncements will have a material impact to the Company's financial statements.

2. REVENUE RECOGNITION:

Revenue Recognition and Deferred Revenue:

Revenue recognized at point of sale

Product sales to franchisees are recorded at the time product is delivered to the franchisee. Payment for franchisee product revenue is generally collected 30 to 90 days of delivery. Company-owned salon revenues are recognized at the time when the services are provided or 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 guest. 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.

Revenue recognized over time

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 revenues are 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. The treatment increases both the gross amount of reported revenue and 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, which is typically 10 years. Franchise rental income is a result of the Company signing leases on behalf of franchisees and entering into sublease arrangements with the franchisees. The Company recognizes franchise rental income and expense when it is due to the landlord.

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

	June 30, 2022	June 30, 2021	Balance Sheet Classification
	(Dollars in thousands)		
Receivables from contracts with customers, net	$ 10,263	$ 18,011	Receivable, net
Broker fees	15,592	19,254	Other assets
Deferred revenue:			
Current			
Gift card liability	$ 2,037	$ 2,240	Accrued expenses
Deferred franchise fees unopened salons	16	40	Accrued expenses
Deferred franchise fees open salons	5,770	5,884	Accrued expenses
Total current deferred revenue	$ 7,823	$ 8,164	
Non-current			
Deferred franchise fees unopened salons	$ 3,211	$ 6,571	Other non-current liabilities
Deferred franchise fees open salons	26,827	32,365	Other non-current liabilities
Total non-current deferred revenue	$ 30,038	$ 38,936	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, rent, 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. The following table is a rollforward of the allowance for doubtful accounts for the periods indicated:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	$ 7,774	$ 6,899
Provision for doubtful accounts (1)	967	509
Provision for franchisee rent (2)	1,421	1,920
Reclass of accrued rent (3)	149	—
Write-offs	(3,752)	(1,554)
Balance at end of period	$ 6,559	$ 7,774

(1) The provision for doubtful accounts is recognized as general and administrative expense in the Consolidated Statement of Operations.

(2) The provision for franchisee rent is recognized as rent in the Consolidated Statement of Operations.

(3) The reclass of accrued rent represents franchisee rent obligations guaranteed by the Company that were unbilled and deemed unrecoverable as of June 30, 2021. The amounts billed in fiscal year 2022 and the related accrual was reclassified to allowance for doubtful accounts.

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 franchise agreement in the Consolidated Statement of Operations. The following table is a rollforward of the broker fee balance for the periods indicated:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	$ 19,254	$ 20,516
Additions	25	2,112
Amortization	(3,189)	(3,180)
Write-offs	(498)	(194)
Balance at end of period	$ 15,592	$ 19,254

The decrease in non-current deferred franchise fees for unopened salons in fiscal year 2022 is primarily due to $2.4 million of deferred fees related to terminated development agreements being recognized as fees in the Consolidated Statement of Operations in the year ended June 30, 2022. Deferred revenue includes the gift card liability and deferred franchise fees for unopened salons and open salons. 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 fiscal years 2022 and 2021 was $6.5 and $6.6 million, respectively. Estimated revenue expected to be recognized in the future related to deferred franchise fees for open salons as of June 30, 2022 is as follows (in thousands):

2023	$	5,770
2024		5,468
2025		5,092
2026		4,618
2027		4,157
Thereafter		7,492
Total	$	32,597

3. DISCONTINUED OPERATIONS

Opensalon Pro (OSP):

On June 30, 2022, the Company sold its OSP software-as-a-service solution to Soham Inc. for a purchase price of $20.0 million in cash plus up to an additional $19.0 million in cash contingent upon the number of salons that migrate to Soham's Zenoti product as their salon technology platform. The Company received $13.0 million in proceeds in June 2022. The remaining $7.0 million of the purchase price is subject to holdbacks including $4.0 million of the proceeds retained in escrow to be paid upon completion of the Company's refinancing, $1.0 million once the Company ends its arrangement with ProPoint in December 2022 and $2.0 million of proceeds held back until general indemnity provisions are satisfied within 18 months from closing. As a result of the sale, the Company classified the OSP business as discontinued operations in the financial statements for all years presented. Discontinued operations is included in the Franchise segment in the Consolidated Statement of Operations for all periods presented.

The following summarizes the components of the loss from sale of OSP for fiscal year 2022 included in discontinued operations (in thousands):

Cash proceeds	$	13,000
Goodwill derecognition		(38,358)
Software write-off (1)		(8,408)
Hardware write-down (2)		(1,825)
Other, net, including professional fees		(552)
Loss from sale of OSP	$	(36,143)

(1) Internally developed capitalized software is included in non-current assets related to discontinued operations as of June 30, 2021 and written off in June 2022 upon completion of the sale.

(2) Prior to the sale, hardware used to run OSP was sold to franchisees. As a result of the sale, the Company wrote-down the value of the hardware to its net realizable value and the charge is included in the loss on the sale of OSP. The hardware is included in inventory as of June 30, 2022 and current assets related to discontinued operations as of June 30, 2021 in the Consolidated Balance Sheet.

The following summarizes the results of discontinued operations for the periods presented:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Discontinued operations:		
Fees	$ 3,811	$ 3,461
Cost of product sales to franchisees	(1,037)	(2,790)
General and administrative	(3,517)	(9,006)
Rent	(194)	(176)
Depreciation and amortization	(1,322)	(964)
Goodwill impairment (1)	(2,880)	—
Interest expense	(715)	(650)
Loss from sale of OSP	(36,143)	—
Loss from discontinued operations, before taxes	(41,997)	(10,125)
Income tax benefit from discontinued operations (2)	2,599	—
Loss from discontinued operations, net of tax	$ (39,398)	$ (10,125)

(1) Goodwill impairment included in discontinued operations represents the portion of impairment allocated to the OSP business based on relative fair value.

(2) Income taxes have been allocated to continuing and discontinued operations based on the methodology required by accounting for income taxes guidance.

The Company leases office space in Fremont, California. The lease related liabilities are included in long-term lease liability as of June 30, 2022, and the lease related assets and liabilities are included in non-current assets, current liabilities and non-current liabilities related to discontinued operations as of June 30, 2021 in the Consolidated Balance Sheet.

4. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Other current assets:		
Prepaid assets	$ 1,816	$ 4,121
Restricted cash	10,423	9,961
Other	1,745	2,935
Total other current assets	$ 13,984	$ 17,017
Property and equipment:		
Buildings and improvements	$ 8,228	$ 8,251
Equipment, furniture and leasehold improvements	14,260	28,782
Internal use software	34,824	34,644
Total property and equipment	57,312	71,677
Less accumulated depreciation and amortization	(44,477)	(54,771)
Total property and equipment, net	$ 12,835	$ 16,906
Accrued expenses:		
Payroll and payroll related costs	$ 7,767	$ 16,175
Insurance	5,012	7,525
Rent and related real estate costs	4,585	11,197
Deferred revenue	7,823	8,164
Other	8,597	8,181
Total accrued expenses	$ 33,784	$ 51,242
Other non-current liabilities:		
Deferred income taxes	$ 10,979	$ 10,650
Insurance	9,744	12,722
Deferred benefits	6,308	10,028
Deferred franchise fees	30,038	38,936
Other	1,905	2,739
Total other non-current liabilities	$ 58,974	$ 75,075

The following provides additional information concerning other intangibles, net:

	June 30,							
	2022				2021			
	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	36	$ 5,421	$ (3,234)	$ 2,187	35	$ 6,040	$ (3,568)	$ 2,472
Franchise agreements	20	7,719	(6,756)	963	19	10,099	(8,901)	1,198
Other	20	354	(278)	76	20	366	(275)	91
Total	26	$ 13,494	$ (10,268)	$ 3,226	24	$ 16,505	$ (12,744)	$ 3,761

(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.

Total amortization expense related to intangible assets during fiscal years 2022 and 2021 was approximately $0.4 and $0.8 million, respectively. As of June 30, 2022, future estimated amortization expense related to intangible assets is estimated as follows (in thousands):

2023	$ 365
2024	302
2025	302
2026	302
2027	302
Thereafter	1,653
Total	$ 3,226

The following provides supplemental disclosures of cash flow activity:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Cash paid (received) for:		
Interest	$ 11,786	$ 11,940
Taxes and penalties, net	(1,400)	(2,636)
Non-cash investing activities:		
Unpaid capital expenditures	35	312

5. GOODWILL

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

	June 30,					
	2022			2021		
	Gross Carrying Value (1)	Accumulated Impairment	Net	Gross Carrying Value (1)	Accumulated Impairment	Net
	(Dollars in thousands)					
Goodwill	$ 304,624	$ (130,264)	$ 174,360	$ 343,846	$ (114,264)	$ 229,582

(1) The change in the gross carrying value of goodwill relates to foreign currency translation adjustments.

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

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period (1)	$ 229,582	$ 227,457
Derecognition of OSP goodwill	(38,358)	—
Goodwill impairment related to continuing operations	(13,120)	—
Goodwill impairment related to discontinued operations	(2,880)	—
Translation rate adjustments	(864)	2,125
Balance at end of period (1)	$ 174,360	$ 229,582

(1) The goodwill balance as of June 30, 2021 includes $41.3 million related to discontinued operations.

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 one to 20 years with many leases renewable for an additional five to 10-year term at the option of the Company. In addition to the obligation to make fixed rental payments for the 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 includes the following:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Office and warehouse rent	$ 4,575	$ 5,234
Lease termination expense (1)	1,835	13,544
Lease liability benefit (2)	(3,620)	(20,022)
Franchise salon rent	1,695	3,376
Company-owned salon rent	4,872	38,622
Total	$ 9,357	$ 40,754

(1) During fiscal year 2022, lease termination expense includes $0.9 million to exit the Company's distribution centers before the lease end dates and $0.9 million to exit salons before the lease end dates in order to relieve the Company of future lease obligations. During fiscal year 2021, lease termination fees include $8.3 million of early termination payments to close salons before the lease end date to relieve the Company of future lease obligations and $5.3 million to accrue future lease payments for salons that are no longer operating.

(2) Upon termination of previously impaired leases, the Company derecognizes the corresponding ROU assets and lease liabilities which results in a net gain. In addition, the Company recognizes a benefit from lease liabilities decreasing in excess of previously impaired ROU assets for ongoing leases that were previously impaired.

The Company leases salon premises in which the majority of its franchisees operate and has entered into corresponding sublease arrangements with franchisees. All lease-related costs are passed through to the franchisees. 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 years 2022 and 2021, Franchise rental income and Franchise rent expense were $130.8 and $127.4 million, respectively. These leases generally have lease terms of approximately five years. The Company expects to renew SmartStyle and some franchise leases upon expiration. Some other leases are expected to be renewed by the franchisee upon expiration.

For 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, including one lease term option when the lease is expected to be renewed. The 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. For leases classified as operating leases, expense for lease payments is recognized on a straight-line basis over the lease term, including the lease renewal option when the lease is expected to be renewed. 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 the original lease term. The weighted average remaining lease term was 6.02 and 6.44 years and the weighted average discount rate was 4.25% and 4.11% for all salon operating leases as of June 30, 2022 and 2021, respectively.

A lessee's ROU 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 that identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Poor salon performance in fiscal years 2022 and 2021 resulted in ASC 360-10-35-21 triggering events. As a result, management assessed underperforming 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 the COVID-19 pandemic, 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.

The second step of the long-lived asset impairment test requires that the fair value of the asset group be estimated when determining 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 significant judgments and assumptions utilized to determine the fair value of the salon asset groups include the market rent of comparable properties and a discount rate.

The fair value of the salon long-lived asset group is estimated using market participant methods based on the best information available. 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.

For fiscal years 2022 and 2021, the Company recognized long-lived impairment charges of $0.5 and $13.0 million, respectively, which included $0.5 and $9.5 million, respectively, related to ROU assets on the Consolidated Statement of Operations. 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. 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.

As of June 30, 2022, future operating lease commitments, including one renewal option for leases expected to be renewed, to be paid and received by the Company were as follows (in thousands):

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
2023	$ 116,644	$ 3,590	$ 2,229	$ 122,463	$ (116,644)	$ 5,819
2024	102,360	2,049	1,301	105,710	(102,360)	3,350
2025	85,788	710	1,334	87,832	(85,788)	2,044
2026	72,155	385	1,367	73,907	(72,155)	1,752
2027	61,698	143	1,401	63,242	(61,698)	1,544
Thereafter	122,570	256	4,417	127,243	(122,570)	4,673
Total future obligations	$ 561,215	$ 7,133	$ 12,049	$ 580,397	$ (561,215)	$ 19,182
Less amounts representing interest	66,693	361	1,702	68,756		
Present value of lease liabilities	$ 494,522	$ 6,772	$ 10,347	$ 511,641		
Less current lease liabilities	97,954	3,399	1,843	103,196		
Long-term lease liabilities	$ 396,568	$ 3,373	$ 8,504	$ 408,445		

Supplemental operating cash flow information and non-cash activity related to our operating leases are as follows (in thousands):

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Cash paid for amounts included in the measurement of lease liabilities (1)	$ 74,507	$ 130,039
Right of use assets obtained in exchange for new lease liabilities	2,011	4,242

(1) Cash paid for amounts included in the measurement of lease liabilities includes rent, termination fees, settlements and legal fees, and commission payments.

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, 2022 and 2021, the estimated fair value of the Company's cash, cash equivalents, restricted cash, receivables, inventory, deferred compensation assets, debt and accounts payable approximated their carrying values.

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 (1):

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Goodwill impairment	$ 16,000	$ —
Long-lived asset impairment	542	13,023

(1) See Notes 1 and 5 to the Consolidated Financial Statements.

8. FINANCING ARRANGEMENTS

The Company's debt consists of the following:

Revolving Credit Facility

		June 30,			
	Maturity Date (1)	2022	2021	2022	2021
	(Fiscal year)	(Interest rate %)		(Dollars in thousands)	
Revolving credit facility	2023	5.50%	5.00%	$ 179,994	$ 186,911

(1) As of June 30, 2022 the Company's borrowings matured in March 2023. On August 12, 2022, the Company amended its credit agreement. In connection with the amendment, the maturity of the credit agreement was extended to August 31, 2025. Accordingly, the debt is classified as non-current on the Consolidated Balance Sheet. See Note 16 to the Consolidated Financial Statements.

At June 30, 2022, cash and cash equivalents totaled $17.0 million. As of June 30, 2022, the Company had $180.0 million of outstanding borrowings under the original $295.0 million revolving credit facility, of which $277.5 million was available as of June 30, 2022. The credit facility decreased $16.9 million from $294.4 million as of June 30, 2021, in accordance with the bulk sale provisions in the revolving credit facility agreement, due to the sale of OSP and secured inventory related to our transition to a third-party distribution partner. At June 30, 2022, the Company had outstanding standby letters of credit under the revolving credit facility of $15.7 million, primarily related to the Company's self-insurance program. The unused available credit under the facility was $81.9 million at June 30, 2022. Total liquidity per the agreement was $119.8 million as of June 30, 2022. As of June 30, 2022, the Company had cash, cash equivalents and restricted cash of $27.5 million and current liabilities of $152.8 million.

Under the terms of the revolving credit facility as of June 30, 2022, the Company is required to maintain a minimum liquidity of $75.0 million and the Company's lenders are secured in the Company's assets. The applicable margin for loans bearing interest at SOFR 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 0.50%-0.75%, each depending on average utilization of the revolving line of credit. The Company was in compliance with all covenants and other requirements of the financing arrangements as of June 30, 2022. On August 12, 2022, the Company amended and extended its credit facility which, among other things, converted the revolving credit facility to a $180.0 million term loan and $55.0 million revolving credit facility. The amendment also extends the maturity date to August 31, 2025. See Note 16 to the Consolidated Financial Statements.

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 plaintiff or defendant in various lawsuits and claims arising out of the normal course of business. Like certain other franchisors, the Company has faced allegations of franchise regulation and agreement violations. Additionally, because the Company may be the tenant under a master lease for a location subleased to a franchisee, the Company has faced allegations of nonpayment of rent and associated charges. Further, similar to other large retail employers, the Company has been faced with allegations of purported class-wide consumer and wage and hour violations.

During fiscal year 2022, the Company recorded $2.2 million of expense related to litigation, of which $1.7 million was paid during the year. The Company's accrual related to potential settlement liability was $0.5 million as of June 30, 2022. Included in the expense is litigation brought in the 11th Judicial Circuit, St. Charles County, Missouri, in which the Company challenged a landlord regarding a lease the Company secured but the landlord leased to another tenant. The landlord in the case prevailed and the court ordered the Company to pay the landlord $0.5 million in attorney's fees. The Company requested leave to appeal and plans to vigorously pursue overturning this judgment.

The Company's previous point-of-sale system supplier had challenged the development of certain parts of the Company's technology systems in litigation brought in the Northern District of California. The Company and the supplier entered into an agreement, effective June 25, 2021, that provided for the dismissal of the lawsuit and set forth a Transition Services Agreement pursuant to which the supplier will assist in the transfer of franchise salons from its point-of-sale system to the Company's salon management system, OSP. The Company and the supplier entered into an amendment to the Settlement Agreement, effective June 15, 2022, in which the Company agreed to pay $2.0 million to the supplier in installments commencing on June 15, 2022, and ending on December 10, 2022, in consideration of a release of claims arising out of or related to the Transition Services Agreement and for the supplier to continue to provide the services set forth in that agreement.

Litigation is inherently unpredictable, and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could incur judgments in the future or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period.

10. INCOME TAXES

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

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Loss before income taxes		
U.S.	$ (41,231)	$ (143,104)
International	(3,211)	34,470
	$ (44,442)	$ (108,634)

The provision (benefit) for income taxes consists of:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
Current:		
U.S.	$ (535)	$ (620)
International	(425)	(1,421)
Deferred:		
U.S.	3,130	(3,701)
International	(153)	314
	$ 2,017	$ (5,428)

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

	Fiscal Years	
	2022	2021
U.S. statutory rate	21.0 %	21.0 %
State income taxes, net of federal income tax benefit	1.4	7.9
Valuation allowance (1)	(6.6)	(61.5)
Foreign income taxes at other than U.S. rates	3.0	9.4
Uncertain tax positions	(17.9)	0.2
Stock-based compensation	(2.8)	(0.7)
Loss on investment in Luxembourg	—	29.3
Other, net (2)	(2.6)	(0.6)
Effective tax rate	(4.5)%	5.0 %

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

(2) The (2.6)% of Other, net in fiscal year 2022 includes the rate impact of the federal provision to return true-up and miscellaneous items of (2.0)% and (0.6)%, respectively. The (0.6)% of Other, net in fiscal year 2021 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,	
	2022	2021
	(Dollars in thousands)	
Deferred tax assets:		
Payroll and payroll related costs	$ 5,267	$ 8,523
Net operating loss carryforwards	153,190	145,823
Tax credit carryforwards	37,664	37,433
Capital loss carryforwards	5,338	14,179
Deferred franchise fees	8,694	10,153
Operating lease liabilities	124,905	154,255
Other (1)	17,542	12,608
Subtotal	352,600	382,974
Valuation allowance (1)	(201,731)	(192,522)
Total deferred tax assets	$ 150,869	$ 190,452
Deferred tax liabilities:		
Goodwill and intangibles	$ (33,466)	$ (43,375)
Operating lease assets	(123,333)	(150,573)
Other	(5,049)	(7,154)
Total deferred tax liabilities	(161,848)	(201,102)
Net deferred tax liability	$ (10,979)	$ (10,650)

(1) The $17.5 million of Other in fiscal year 2022 includes $5.3 million of deferred tax assets with a corresponding valuation allowance of the same amount related to discontinued operations.

Significant components of the valuation allowance which occurred during fiscal year 2022 are as follows:

- The Company determined that it no longer had sufficient U.S. state indefinite-lived taxable temporary differences to support realization of its U.S. state indefinite-lived NOLs and its existing U.S. deferred tax assets that upon reversal are expected to generate state indefinite-lived NOLs. As a result, the Company recorded a $4.1 million valuation allowance on its U.S. state indefinite-lived deferred tax assets.

Significant components of the valuation allowance which occurred during fiscal year 2021 are as follows:

- The Company recognized a tax loss on its investment in Luxembourg and established a corresponding valuation allowance of $34.4 million.

At June 30, 2022, the Company has tax-effected federal, state, Canada, and U.K. net operating loss carryforwards of approximately $116.8, $28.1, $7.8 and $0.5 million, respectively. The Company's federal loss carryforward consists of $27.3 million that will expire from fiscal years 2034 to 2038 and $89.5 million that has no expiration. The state loss carryforwards consist of $24.4 million that will expire from fiscal years 2023 to 2042 and $3.7 million that has no expiration. The Canada loss carryforward will expire from fiscal years 2036 to 2042. The U.K. loss carryforward has no expiration.

The Company's tax credit carryforward of $37.7 million primarily consists of Work Opportunity Tax Credits that will expire from fiscal years 2031 to 2042.

The Company's capital loss carryforward of $5.3 million will expire in fiscal year 2025.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the U.S. Accordingly, we have not recorded deferred taxes related to the U.S. federal and state income taxes and foreign withholding taxes on approximately $7.8 million of undistributed earnings of foreign subsidiaries, which have been reinvested outside the U.S. 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 Internal Revenue Service 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	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	$ 13,858	$ 14,045
Additions based on tax positions related to the current year, primarily salon vendition activity and tax positions related to a capital loss	8,636	292
Additions based on tax positions of prior years	81	50
Reductions on tax positions related to the expiration of the statute of limitations	(402)	(529)
Balance at end of period	$ 22,173	$ 13,858

If the Company were to prevail on all unrecognized tax benefits recorded, a net benefit of approximately $1.0 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 2022 and 2021, the Company recorded interest and penalties of approximately $0.2 million as reductions to the accrual, net of the respective reversal of previously accrued interest and penalties. As of June 30, 2022, the Company had accrued interest and penalties related to unrecognized tax benefits of $0.7 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 Salon Support employees, distribution center employees, 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 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 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 qualify. 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 $14.0 million or when 4.6 million shares registered under the SEC for issuance under the plan have been purchased. As of June 30, 2022, the Company's cumulative contributions to the ESPP totaled $11.2 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.

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

	June 30,	
	2022	2021
	(Dollars in thousands)	
Current portion (included in accrued expenses)	$ 303	$ 1,660
Long-term portion (included in other non-current liabilities)	2,320	3,115
Total	$ 2,623	$ 4,775

The accumulated other comprehensive loss for the deferred compensation contracts, consisting of primarily unrecognized actuarial income, was $0.7 and $0.3 million at June 30, 2022 and 2021, respectively.

Additionally, 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 expense on the Consolidated Statement of Operations totaled $0.5 and $0.4 million for fiscal years 2022 and 2021, respectively. The fair value of the related obligations totaled $2.3 and $2.3 million at June 30, 2022 and 2021, respectively, with $0.5 million within accrued expenses at June 30, 2022 and 2021, and the remainder included in other non-current liabilities in the Consolidated Balance Sheet.

12. EARNINGS PER SHARE

The Company's basic earnings per share is calculated as net loss divided by weighted average common shares outstanding, excluding unvested outstanding stock options (SOs), outstanding stock appreciation rights (SARs), restricted stock units (RSUs) and stock-settled performance units (PSUs). The Company's diluted earnings per share is calculated as net 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. As the Company is in a net loss position, basic earnings per share is equivalent to dilutive earnings per share.

For fiscal years 2022 and 2021, 608,503 and 636,310 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.

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 Years	
	2022	2021
Equity-based compensation awards	2,269,335	2,322,006

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 (SOs), equity-based stock appreciation rights and cash-settled stock appreciation rights (SARs), restricted stock units (RSUs) and stock-settled performance units (PSUs), 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 SOs). As of June 30, 2022, a maximum of 2,793,494 shares were available for grant under the 2018 Plan. All unvested awards are subject to forfeiture in the 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 62 years or older or who are aged 55 years 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, restricted stock awards (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 SOs, 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. The fair value of cash-settled SARs granted in fiscal year 2022 are re-valued on a quarterly basis.

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 2022 and 2021 were as follows (1):

	Fiscal Years	
	2022	2021
SARs	$ 2.56	$ —
SOs	1.82	2.89
RSUs	2.69	7.15
PSUs	—	5.83

(1) The fair value of cash-settled SARs granted are estimated on the date of grant using a Black-Scholes valuation model, with the fair value recalculated on a quarterly basis. The fair value of market-based SOs granted are estimated on the date of grant using either a Monte Carlo valuation model or a Black-Scholes valuation model. 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 2022 and 2021 were as follows:

	Fiscal Years	
	2022	2021
Risk-free interest rate	1.25 - 3.04%	0.16 - 0.78%
Expected volatility	58.3 - 64.5%	44.9 - 66.8%
Expected dividend yield	— %	— %
Expected term of share options	6.1 - 7.7 years	7.0 years

The risk-free interest rate is determined based on the U.S. Treasury rates approximating the expected life of the market-based SARs, SOs, 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. The expected term is based on a review of historical exercise experience.

Stock-based compensation expense was as follows:

	Fiscal Years	
	2022	2021
	(Dollars in thousands)	
SARs & SOs (1)	$ (241)	$ 456
RSUs & PSUs	1,575	2,798
Total stock-based compensation expense (recorded in general and administrative)	1,334	3,254
Less: Income tax benefit (2)	—	—
Total stock-based compensation expense, net of tax	$ 1,334	$ 3,254

(1) A benefit was recognized in fiscal year 2022 due to forfeiture of SARs and SOs.

(2) Federal statutory income tax rate utilized of 0% due to a valuation allowance in fiscal years 2022 and 2021.

Stock Appreciation Rights:

SARs granted under the 2018 Plan, 2016 Plan and the 2004 Plan generally vest 20%, 20%, and 60% over a three-year period subsequent to the grant date or vest ratably over a three to five year period on each of the annual grant date anniversaries and expire 10 years from the grant date. SARs granted in fiscal year 2022 were awarded to the Company's executives and are liability-classified awards that vest 20%, 20%, and 60% over a three-year period and are revalued on a quarterly basis. SARs granted before fiscal year 2022 vest ratably over a three year period with the exception of the April 2017 grant to the former Chief Executive Officer, which vested in full after two years.

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

	Shares/Units (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
	SARs			
Outstanding balance at June 30, 2021	1,041	$ 11.32		
Granted	600	2.56		
Forfeited/Expired	(30)	16.95		
Exercised	—	—		
Outstanding balance at June 30, 2022	1,611	$ 7.95	6.50	$ (11,068)
Exercisable at June 30, 2022	1,011	$ 11.15	4.78	$ (10,181)
Unvested awards, net of estimated forfeitures	466	$ 2.56	9.40	$ (690)

As of June 30, 2022, there was $0.2 million of unrecognized expense related to SARs that is to be recognized over a weighted average period of 2.5 years.

Stock Options:

SOs granted under the 2018 Plan, 2016 Plan and the 2004 Plan generally vest 20%, 20%, and 60% over a three-year period subsequent to the grant date or vest ratably over a three to five year period on each of the annual grant date anniversaries and expire 10 years from the grant date. The SOs granted during fiscal year 2022 were awarded to the Company's executives and vest 20%, 20%, and 60% over a three-year period.

Activity for all the Company's outstanding SOs is as follows:

	Shares/Units (in thousands) SOs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2021	1,459	$ 6.53		
Granted	1,505	1.82		
Forfeited/Expired	(1,469)	6.50		
Exercised	—	—		
Outstanding balance at June 30, 2022	1,495	$ 1.81	9.66	$ (1,091)
Exercisable at June 30, 2022	—	$ —	—	$ —
Unvested awards, net of estimated forfeitures	1,079	$ 1.84	9.66	$ (820)

As of June 30, 2022, there was $1.0 million of unrecognized expense related to SOs that is to be recognized over a weighted average period of 2.7 years.

Restricted Stock Units:

RSUs granted to employees under the 2018 Plan, 2016 Plan and 2004 Plan generally vest 20%, 20%, and 60% over a three-year period subsequent to the grant date, vest ratably over a three to five year period on each of the annual grant date anniversaries or vest entirely after a one, three or five year period subsequent to the grant date. 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. RSUs granted in fiscal year 2022 were issued under the Company's matching program, as well as to the Company's Board members.

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

	Shares/Units (in thousands) RSUs	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Outstanding balance at June 30, 2021	1,175	$ 10.30	
Granted	828	2.69	
Forfeited	(437)	6.44	
Vested	(659)	8.84	
Outstanding balance at June 30, 2022	907	$ 6.27	$ 980
Vested at June 30, 2022	413	$ 8.73	$ 446
Unvested awards, net of estimated forfeitures	310	$ 4.59	$ 335

As of June 30, 2022, there was $1.0 million of unrecognized expense related to RSUs that is expected to be recognized over a weighted average period of 1.9 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, typically three years. There were no PSUs granted in fiscal year 2022.

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

	Shares/Units (in thousands)	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
	PSUs		
Outstanding balance at June 30, 2021	164	$ 12.56	
Granted	—	—	
Forfeited	(90)	13.68	
Vested	—	—	
Outstanding balance at June 30, 2022	74	$ 9.82	$ 80
Vested at June 30, 2022	—	$ —	$ —
Unvested awards, net of estimated forfeitures	62	$ 9.20	$ 67

There was $0.3 million of total unrecognized compensation expense related to the unvested awards to be recognized over 1.8 years.

14. SHAREHOLDERS' (DEFICIT) 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.

Share Issuance Program:

In February 2021, the Company filed a $150.0 million shelf registration statement and $50.0 million prospectus supplement with the Securities and Exchange Commission (SEC) under which it may offer and sell, from time to time, up to $50.0 million worth of its common stock in "at-the-market" offerings. During fiscal year 2022, the Company received gross proceeds of $38.4 million related to the "at-the-market" offering and paid fees to sales agents and other fees of $1.2 million. Net proceeds from sales of shares under the "at-the-market" program, if any, may be used to, among other things, fund working capital requirements, repay debt and support growth strategies.

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. As of June 30, 2022, 30.0 million shares have been cumulatively repurchased for $595.4 million, and $54.6 million remained authorized for repurchase. The Company does not anticipate repurchasing shares of common stock for the foreseeable future.

Accumulated Other Comprehensive Income:

The components of accumulated other comprehensive income are as follows:

	June 30,	
	2022	2021
	(Dollars in thousands)	
Foreign currency translation	$ 8,732	$ 9,279
Unrealized gain on deferred compensation contracts	723	264
Accumulated other comprehensive income	$ 9,455	$ 9,543

15. SEGMENT INFORMATION

Segment information is prepared on the same basis the chief operating decision maker (CODM) reviews financial information for operational decision-making purposes. The Franchise reportable operating segment is comprised of 5,395 franchised salons located mainly in strip center locations and Walmart. Franchise salons offer high quality, convenient and value priced hair care and beauty services and retail products. This segment operates primarily in the U.S., Puerto Rico 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 105 company-owned salons located mainly in strip center locations and Walmart. 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 and Canada 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, 2022		
	Franchise	Company - owned	Consolidated (1)
	(Dollars in thousands)		
Revenues:			
Royalties	$ 65,753	$ —	$ 65,753
Fees	11,587	—	11,587
Product sales to franchisees	15,072	—	15,072
Advertising fund contributions	32,573	—	32,573
Franchise rental income	130,777	—	130,777
Company-owned salon revenue	—	20,205	20,205
Total revenue	255,762	20,205	275,967
Operating expenses:			
Cost of product sales to franchisees	17,391	—	17,391
Inventory reserve (1)	—	—	7,655
General and administrative	62,816	2,458	65,274
Rent	5,498	3,859	9,357
Advertising fund expense	32,573	—	32,573
Franchise rent expense	130,777	—	130,777
Company-owned salon expense	—	21,952	21,952
Depreciation and amortization	4,913	1,311	6,224
Long-lived asset impairment	450	92	542
Goodwill impairment	13,120	—	13,120
Total operating expenses	267,538	29,672	304,865
Operating loss	$ (11,776)	$ (9,467)	$ (28,898)

(1) This charge, primarily related to reserving for personal protective equipment acquired as a result of the COVID-19 pandemic, relates to the wind down of our distribution centers and is reviewed separately from the segment results by the CODM. Consolidated results will not cross foot as the inventory reserve is not part of the Company's segments.

	For the Year Ended June 30, 2021		
	Franchise	Company - owned	Consolidated
	(Dollars in thousands)		
Revenues:			
Royalties	$ 52,357	$ —	$ 52,357
Fees	10,215	—	10,215
Product sales to franchisees	56,699	—	56,699
Advertising fund contributions	22,023	—	22,023
Franchise rental income	127,392	—	127,392
Company-owned salon revenue	—	142,965	142,965
Total revenue	268,686	142,965	411,651
Operating expenses:			
Cost of product sales to franchisees	43,756	—	43,756
General and administrative	87,493	8,934	96,427
Rent	4,922	35,832	40,754
Advertising fund expense	22,023	—	22,023
Franchise rent expense	127,392	—	127,392
Company-owned salon expense	—	141,204	141,204
Depreciation and amortization	7,019	14,730	21,749
Long-lived asset impairment	726	12,297	13,023
Total operating expenses	293,331	212,997	506,328
Operating loss	$ (24,645)	$ (70,032)	$ (94,677)

The Company's CODM 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,			
	2022		2021	
	Total Revenues	Property and Equipment, Net	Total Revenues	Property and Equipment, Net
	(Dollars in thousands)			
U.S.	$ 249,285	$ 12,808	$ 380,506	$ 16,807
Other countries	26,682	27	31,145	99
Total	$ 275,967	$ 12,835	$ 411,651	$ 16,906

16. SUBSEQUENT EVENT:

On August 12, 2022, the Company amended its credit agreement. The amendment, among other things, converts $180.0 million of the existing $295.0 million revolving credit facility to a new term loan, reduces commitments under the revolving credit facility to $55.0 million, and extends the term of the credit facility from March 26, 2023 to August 31, 2025, with no scheduled amortization prior to maturity.

The Company's obligations will continue to be guaranteed by certain of its subsidiaries and secured by substantially all real and personal property of the Company and such subsidiaries.

The amendment replaces the current utilization-based interest rate margins applicable to borrowings with a margin that is subject to annual increases. The margin applicable to term SOFR loans will initially be 3.875%. Effective March 27, 2023, the margin will increase to 6.25%, of which 4.25% will be paid currently in cash and 2.00% will be PIK interest (added to the principal balance and thereafter accruing interest). Effective March 27, 2024, the margin will increase to 7.25%, of which 4.25% will be paid currently in cash and 3.00% will be PIK interest. The margin applicable to base rate loans will be 100 basis points (1.00%) less than the margin applicable to term SOFR loans.

The amendment also eliminates the $115.0 million incremental loan facility; requires the Company to prepay the credit facilities each quarter in an amount equal to 75% to 100% of its excess cash flow (as defined in the agreement, if any); reduces the threshold for prepayment due to excess cash on hand from $100.0 million to $15.0 million; reduces the existing minimum liquidity covenant from $75.0 million to $10.0 million; and includes new financial covenants regarding minimum EBITDA, maximum leverage and minimum fixed charge coverage.

Upon closing the agreement, the Company paid $4.9 million of fees and other costs.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Regis Corporation

Opinion on the Financial Statements

We have audited the consolidated balance sheet of Regis Corporation and its subsidiaries (the "Company") as of June 30, 2020, and the related consolidated statements of operations, of comprehensive loss, of shareholders' equity and of cash flows for the year ended June 30, 2020, including the related notes (collectively referred to as the "consolidated financial statements"), before the effects of the adjustments to retrospectively reflect the discontinued operations described in Note 3. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively reflect the discontinued operations described in Note 3, present fairly, in all material respects, the financial position of the Company as of June 30, 2020, and the results of its operations and its cash flows for the year ended June 30, 2020 in conformity with accounting principles generally accepted in the United States of America (the 2020 financial statements before the effects of the adjustments discussed in Note 3 are not presented herein).

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the discontinued operations described in Note 3 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements, before the effects of the adjustments described above, based on our audit. 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 audit of these consolidated financial statements, before the effects of the adjustments described above, in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit 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 audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall

presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
August 31, 2020

We served as the Company's auditor from at least 1990 to 2020. We have not been able to determine the specific year we began serving as auditor of the Company.

Regis Corporation

Consolidated Financial Statements

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REGIS CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in thousands, except per share data)

	June 30, 2020
ASSETS	
Current assets:	
Cash and cash equivalents	$ 113,667
Receivables, net	31,030
Inventories	60,775
Other current assets	19,138
Current assets related to discontinued operations (Note 3)	1,822
Total current assets	226,432
Property and equipment, net	53,778
Goodwill (Note 6)	186,515
Other intangibles, net	4,579
Right of use asset (Note 7)	784,993
Other assets	40,934
Non-current assets related to discontinued operations (Note 3)	45,563
Total assets	$ 1,342,794
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 50,918
Accrued expenses	48,675
Short-term lease liability (Note 7)	137,153
Current liabilities related to discontinued operations (Note 3)	268
Total current liabilities	237,014
Long-term debt, net	177,500
Long-term lease liability (Note 7)	679,282
Long-term financing liabilities	27,981
Other non-current liabilities	94,142
Non-current liabilities related to discontinued operations (Note 3)	1,172
Total liabilities	1,217,091
Commitments and contingencies (Note 10)	
Shareholders' equity:	
Common stock, $0.05 par value; issued and outstanding, 35,625,716 common shares at June 30, 2020	1,781
Additional paid-in capital	22,011
Accumulated other comprehensive income	7,449
Retained earnings	94,462
Total shareholders' equity	125,703
Total liabilities and shareholders' equity	$ 1,342,794

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 Year 2020
Revenues:	
Service	$ 331,538
Product	137,586
Royalties and fees	73,402
Franchise rental income (Note 7)	127,203
Total revenue	669,729
Operating expenses:	
Cost of service	222,279
Cost of product	84,698
Site operating expenses	71,543
General and administrative	127,981
Rent (Note 7)	76,159
Franchise rent expense (Note 7)	127,203
Depreciation and amortization	36,648
Long-lived asset impairment (Note 1)	22,560
TBG mall restructuring (Note 4)	2,333
Goodwill impairment (Note 1)	40,164
Total operating expenses	811,568
Operating loss	(141,839)
Other (expense) income:	
Interest expense	(6,807)
Loss from sale of salon assets to franchisees, net	(27,306)
Interest income and other, net	3,353
Loss from continuing operations before income taxes	(172,599)
Income tax benefit	4,619
Loss from continuing operations	(167,980)
Loss from discontinued operations, net of taxes (Notes 3 and 4)	(3,382)
Net loss	$ (171,362)

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

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

	Fiscal Year 2020
Net loss	$ (171,362)
Other comprehensive loss, net of tax:	
Net current period foreign currency translation adjustments	(1,462)
Recognition of deferred compensation	(431)
Other comprehensive loss	(1,893)
Comprehensive loss	$ (173,255)

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		Additional Paid-In Capital	Accumulated Other Comprehensive	Retained Earnings	Total
	Shares	Amount				
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 12)	—	—	—	(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 Year 2020
Cash flows from operating activities:	
Net loss	$ (171,362)
Adjustments to reconcile net loss to net cash used in operating activities:	
Non-cash adjustments related to discontinued operations	(1,098)
Depreciation and amortization	33,101
Salon asset impairments	3,851
Long-lived asset impairment	22,560
Deferred income taxes	(3,934)
Gain from sale of company headquarters, net	(2,513)
Loss from sale of salon assets to franchisees, net	27,306
Goodwill impairment	40,164
Stock-based compensation	3,275
Amortization of debt discount and financing costs	398
Other non-cash items affecting earnings	(539)
Changes in operating assets and liabilities (1):	
Receivables	(3,902)
Inventories	(2,255)
Income tax receivable	(1,804)
Other current assets	2,827
Other assets	(10,094)
Accounts payable	4,588
Accrued expenses	(27,622)
Net lease liabilities	276
Other non-current liabilities	368
Net cash used in operating activities:	(86,409)
Cash flows from investing activities:	
Capital expenditures	(37,494)
Proceeds from sale of company headquarters	8,996
Proceeds from sale of assets to franchisees	91,616
Costs associated with sale of assets to franchisees	(2,089)
Net cash provided by investing activities:	61,029
Cash flows from financing activities:	
Borrowings on revolving credit facility	213,000
Repayments of revolving credit facility	(125,500)
Repurchase of common stock	(28,246)
Sale and leaseback payments	(769)
Taxes paid for shares withheld	(2,320)
Net cash provided by financing activities:	56,165
Effect of exchange rate changes on cash and cash equivalents	(284)
Increase in cash, cash equivalents and restricted cash	30,501
Cash, cash equivalents and restricted cash:	
Beginning of year	92,379
End of year	$ 122,880

(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.

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 16 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 gradually re-opened. 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 8), right of use assets (Note 7), intangible assets (Note 5) and goodwill (Notes 1 and 6). 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. Net income attributable to the non-controlling interest in Roosters was immaterial for fiscal year 2020. Shareholders' equity attributable to the non-controlling interest in Roosters was $1.0 million as of June 30, 2020, 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.

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.

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
	(Dollars in thousands)
Cash and cash equivalents	$ 113,667
Restricted cash, included in other current assets	9,213
Total cash, cash equivalents and restricted cash	$ 122,880

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, the allowance for doubtful accounts was $6.9 million. 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. See Note 2.

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 year 2020 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 $31.5 million in fiscal year 2020.

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 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 $785.0 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 7 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 million were recorded during fiscal year 2020, and 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, the Franchise salons reporting unit had $186.5 million of goodwill, there was $40.9 million of goodwill associated with discontinued operations and the Company-owned reporting unit had no goodwill. See Note 6 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 carrying 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 assessment:

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 $186.5 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.

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.

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 year 2020, the Company recorded a decrease in expense for changes in estimates related to prior year open policy periods of $3.1 million. 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.

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 million during fiscal year 2020, 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 Year 2020
	(Dollars in thousands)
Corporate funded advertising costs	$ 13,210
Advertising fund contributions from company-owned salons	3,715
Advertising fund contributions from franchisees (1)	13,341
Total advertising costs	$ 30,266

(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, approximately $4.3 million 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 million at June 30, 2020. 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 11.

Net Loss Per Share:

The Company's basic earnings per share is calculated as net loss 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 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:

Components of comprehensive loss include net loss, 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 year 2020, the foreign currency loss included in loss from continuing operations was $0.1 million.

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 7 for further information about our transition to Topic 842 and the newly required disclosures.

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.

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	
	Franchise	Company-owned
	(Dollars in thousands)	
Revenue recognized at a point in time:		
Service	$ —	$ 331,538
Product	52,421	85,165
Total revenue recognized at a point in time	$ 52,421	$ 416,703
Revenue recognized over time:		
Royalty and other franchise fees	$ 60,061	$ —
Advertising fund fees	13,341	—
Franchise rental income	127,203	—
Total revenue recognized over time	200,605	—
Total revenue	$ 253,026	$ 416,703

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

	June 30, 2020	Balance Sheet Classification
	(Dollars in thousands)	
Receivables from contracts with customers, net	$ 22,991	Accounts receivable, net
Broker fees	$ 20,516	Other assets
Deferred revenue:		
Current		
Gift card liability	$ 2,543	Accrued expenses
Deferred franchise fees unopened salons	77	Accrued expenses
Deferred franchise fees open salons	5,537	Accrued expenses
Total current deferred revenue	$ 8,157	
Non-current		
Deferred franchise fees unopened salons	$ 11,855	Other non-current liabilities
Deferred franchise fees open salons	33,623	Other non-current liabilities
Total non-current deferred revenue	$ 45,478	

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, the balance in the allowance for doubtful accounts was $6.9 million. 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 year ended June 30, 2020 was $2.4 million. 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 year ended June 30, 2020 was $5.2 million. Estimated revenue expected to the 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. DISCONTINUED OPERATIONS AND RESTRUCTURING - Opensalon Pro (OSP)

Opensalon Pro (OSP):

On June 30, 2022, the Company sold its Opensalon(R) Pro solution to Soham Inc. for a purchase price of $20.0 million in cash plus up to an additional $19.0 million in cash contingent upon the number of salons that migrate to Soham's Zenoti product as their salon technology platform. As a result of the sale, the Company classified the OSP business as discontinued operations in the financial statements. Discontinued operations is included in the Corporate segment in the Consolidated Statement of Operations.

The following summarizes the results of OSP discontinued operations for the period presented:

	Fiscal Year 2020
	(Dollars in thousands)
OSP discontinued operations:	
General and administrative	$ 2,972
Rent	223
Depreciation and amortization	304
Interest expense	715
Loss from discontinued operations, net of tax	$ 4,214

Current assets related to discontinued operations relates to the hardware used to run the OSP system. Non-current assets related to discontinued operations is comprised of goodwill associated with OSP of $40.9 million, internal use OSP software of $3.1 million, a right of use asset of $1.2 million and $0.4 million of office property and equipment. Current liabilities related to discontinued operations consists of the current portion of the lease liability of $0.1 million and accrued fees of $0.2 million. Non-current liabilities related to discontinued operations relates to the long-term portion of the lease liability.

4. DISCONTINUED OPERATIONS AND RESTRUCTURING - The Beautiful Group (TBG)

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 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. The commitments are included in our lease liabilities.

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

	Fiscal Year 2020
	(Dollars in thousands)
Revenue	$ —
Total TBG mall restructuring (1)	$ 2,333
TBG Discontinued Operations:	
Other charges (2)	(1,063)
Income from TBG discontinued operations, before taxes	(1,063)
Income tax expense on TBG discontinued operations (3)	231
Income from TBG discontinued operations, net of tax	$ (832)

(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) Insurance adjustments associated with the discontinued operations.

(3) Income taxes have been allocated to continuing and discontinued operations based on the methodology required by accounting for income taxes guidance.

5. OTHER FINANCIAL STATEMENT DATA

The following provides additional information concerning selected balance sheet accounts:

	June 30, 2020
	(Dollars in thousands)
Other current assets:	
Prepaids	$ 5,165
Restricted cash	9,213
Other	4,760
	$ 19,138
Property and equipment:	
Buildings and improvements	36,379
Equipment, furniture and leasehold improvements	198,664
Internal use software	67,827
	302,870
Less accumulated depreciation and amortization	(249,092)
	$ 53,778
Accrued expenses:	
Payroll and payroll related costs	$ 18,204
Insurance	10,278
Rent and related real estate costs	4,179
Other	16,014
	$ 48,675
Other non-current liabilities:	
Deferred income taxes	$ 13,916
Insurance	20,301
Deferred benefits	11,106
Deferred franchise fees	45,478
Other	3,341
	$ 94,142

The following provides additional information concerning other intangibles, net:

	June 30, 2020			
	Weighted Average Amortization Periods (1)	Cost (2)	Accumulated Amortization (2)	Net
	(In years)	(Dollars in thousands)		
Brand assets and trade names	33	$ 6,494	$ (3,609)	$ 2,885
Franchise agreements	19	9,558	(8,194)	1,364
Lease intangibles (3)	0	—	—	—
Other	20	874	(544)	330
Total	24	$ 16,926	$ (12,347)	$ 4,579

(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 year 2020 was approximately $1.3 million. 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 Year 2020
	(Dollars in thousands)
Cash paid for:	
Interest	$ 7,390
Taxes and penalties, net	2,150
Non-cash investing activities:	
Unpaid capital expenditures	2,569

6. GOODWILL

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

	June 30, 2020		
	Gross Carrying Value (1)	Accumulated Impairment (3)	Net
	(Dollars in thousands)		
Goodwill	$ 300,779	$ (114,264)	$ 186,515

(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
Allocation to OSP discontinued operations	(40,942)	—	(40,942)
Translation rate adjustments	(471)	(660)	(1,131)
Derecognition related to sale of salon assets to franchisees	—	(76,966)	(76,966)
Goodwill impairment	—	(40,164)	(40,164)
Goodwill, net at June 30, 2020 (1)	$ 186,515	$ —	$ 186,515

(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.

7. 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:

	Fiscal Year 2020
	(Dollars in thousands)
Minimum rent	$ 60,703
Percentage rent based on sales	2,043
Real estate taxes and other expenses	13,413
Total	$ 76,159

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 (ROUA) balance was $785.0 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.

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	$ 1,614	$ 166,468	$ (121,149)	$ 45,319
2022	110,951	36,628	1,238	148,817	(110,951)	37,866
2023	100,640	31,943	1,269	133,852	(100,640)	33,212
2024	90,649	28,057	1,301	120,007	(90,649)	29,358
2025	79,398	23,746	1,334	104,478	(79,398)	25,080
Thereafter	190,793	59,994	7,187	257,974	(190,793)	67,181
Total future obligations	$ 693,580	$ 224,073	$ 13,943	$ 931,596	$ (693,580)	$ 238,016
Less amounts representing interest	85,432	27,193	2,536	115,161		
Present value of lease liabilities	$ 608,148	$ 196,880	$ 11,407	$ 816,435		
Less current lease liabilities	99,217	36,767	1,169	137,153		
Long-term lease liabilities	$ 508,931	$ 160,113	$ 10,238	$ 679,282		

8. 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, 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
	(Dollars in thousands)
Goodwill	$ 40,164
Salon asset impairments (1)	3,851
Long-lived assets impairment (1)	22,560

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

9. FINANCING ARRANGEMENTS

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

Revolving Credit Facility

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

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.

Sale and Leaseback Transactions

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

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

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.

10. 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, 2020, $2.1 million was included within accrued expenses on the Condensed Consolidated Balance Sheet related to these class action lawsuits.

11. INCOME TAXES

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

	Fiscal Year 2020
	(Dollars in thousands)
Loss before income taxes	
U.S.	$ (161,046)
International	(11,553)
	$ (172,599)

The benefit for income taxes consists of:

	Fiscal Year 2020
	(Dollars in thousands)
Current:	
U.S.	$ (925)
International	238
Deferred:	
U.S.	(3,353)
International	(579)
	$ (4,619)

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

	Fiscal Year 2020
U.S. statutory rate	21.0 %
State income taxes, net of federal income tax benefit	4.0
Valuation allowance (1)	(29.4)
Foreign income taxes at other than U.S. rates	(0.6)
Work opportunity tax credits	0.4
Uncertain tax positions	(6.2)
Stock-based compensation	0.1
Capital loss	15.0
Other, net (2)	(1.7)
	2.6 %

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

	June 30, 2020
	(Dollars in thousands)
Deferred tax assets:	
Payroll and payroll related costs	9,903
Net operating loss carryforwards	64,402
Tax credit carryforwards	37,072
Capital loss carryforwards	14,978
Deferred franchise fees	9,342
Operating lease liabilities	202,940
Financing lease liabilities	7,157
Other	8,214
Subtotal	$ 354,008
Valuation allowance	(122,447)
Total deferred tax assets	$ 231,561
Deferred tax liabilities:	
Goodwill and intangibles	$ (40,904)
Operating lease assets	(197,304)
Other	(7,269)
Total deferred tax liabilities	$ (245,477)
Net deferred tax liability	$ (13,916)

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).
- 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 Year 2020
	(Dollars in thousands)
Balance at beginning of period	$ 2,763
Additions based on tax positions related to the current year, primarily salon vendition activity and tax positions related to a capital loss	11,985
(Reductions)/additions based on tax positions of prior years	(223)
Reductions on tax positions related to the expiration of the statute of limitations	(480)
Balance at end of period	$ 14,045

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 fiscal year 2020, 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.

12. 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 year 2020.

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

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

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

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 million for fiscal year 2020. Related obligations totaled $2.4 million at June 30, 2020, with $0.5 million within accrued expenses at June 30, 2020, and the remainder included in other non-current liabilities in the Consolidated Balance Sheet.

The Company did not receive life insurance proceeds in fiscal year 2020.

13. EARNINGS PER SHARE

The Company's basic earnings per share is calculated as net loss 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 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 year 2020, 963,456 of common stock equivalents of dilutive common stock were excluded from the diluted earnings per share calculation due to net loss 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
Equity-based compensation awards	315,312

14. 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 year 2020 was as follows:

	Fiscal Year 2020
RSUs (1)	$ 16.48
PSUs (1)	12.09

(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 year 2020 is as follows:

	Fiscal Year 2020
Risk-free interest rate	1.43 %
Expected volatility	33.9 %
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 Year 2020
	(Dollars in thousands)
SARs	$ —
RSAs, RSUs, & PSUs	3,275
Total stock-based compensation expense (recorded in G&A)	3,275
Less: Income tax benefit (1)	(688)
Total stock-based compensation expense, net of tax	$ 2,587

(1) Federal statutory income tax rate of 21% utilized in fiscal year 2020.

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	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	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) PSUs	Weighted Average Grant Date	Aggregate Intrinsic Value (in thousands) (1)
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.

15. 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
	(Dollars in thousands)
Foreign currency translation	$ 7,391
Unrealized gain on deferred compensation contracts	58
Accumulated other comprehensive income	$ 7,449

16. 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 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	69,618	127,981
Rent	872	72,921	2,366	76,159
Franchise rent expense	127,203	—	—	127,203
Depreciation and amortization	922	29,113	6,613	36,648
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	78,597	811,568
Operating income (loss)	32,886	(96,128)	(78,597)	(141,839)
Other (expense) income:				
Interest expense	—	—	(6,807)	(6,807)
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)	$ (109,357)	$ (172,599)

(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:

	Fiscal Year	
	2020	
	Total Revenues	Property and Equipment, Net
	(Dollars in thousands)	
U.S.	$ 613,652	$ 53,134
Other countries	56,077	644
Total	$ 669,729	$ 53,778

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

REGIS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)
(Dollars in thousands, except share data)

	September 30, 2022	June 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents (Note 7)	$ 9,505	$ 17,041
Receivables, net	12,999	14,531
Inventories, net	5,127	3,109
Other current assets	15,730	13,984
Total current assets	43,361	48,665
Property and equipment, net	12,070	12,835
Goodwill (Note 1)	173,057	174,360
Other intangibles, net	2,975	3,226
Right of use asset (Note 8)	461,579	493,749
Other assets	28,976	36,465
Total assets	$ 722,018	$ 769,300
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 16,080	$ 15,860
Accrued expenses	28,980	33,784
Short-term lease liability (Note 8)	98,270	103,196
Total current liabilities	143,330	152,840
Long-term debt, net (Note 9)	171,879	179,994
Long-term lease liability (Note 8)	379,915	408,445
Other non-current liabilities	56,754	58,974
Total liabilities	751,878	800,253
Commitments and contingencies (Note 6)		
Shareholders' deficit:		
Common stock, $0.05 par value; issued and outstanding, 45,536,525 and 45,510,245 common shares at September 30, 2022 and June 30, 2022, respectively	2,277	2,276
Additional paid-in capital	63,044	62,562
Accumulated other comprehensive income	8,597	9,455
Accumulated deficit	(103,778)	(105,246)
Total shareholders' deficit	(29,860)	(30,953)
Total liabilities and shareholders' deficit	$ 722,018	$ 769,300

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

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)
For The Three Months Ended September 30, 2022 And 2021
(Dollars and shares in thousands, except per share amounts)

	Three Months Ended September 30,	
	2022	2021
Revenues:		
Royalties	$ 17,180	$ 16,602
Fees	2,553	2,327
Product sales to franchisees	443	8,008
Advertising fund contributions	8,251	8,114
Franchise rental income (Note 8)	30,330	33,762
Company-owned salon revenue	3,114	8,005
Total revenue	61,871	76,818
Operating expenses:		
Cost of product sales to franchisees	470	7,648
General and administrative	14,361	20,784
Rent (Note 8)	1,753	1,747
Advertising fund expense	8,251	8,114
Franchise rent expense	30,330	33,762
Company-owned salon expense (1)	2,985	7,945
Depreciation and amortization	1,251	1,539
Long-lived asset impairment	—	163
Total operating expenses	59,401	81,702
Operating income (loss)	2,470	(4,884)
Other expense:		
Interest expense	(3,817)	(3,127)
Loss from sale of salon assets to franchisees, net	—	(1,080)
Other, net	(463)	(239)
Loss from operations before income taxes	(1,810)	(9,330)
Income tax (expense) benefit	(28)	48
Loss from continuing operations	(1,838)	(9,282)
Income (loss) from discontinued operations (Note 3)	3,306	(1,096)
Net income (loss)	$ 1,468	$ (10,378)
Net income (loss) per share:		
Basic and diluted:		
Loss from continuing operations	$ (0.04)	$ (0.25)
Income (loss) from discontinued operations	0.07	(0.03)
Net income (loss) per share, basic and diluted (2)	$ 0.03	$ (0.28)
Weighted average common and common equivalent shares outstanding:		
Basic and diluted	46,054	36,850

(1) Includes cost of service and product sold to guests in our Company-owned salons. Excludes general and administrative expense, rent and depreciation and amortization related to Company-owned salons.

(2) 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 unaudited Condensed Consolidated Financial Statements.

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
For The Three Months Ended September 30, 2022 And 2021
(Dollars in thousands)

	Three Months Ended September 30,	
	2022	2021
Net income (loss)	$ 1,468	$ (10,378)
Foreign currency translation adjustments	(858)	(474)
Comprehensive income (loss)	$ 610	$ (10,852)

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

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT (Unaudited)
For The Three Months Ended September 30, 2022 And 2021
(Dollars in thousands)

	Three Months Ended September 30, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
Balance, June 30, 2022	45,510,245	$ 2,276	$ 62,562	$ 9,455	$ (105,246)	$ (30,953)
Net income	—	—	—	—	1,468	1,468
Foreign currency translation	—	—	—	(858)	—	(858)
Stock-based compensation	—	—	496	—	—	496
Net restricted stock activity	26,280	1	(14)	—	—	(13)
Balance, September 30, 2022	45,536,525	$ 2,277	$ 63,044	$ 8,597	$ (103,778)	$ (29,860)

	Three Months Ended September 30, 2021					
	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
Balance, June 30, 2021	35,795,844	$ 1,790	$ 25,102	$ 9,543	$ (19,389)	$ 17,046
Net loss	—	—	—	—	(10,378)	(10,378)
Foreign currency translation	—	—	—	(474)	—	(474)
Issuance of common stock, net of offering costs	8,072,304	404	31,789	—	—	32,193
Stock-based compensation	—	—	1,678	—	—	1,678
Net restricted stock activity	96,341	4	(259)	—	—	(255)
Balance, September 30, 2021	43,964,489	$ 2,198	$ 58,310	$ 9,069	$ (29,767)	$ 39,810

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

REGIS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For The Three Months Ended September 30, 2022 And 2021
(Dollars in thousands)

	Three Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ 1,468	$ (10,378)
Adjustments to reconcile net income (loss) to cash used in operating activities:		
Gain from sale of OSP (Note 3)	(3,927)	—
Depreciation and amortization	1,035	1,574
Long-lived asset impairment	—	163
Deferred income taxes	28	(258)
Loss from sale of salon assets to franchisees, net	—	1,080
Stock-based compensation	531	1,678
Amortization of debt discount and financing costs	648	460
Other non-cash items affecting earnings	481	232
Changes in operating assets and liabilities, excluding the effects of asset sales (1)	(5,321)	(6,805)
Net cash used in operating activities	(5,057)	(12,254)
Cash flows from investing activities:		
Capital expenditures	(184)	(1,524)
Net proceeds from sale of OSP	3,500	—
Net cash provided by (used in) investing activities	3,316	(1,524)
Cash flows from financing activities:		
Borrowings on credit facility	6,357	10,000
Repayments of long-term debt	(5,801)	(1,106)
Debt refinancing fees	(4,341)	—
Proceeds from issuance of common stock, net of offering costs	—	32,193
Taxes paid for shares withheld	(13)	(255)
Net cash (used in) provided by financing activities	(3,798)	40,832
Effect of exchange rate changes on cash and cash equivalents	(166)	(148)
(Decrease) increase in cash, cash equivalents, and restricted cash	(5,705)	26,906
Cash, cash equivalents and restricted cash:		
Beginning of period	27,464	29,152
End of period	$ 21,759	$ 56,058

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

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

REGIS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The unaudited interim Condensed Consolidated Financial Statements of Regis Corporation (the Company) as of September 30, 2022 and for the three months ended September 30, 2022 and 2021, reflect, in the opinion of management, all adjustments necessary to fairly state the consolidated financial position of the Company as of September 30, 2022 and its consolidated results of operations, comprehensive income (loss), shareholders' deficit and cash flows for the interim periods. Adjustments consist only of normal recurring items, except for any discussed in the notes below. The results of operations and cash flows for any interim period are not necessarily indicative of results of operations and cash flows for the full year.

The accompanying interim unaudited Condensed Consolidated Financial Statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP). The unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2022 and other documents filed or furnished with the SEC during the current fiscal year.

Inventories:

The Company has inventory valuation reserves for excess and obsolete inventories or other factors that may render inventories unmarketable at their historical costs. The Company exited its distribution centers in fiscal year 2022 and now stores inventory at a third-party facility. To facilitate the exit of the distribution centers, the Company sold and continues to sell inventory at discounts. The inventory valuation reserve as of September 30, 2022 and June 30, 2022 was $0.9 and $1.9 million, respectively.

Goodwill:

As of September 30, 2022 and June 30, 2022, the Franchise reporting unit had $173.1 and $174.4 million, respectively, of goodwill. The change in goodwill for the three months ended September 30, 2022 is due to foreign currency translation. The Company assesses goodwill impairment on an annual basis, during the Company's fourth fiscal quarter, 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 value. An interim impairment analysis was not required in the three months ended September 30, 2022.

Depreciation:

Depreciation expense in the three months ended September 30, 2022 and 2021 include $0.2 and $0.3 million, respectively, of asset retirement obligations, which are cash expenses.

2. REVENUE RECOGNITION:

Revenue Recognition and Deferred Revenue:

Revenue recognized over time

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 revenues are 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 unaudited Condensed Consolidated Statement of Operations. The treatment increases both the gross amount of reported revenue and 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 opens and is then recognized over the term of the franchise agreement, which is typically 10 years. Franchise rental income is a result of the Company signing leases on behalf of franchisees and entering into sublease arrangements with the franchisees. The Company recognizes franchise rental income and expense when it is due to the landlord.

Revenue recognized at point of sale

Company-owned salon revenues are recognized at the time when the services are provided or 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 guest. 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 to franchisees and other partners are recorded at the time product is delivered to the franchisee.

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

	September 30, 2022	June 30, 2022	Balance Sheet Classification
	(Dollars in thousands)		
Receivables from contracts with customers, net	$ 8,675	$ 10,263	Receivables, net
Broker fees	14,765	15,592	Other assets
Deferred revenue:			
Current			
Gift card liability	$ 1,951	$ 2,037	Accrued expenses
Deferred franchise fees open salons	5,674	5,770	Accrued expenses
Total current deferred revenue	$ 7,625	$ 7,807	
Non-current			
Deferred franchise fees unopened salons	$ 3,107	$ 3,211	Other non-current liabilities
Deferred franchise fees open salons	25,391	26,827	Other non-current liabilities
Total non-current deferred revenue	$ 28,498	$ 30,038	

Receivables relate primarily to payments due for royalties, franchise fees, advertising fees, rent, 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), primarily related to receivables from franchisees. The following table is a rollforward of the allowance for doubtful accounts for the period:

	Three Months Ended September 30,	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	$ 6,559	$ 7,774
Provision for doubtful accounts	461	237
Provision for franchisee rent (1)	19	364
Reclass of accrued rent (2)	60	396
Write-offs	(725)	(102)
Balance at end of period	$ 6,374	$ 8,669

(1) The provision for franchisee rent is recognized as rent in the unaudited Condensed Consolidated Statement of Operations.
(2) The reclass of accrued rent represents franchisee rent obligations guaranteed by the Company that were unbilled and deemed unrecoverable as of June 30, 2021. The amounts billed in fiscal year 2023 and 2022 and the related accrual were reclassified to allowance for doubtful accounts.

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 franchise agreement. The following table is a rollforward of the broker fee balance for the periods indicated:

	Three Months Ended September 30,	
	2022	2021
	(Dollars in thousands)	
Balance at beginning of period	$ 15,592	$ 19,254
Additions	—	25
Amortization	(827)	(862)
Write-offs	—	(145)
Balance at end of period	$ 14,765	$ 18,272

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 three months ended September 30, 2022 and 2021 was $1.5 and $1.6 million, respectively. Estimated revenue expected to be recognized in the future related to deferred franchise fees for open salons as of September 30, 2022 is as follows (in thousands):

Remainder of 2023	$ 4,255
2024	5,447
2025	5,064
2026	4,594
2027	4,132
Thereafter	7,573
Total	$ 31,065

3. DISCONTINUED OPERATIONS:

On June 30, 2022, the Company sold its Opensalon® Pro (OSP) solution to Soham Inc. for a purchase price of $20.0 million in cash plus up to an additional $19.0 million in cash contingent upon the number of salons that migrate to Soham's Zenoti product as their salon technology platform. The Company received $13.0 million in proceeds in June 2022 and an additional $4.0 million in the first quarter of fiscal year 2023. The remaining $3.0 million of the purchase price is subject to holdbacks including $1.0 million which is payable once the Company ends its arrangement with ProPoint in December 2022 and $2.0 million of proceeds held back until general indemnity provisions are satisfied within 18 months from closing. As a result of the sale, the Company classified the OSP business as discontinued operations in the financial statements for all periods presented. Discontinued operations is included in the Franchise segment in the Consolidated Statement of Operations for all periods presented. No income taxes have been allocated to discontinued operations based on the methodology required by accounting for income taxes guidance.

The following summarizes the results of discontinued operations for the periods presented:

	Three Months Ended September 30,	
	2022	2021
	(Dollars in thousands)	
Discontinued operations:		
Fees	$ (226)	$ 938
Cost of product sales to franchisees	—	(464)
General and administrative	(27)	(1,005)
Rent	(368)	(56)
Depreciation and amortization	—	(330)
Interest expense	—	(179)
Gain from sale of OSP	3,927	—
Gain (loss) from OSP discontinued operations	$ 3,306	$ (1,096)

4. SHAREHOLDERS' EQUITY:

Stock-Based Employee Compensation:

During the three months ended September 30, 2022, the Company granted various equity awards including stock options and stock appreciation rights as follows:

	Three Months Ended September 30, 2022
Stock options (SOs)	985,000
Stock appreciation rights (SARs)	600,000

The SOs and SARs granted during the three months ended September 30, 2022 vest in equal amounts over a three-year period subsequent to the grant date.

Total compensation cost for stock-based payment arrangements totaling $0.5 and $1.7 million for the three months ended September 30, 2022 and 2021, respectively, were recorded within general and administrative expense on the unaudited Condensed Consolidated Statement of Operations.

Share Issuance Program:

In fiscal year 2021, the Company filed a $150.0 million shelf registration statement and $50.0 million prospectus supplement with the Securities and Exchange Commission (SEC) under which it may offer and sell, from time to time, up to $50.0 million worth of its Class A common stock in "at-the-market" offerings. During the three months ended September 30, 2022, the Company did not issue any shares. During the three months ended September 30, 2021, the Company issued 8.1 million shares and received net proceeds of $32.2 million. On September 29, 2021, the Company sold 1.2 million shares for net proceeds of $5.0 million, which settled on October 1, 2021. As of September 30, 2022, $11.6 million remains under the prospectus supplement, which equates to 11.5 million shares based on the share price as of September 30, 2022.

5. INCOME TAXES:

A summary of income tax (expense) benefit and corresponding effective tax rates is as follows:

	Three Months Ended September 30,	
	2022	2021
	(Dollars in thousands)	
Income tax (expense) benefit	$ (28)	$ 48
Effective tax rate	(1.5 %)	0.5 %

The recorded tax provision and effective tax rates for the three months ended September 30, 2022 and 2021 were different than what would normally be expected, primarily due to the impact of the deferred tax valuation allowance.

On August 16, 2022, the Inflation Reduction Act (the "IRA") was signed into law. The IRA contains a number of tax related provisions, including a 15% minimum corporate income tax on certain large corporations, as well as an excise tax on stock repurchases. The Company has evaluated the IRA and does not expect it to have a material impact on the Company's consolidated financial statements.

With limited exceptions, due to net operating loss carryforwards, our federal, state and foreign tax returns are open to examination for all years since 2014, 2012 and 2016, respectively.

6. COMMITMENTS AND CONTINGENCIES:

The Company is a plaintiff or defendant in various lawsuits and claims arising out of the normal course of business. Like certain other franchisors, the Company has faced allegations of franchise regulation and agreement violations. Additionally, because the Company may be the tenant under a master lease for a location subleased to a franchisee, the Company has faced allegations of nonpayment of rent and associated charges. Further, similar to other large retail employers, the Company has been faced with and may continue to face allegations of purported class-wide consumer and wage and hour violations.

During the three months ended September 30, 2022, the Company recorded $0.5 million of expense related to litigation, and $0.5 million was paid during the period.

The Company's previous point-of-sale system supplier had challenged the development of certain parts of the Company's technology systems in litigation brought in the Northern District of California. The Company and the supplier entered into an agreement, effective June 25, 2021, that provided for the dismissal of the lawsuit and set forth a Transition Services Agreement pursuant to which the supplier will assist in the transfer of franchise salons from its point-of-sale system to the Company's salon management system, OSP. The Company and the supplier entered into an amendment to the Settlement Agreement, effective June 15, 2022, in which the Company agreed to pay $2.0 million to the supplier in installments commencing on June 15, 2022, and ending on December 10, 2022, in consideration of a release of claims arising out of or related to the Transition Services Agreement and for the supplier to continue to provide the services set forth in that agreement through December 31, 2022. As of September 30, 2022, the Company had $0.5 million remaining to pay.

Litigation is inherently unpredictable, and the outcome of these matters cannot presently be determined. Although the actions are being vigorously defended, the Company could incur judgments in the future or enter into settlements of claims that could have a material adverse effect on its results of operations in any particular period.

7. CASH, CASH EQUIVALENTS AND RESTRICTED CASH:

The table below reconciles the cash and cash equivalents balances and restricted cash balances, recorded within other current assets on the unaudited Condensed Consolidated Balance Sheet to the amount of cash, cash equivalents and restricted cash reported on the unaudited Condensed Consolidated Statement of Cash Flows:

	September 30, 2022	June 30, 2022
	(Dollars in thousands)	
Cash and cash equivalents	$ 9,505	$ 17,041
Restricted cash, included in other current assets (1)	12,254	10,423
Total cash, cash equivalents and restricted cash	$ 21,759	$ 27,464

(1) 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.

8. 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 one to 20 years with many leases renewable for an additional five to 10-year term at the option of the Company. In addition to the obligation to make fixed rental payments for the 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 includes the following:

	Three Months Ended September 30,	
	2022	2021
	(Dollars in thousands)	
Office and warehouse rent	$ 872	$ 1,613
Lease termination expense (1)	458	1,340
Lease liability benefit (2)	(602)	(2,431)
Franchise salon rent (3)	(53)	329
Company-owned salon rent	1,078	896
Total	$ 1,753	$ 1,747

(1) During the three months ended September 30, 2022, the Company incurred costs of $0.5 million to exit salons before the lease end date in order to relieve the Company of future lease obligations. For the three months ended September 30, 2021, the Company paid $0.9 million to exit its distribution centers before the lease end dates and incurred costs of $0.4 million to exit salons before the lease end dates in order to relieve the Company of future lease obligations.

(2) Upon termination of previously impaired leases, the Company derecognizes the corresponding ROU assets and lease liabilities which results in a net gain. In addition, the Company recognizes a benefit from lease liabilities decreasing in excess of previously impaired ROU assets for ongoing leases that were previously impaired.

(3) Franchise salon rent in fiscal year 2023 includes the benefit of incurring less cost to terminate a lease than estimated.

The Company leases salon premises in which the majority of its franchisees operate and has entered into corresponding sublease arrangements with franchisees. All lease-related costs are passed through to the franchisees. 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 unaudited Condensed Consolidated Statement of Operations. For the three months ended September 30, 2022 and 2021, franchise rental income and franchise rent expense were $30.3 and $33.8 million, respectively. These leases generally have lease terms of approximately five years. The Company expects to renew SmartStyle and some franchise leases upon expiration. Other leases are expected to be renewed by the franchisee upon expiration.

All the Company's leases are operating leases. The lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date, including one lease term option when the lease is expected to be renewed. The 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. Expense for lease payments is recognized on a straight-line basis over the lease term, including the lease renewal option when the lease is expected to be renewed. 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 the original lease term. The weighted average remaining lease term was 5.89 and 6.02 years and the weighted average discount rate was 4.29% and 4.25% for all salon operating leases as of September 30, 2022 and June 30, 2022, respectively.

A lessee's ROU 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 that identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Poor salon performance in fiscal years 2023 and 2022 resulted in ASC 360-10-35-21 triggering events. As a result, management assessed underperforming 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 the COVID-19 pandemic, 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.

The second step of the long-lived asset impairment test requires that the fair value of the asset group be estimated when determining 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 significant judgments and assumptions utilized to determine the fair value of the salon asset groups include the market rent of comparable properties and a discount rate.

In the three months ended September 30, 2022, the Company did not recognize a long-lived asset impairment charge related to ROU assets in the unaudited Condensed Consolidated Statement of Operations. In the three months ended September 30, 2021, the Company recognized a long-lived asset impairment charge of $0.2 million, which included $0.1 million related to ROU assets in the unaudited Condensed Consolidated Statement of Operations. 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 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. 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.

As of September 30, 2022, future operating lease commitments, including one renewal option for leases expected to be renewed, to be paid and received by the Company were as follows (in thousands):

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
Remainder of 2023	$ 84,843	$ 2,245	$ 1,641	$ 88,729	$ (84,843)	$ 3,886
2024	100,949	1,809	1,301	104,059	(100,949)	3,110
2025	84,593	636	1,334	86,563	(84,593)	1,970
2026	71,111	314	1,367	72,792	(71,111)	1,681
2027	60,718	79	1,401	62,198	(60,718)	1,480
Thereafter	122,790	106	4,417	127,313	(122,790)	4,523
Total future obligations	$ 525,004	$ 5,189	$ 11,461	$ 541,654	$ (525,004)	$ 16,650
Less amounts representing interest	61,640	230	1,599	63,469		
Present value of lease liabilities	$ 463,364	$ 4,959	$ 9,862	$ 478,185		
Less current lease liabilities	93,915	2,760	1,595	98,270		
Long-term lease liabilities	$ 369,449	$ 2,199	$ 8,267	$ 379,915		

9. FINANCING ARRANGEMENTS:

The Company's debt consists of the following:

	Maturity Date	September 30, 2022	September 30, 2022	June 30, 2022
	(Fiscal Year)	(Interest rate %)	(Dollars in thousands)	
Term loan	2026	6.74%	$ 175,550	$ —
Deferred financing fees			(8,671)	—
Term loan, net			$ 166,879	$ —
Revolving credit facility	2026	6.61%	5,000	179,994
Total long-term debt, net			$ 171,879	$ 179,994

In August of 2022, the Company amended its credit agreement. The amendment, among other things, converted $180.0 million of the previous $295.0 million revolving credit facility to a new term loan, reduced commitments under the revolving credit facility to $55.0 million, and extended the term of the credit facility from March 26, 2023 to August 31, 2025, with no scheduled amortization prior to maturity. The amendment is accounted for as a modification of debt and any unamortized financing fees that existed at the date of the amendment and new financing fees incurred are amortized through the extended term of the credit facility. At September 30, 2022, the Company had outstanding standby letters of credit under the revolving credit facility of $11.8 million, primarily related to the Company's self-insurance program. As of September 30, 2022, total liquidity and available credit under the revolving credit facility, as defined by the agreement, are $47.8 and $38.3 million, respectively. As of September 30, 2022, the Company had cash and cash equivalents of $9.5 million and current liabilities of $143.3 million. The agreement utilizes an interest rate margin that is subject to annual increases. The margin applicable to term SOFR loans is currently 3.875%. Effective March 27, 2023, the margin will increase to 6.25%, of which 4.25% will be paid currently in cash and 2.00% will be PIK interest (added to the principal balance and thereafter accruing interest). Effective March 27, 2024, the margin will increase to 7.25%, of which 4.25% will be paid currently in cash and 3.00% will be PIK interest. The margin applicable to base rate loans will be 100 basis points (1.00%) less than the margin applicable to term SOFR loans. The agreement contains typical provisions and financial covenants regarding minimum EBITDA, maximum leverage and minimum fixed-charge coverage and a minimum liquidity threshold of $10.0 million. The Company was in compliance with all covenants and other requirements of the financing arrangements as of September 30, 2022.

10. 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 September 30, 2022 and June 30, 2022, the estimated fair value of the Company's cash, cash equivalents, restricted cash, receivables, inventory, deferred compensation assets, accounts payable and debt approximated their carrying values.

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.

11. EARNINGS PER SHARE:

The Company's basic earnings per share is calculated as net income (loss) divided by weighted average common shares outstanding, excluding unvested outstanding stock options (SOs), stock appreciation rights (SARs), restricted stock units (RSUs) and stock-settled performance units (PSUs). The Company's diluted earnings per share is calculated as net income (loss) 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. The computation of weighted average shares outstanding, assuming dilution, excluded 3,211,485 and 2,769,743 of stock-based awards during the three months ended September 30, 2022 and 2021, respectively, as they were not dilutive under the treasury stock method.

12. SEGMENT INFORMATION:

Segment information is prepared on the same basis that the chief operating decision maker (CODM) reviews financial information for operational decision-making purposes. The Company's reportable operating segments consisted of the following salons:

	September 30, 2022	June 30, 2022
FRANCHISE SALONS:		
Supercuts	2,233	2,264
SmartStyle/Cost Cutters in Walmart Stores	1,625	1,646
Portfolio Brands	1,325	1,344
Total North American salons	5,183	5,254
Total International salons (1)	140	141
Total Franchise salons	5,323	5,395
as a percent of total Franchise and Company-owned salons	98.2 %	98.1 %
COMPANY-OWNED SALONS:		
Supercuts	15	18
SmartStyle/Cost Cutters in Walmart Stores	49	49
Portfolio Brands	31	38
Total Company-owned salons	95	105
as a percent of total Franchise and Company-owned salons	1.8 %	1.9 %
OWNERSHIP INTEREST LOCATIONS:		
Equity ownership interest locations	76	76
Grand Total, System-wide	5,494	5,576

(1) Canadian and Puerto Rican salons are included in the North American salon totals.

As of September 30, 2022, the Franchise operating segment is comprised primarily of Supercuts®, SmartStyle®, Cost Cutters®, First Choice Haircutters®, Magicuts®, and Roosters® concepts and the Company-owned operating segment is comprised primarily of Supercuts®, SmartStyle®, and other regional trade names.

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

	Three Months Ended September 30, 2022		
	Franchise	Company-owned	Consolidated
	(Dollars in thousands)		
Revenues:			
Royalties	$ 17,180	$ —	$ 17,180
Fees	2,553	—	2,553
Product sales to franchisees	443	—	443
Advertising fund contributions	8,251	—	8,251
Franchise rental income	30,330	—	30,330
Company-owned salon revenue	—	3,114	3,114
Total revenue	58,757	3,114	61,871
Operating expenses:			
Cost of product sales to franchisees	470	—	470
General and administrative	14,182	179	14,361
Rent	509	1,244	1,753
Advertising fund expense	8,251	—	8,251
Franchise rent expense	30,330	—	30,330
Company-owned salon expense	—	2,985	2,985
Depreciation and amortization	950	301	1,251
Total operating expenses	54,692	4,709	59,401
Operating income (loss)	$ 4,065	$ (1,595)	$ 2,470

	Three Months Ended September 30, 2021		
	Franchise	Company-owned	Consolidated
	(Dollars in thousands)		
Revenues:			
Royalties	$ 16,602	$ —	$ 16,602
Fees	2,327	—	2,327
Product sales to franchisees	8,008	—	8,008
Advertising fund contributions	8,114	—	8,114
Franchise rental income	33,762	—	33,762
Company-owned salon revenue	—	8,005	8,005
Total revenue	68,813	8,005	76,818
Operating expenses:			
Cost of product sales to franchisees	7,648	—	7,648
General and administrative	20,238	546	20,784
Rent	1,621	126	1,747
Advertising fund expense	8,114	—	8,114
Franchise rent expense	33,762	—	33,762
Company-owned salon expense	—	7,945	7,945
Depreciation and amortization	1,293	246	1,539
Long-lived asset impairment	—	163	163
Total operating expenses	72,676	9,026	81,702
Operating loss	$ (3,863)	$ (1,021)	$ (4,884)

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
B. AUTHORIZATION FOR DIRECT PAYMENT

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 Franchise 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 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.

1.4 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 Franchise Fee 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 FRANCHISE FEE; APPROVAL OF FRANCHISEE

4.1 AMOUNT OF INITIAL FRANCHISE FEE. The FRANCHISEE will pay COST CUTTERS an Initial Franchise 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 Franchise 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 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 Franchise 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 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 plus an administrative fee of $100. 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 Five Thousand Dollars ($5,000) 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 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' approved vendor 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 from COST CUTTERS' designated and/or approved vendor (which may include COST CUTTERS and its affiliates) at such minimum levels as may be established by COST CUTTERS. 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 (which may include COST CUTTERS affiliates) 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 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' designated and/or approved suppliers (which may include COST CUTTERS and its affiliates) 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. 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 Franchise 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; (F) the FRANCHISEE fails or refuses to produce its books and financial records for audit by COST CUTTERS in accordance with Article 19.4; or (G) COST CUTTERS has sent a notice of termination under another franchise agreement (for a Cost Cutters store or any other brand store) between FRANCHISEE (or any of its affiliates) and COST CUTTERS, regardless of the reason for such termination, or FRANCHISEE (or any of its affiliates) has terminated another franchise agreement with COST CUTTERS without cause.

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 instruction on orientation to the Business System with 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.

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 Franchise 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 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 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 TRANSFER FEE. 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 an additional $500 per store.

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' designated or approved vendor (which may be COST CUTTERS or its affiliate) to provide construction management services and furniture, fixtures, and equipment coordination services pursuant to such designated or approved vendor'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.

21.12 APPROVED VENDOR. FRANCHISEE may use COST CUTTERS' then-current approved vendor to coordinate the development, buildout, and fixturing (including remodels) of the Franchised Location. If FRANCHISEE desires to use COST CUTTERS' approved vendor's coordination services, FRANCHISEE must sign such vendor's current agreement and pay their applicable fee as well as the cost of the development, buildout, and fixturing (or remodeling) of the Franchised Location. If FRANCHISEE does not use COST CUTTERS' currently approved vendor to coordinate all of the development, buildout, and fixturing (or remodeling) of the Franchised Location, then to ensure the development, build-out, and fixturing (or remodeling) meets COST CUTTERS' standards, FRANCHISEE must pay COST CUTTERS its then-current fees for its review and approval of FRANCHISEE's construction and design plans and review and approval of Franchised Location as built (or remodeled). These payments are not refundable.

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 P to the Cost Cutters Franchise Disclosure Document, (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. If FRANCHISEE requests and COST CUTTERS agrees to guarantee FRANCHISEE's lease obligations in any way (e.g., as tenant or guarantor), then COST CUTTERS reserves the right to charge FRANCHISEE a monthly fee of the amount by which twelve percent (12%) of FRANCHISEE's monthly gross sales exceeds FRANCHISEE's monthly lease payments for as long as such guaranty is in effect. COST CUTTERS has no obligation to guarantee FRANCHISEE's lease in any way, but if COST CUTTERS does, FRANCHISEE must pay such monthly lease guaranty fee.

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 "P" to the Cost Cutters Franchise Disclosure Document.

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 Franchise 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 SMARTSTYLE® AND HOLIDAY HAIR® BUSINESSES. The FRANCHISEE agrees and acknowledges that the "Smartstyle®" and "Holiday Hair®" businesses which are franchised by The Barbers are hair salons that address similar markets and, thus, may be 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, operate, manage, license or franchise Smartstyle® and Holiday 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 Smartstyle® or Holiday Hair® businesses, including those Smartstyle® or Holiday 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, Holiday Hair, 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 and The Barbers 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 and The Barbers 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.

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 MODIFICATIONS TO FRANCHISE AGREEMENT. The FRANCHISEE acknowledges that the Franchise Agreement may be modified from time to time by COST CUTTERS and that 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 or by recognized overnight delivery service (such as FedEx or UPS) 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. 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

Individually

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City State Zip Code

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Individually

Address

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, Percentage Rent and all other payments required by the Prime Lease, as additional rent due and payable on the first day of each and every month, Subtenant hereby agrees to pay to Sublessor an amount equal to the lesser of: (a) Three Hundred Dollars ($300) per month or (b) ten percent (10%) of the Fixed Minimum Rent plus the Percentage Rent. 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: WAL-MART MASTER LEASE AGREEMENT

DocuSign Envelope ID: 97202FF5-C4F2-48D4-AA38-23270B117F4A

MASTER LEASE AGREEMENT

WAL-MART STORES EAST, LP, a Delaware limited partnership, individually and only as to Stores (as defined in Section 1.1 CC of this Master Lease) owned, leased, or operated in AL, CT, DE, FL, GA, IN, KY, LA, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, TX, VT, VA, WI, WV; **SAM'S EAST, INC.**, an Arkansas corporation, individually and only as to Stores owned, leased, or operated in AL, CT, DE, FL, GA, IN, KY, LA, ME, MD, MA, MI, MS, MO, NH, NJ, NM, NY, NC, OH, OK, PA, RI, SC, TN, TX, VT, VA, WI, WV; **WAL-MART STORES, INC.**, a Delaware corporation, individually and only as to Stores owned or leased in AK, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; **SAM'S WEST, INC.**, an Arkansas corporation, individually and only as to Stores owned, leased, or operated in AK, AR, AZ, CA, CO, HI, ID, IL, IA, KS, MN, MT, NE, NV, ND, OR, SD, UT, WA, WY; **WAL-MART LOUISIANA, LLC**, a Delaware limited liability company, individually and only as to Stores owned or leased in Louisiana; **WAL-MART STORES TEXAS, LLC**, a Delaware limited liability company, individually and only as to Stores owned or leased in Texas; **WAL-MART STORES ARKANSAS, LLC**, an Arkansas limited liability company, individually and only as to Stores owned or leased in Arkansas; and **WAL-MART PUERTO RICO, INC.**, a Puerto Rico corporation, individually and only as to Stores owned, leased, or operated in Puerto Rico (each Walmart and Sam's Club entity shall collectively be referred to as "Landlord" for purposes of this Master Lease Agreement as it applies to the Store) and **REGIS CORP.**, a Minnesota corporation ("Tenant") enter into this Master Lease effective on February 26, 2013 (the "Effective Date"), which date is the date the last party signs this agreement.

WHEREAS, Landlord operates discount retail stores nationwide;

WHEREAS, Tenant operates hair salons (described more fully in Appendix-1) and desires to lease space within one or more Stores from which to operate such hair salons; and

WHEREAS, Landlord desires to lease space in one or more of its Stores to Tenant, so Tenant may operate such hair salons in the Store.

NOW, THEREFORE, in consideration of the mutual promises and premises set forth above and below, the receipt and sufficiency of which the parties hereby acknowledge, the parties hereby agree as follows:

ARTICLE I
GENERAL PROVISIONS

1.1 Definitions.

A. **"ACH"** means the electronic process whereby the Landlord debits the bank account of Tenant for payments owed to the Landlord by Tenant using the automated clearinghouse payment system.

B. **"Affiliate"** means a corporation related to Tenant by shareholdings or any other means of control, a subsidiary of Tenant, Tenant's parent company or a sibling company of Tenant, in each case known to Landlord on the Effective Date.

C. **"Appendix-1"** means an appendix to this Master Lease, incorporated into this Master Lease when fully signed by Tenant and Landlord, which provides obligations of Landlord and Tenant specific to Tenant's Permitted Uses (as designated in Appendix-1) contemplated by Landlord and Tenant at the time this Master Lease was entered into.

D. **"Attachment A"** means an attachment to this Master Lease, incorporated into this Master Lease when fully signed by Tenant and by the particular Landlord with authority to lease the Leased Premises identified in the applicable Attachment A. The Attachment A identifies the Store in which the Leased Premises is located, the size of the Leased Premises, the anticipated Delivery Window, the anticipated Delivery Date, the anticipated Rent Commencement Date, the Base Rent and the Percentage Rent, as applicable; and any Extension Option(s).

E. **"Attachment A-1"** means an attachment to this Master Lease, incorporated into this Master Lease upon the full execution of the applicable Attachment A, depicting the location of the Leased Premises within the Store.

F. **"Base Rent"** means the amount, if any, set forth as such in the applicable Attachment A.

G. **"Commencement Notice"** means an attachment to this Master Lease, incorporated into this Master Lease at the time of delivery by Landlord of the Commencement Notice to Tenant in accordance with Section 19.10 below, which identifies the actual Rent Commencement Date and the actual Delivery Date with respect to the applicable Leased Premises.

H. **"Common Area"** means the public access areas of the Store, including, but not limited to, the parking areas, driveways, sidewalks, entrances, and exits in the Store and between the Store and the Leased Premises.

I. **"Common Area Maintenance Fee"** means the amount, if any, set forth as such in the applicable Attachment A.

J. **"Delivery Date"** means the date on which Landlord delivers possession of the applicable Leased Premises to Tenant.

K. **"Delivery Window"** means the span of time in which Landlord may deliver possession of the Leased Premises to Tenant.

L. **"Due Date"** means the first (1st) calendar day of each month, unless this day falls on New Year's Day, Memorial Day, Independence Day (US), Labor Day, Thanksgiving, or Christmas, in which case the Due Date means the following business day.

M. **"Expiration Date"** means 11:59 p.m. (local time as to the applicable Leased Premises) on the last day of the month in which the applicable anniversary date (based upon the number of years in the Lease Term as specified in the applicable Attachment A) of the Rent Commencement Date, designated in the applicable Attachment A, falls. However, if the anniversary date falls between July 1st and December 31st of a given year, then the Expiration Date extends to 11:59 p.m. (local time as to the applicable Leased Premises) on January 31st of the following year. In case of cancellation or termination of this Master Lease with respect to a particular Leased Premises, the Expiration Date becomes the date on which this Master Lease is cancelled or terminated with respect to such Leased Premises.

N. **"Extension Option"** means the option, if any, of the applicable Landlord and Tenant to extend the Lease Term for each Leased Premises, as set forth in the applicable Attachment A.

O. **"Grand Opening"** means the first day on which a Store opens for business to the public.

P. **"Hazardous Substance"** means:

(i) any hazardous material, hazardous waste, hazardous substance, toxic substance, biomedical waste, infectious waste, medical waste, or toxic

waste identified by any federal or state law; chemical, dust, mixture, medical device, pharmaceutical, or common material capable of causing harm; or solid, liquid, contained gas, sludge, pollutant, asbestos, petroleum product, polychlorinated biphenyls, unused or returned consumer product, or other material, any of which, during the term of this Master Lease, become regulated as a hazardous material, hazardous waste, hazardous substance, toxic waste, or toxic substance; or

(ii) any solid, liquid, contained gas, sludge, pollutant, asbestos, polychlorinated biphenyls, or other material that, during the term of this Master Lease, becomes prohibited or requires special handling or treatment under any applicable law or regulation, including common law.

Q. **"Hours of Operation"** means the hours that the Leased Premises shall be open as set forth in Attachment A of this Master Lease.

R. **"Improvements"** means any addition, alteration, construction, finish, or improvement to the Leased Premises; any attachment (including, but not limited to, attachment through the use of drilling) of a permanent fixture, permanent furniture, or permanent equipment; and includes, but is not limited to, completing the interior walls, partitioning(s), floor covering, ceiling work, utilities, painting, finish work, restroom facilities, signage (pursuant to Section 2.6 below), and any other thing necessary for Tenant to obtain a certificate of occupancy for the Leased Premises and operate the same as designated in Paragraph 1 of Appendix-1, Permitted Uses.

S. **"Insurance Reimbursement Fee"** means the amount, if any, set forth as such in the applicable Attachment A.

T. **"Key Money"** means the amount, if any, set forth as such in the applicable Attachment A as a one-time, non-refundable fee for the right to operate the Leased Premises within the Store

U. **"Lease Term"** means, for each Leased Premises, the period commencing on the Rent Commencement Date and ending on the Expiration Date. In the event that the Lease Term of the applicable Leased Premises extends, any reference to the term "Lease Term" includes the period by which the Lease Term extends.

V. **"Leased Premises"** means the area of a Store leased to Tenant by Landlord subject to the terms and conditions of this Master Lease, as

identified in the applicable Attachment A and further depicted on the applicable Attachment A-1.

W. **"Leased Premises Improvement Charge"** means the amount, if any, set forth as such in the applicable Attachment A as a one-time, non-refundable charge for Landlord's construction of the Leased Premises to White Box condition.

X. **"Master Lease"** means this Master Lease and any amendment, appendix, attachment, and exhibit attached to and incorporated into this Master Lease.

Y. **"Percentage Rent"** means the amount, if any, determined as set forth in the applicable Attachment A.

Z. **"Rent"** means Base Rent, Percentage Rent, to the extent described in the applicable Attachment A, plus any additional or other rent, interest, tax, or other sum this Master Lease obligates Tenant to pay Landlord, including, without limitation, the Common Area Maintenance Fee, Insurance Reimbursement Fee, the Utility Reimbursement Fee and the Leased Improvement Charge, as applicable.

AA. **"Rent Commencement Date"** means:

(1) the Grand Opening, as memorialized in the applicable Commencement Notice and specified in the applicable Attachment A, of the Leased Premises is located in a new, relocated, or expanded Store; or

(2) The day specified in the applicable Attachment A, if the Leased Premises is located in a Store currently in operation that has not or will not be relocated or expanded between the time that the Attachment A is executed and the Rent Commencement Date.

BB. **"Restriction"** means any easement, covenant, condition, law, regulation, land use or other restriction, rule, or other matter binding upon the Leased Premises, Landlord or Tenant or any combination thereof, which acts to prohibit or materially restrict the use of the Leased Premises as contemplated by this Master Lease including, without limitation, the ability of Landlord to lease to Tenant or Tenant's ability to operate the Leased Premises as designated in Paragraph 1 of Appendix-1, Permitted Uses. By way of example, and not of limitation, if Landlord is required to

obtain the consent of a third party prior to leasing space to the Tenant in a particular Store, the requirement of consent is a Restriction.

CC. **"Store" or "Stores"** means one or more of the "Wal-Mart" or "Sam's Club" retail facilities operated by Landlord.

DD. **"Sublease"** means a written sublease agreement, approved by Landlord in Landlord's sole discretion, between Tenant and a Sublessee, pursuant to which such Sublessee will sublease and operate the applicable Leased Premises as part of a marketing plan or system prescribed by Tenant that is substantially associated with Tenant's trademark, service mark, trade name, logotype, advertising, or other commercial symbol designated by Tenant. The Sublease shall be subject and subordinate to this Master Lease, and shall provide that Sublessee agrees to be bound by all the terms, covenants, and conditions of this Master Lease.

EE. **"Sublessee"** means a franchisee, licensee, concessionaire or other party of Tenant that has been approved by Landlord, in Landlord's sole discretion.

FF. **"Tenant's Pro Rata Share"** means the product of a fraction derived from time to time by dividing the gross square foot area of the subject Leased Premises for the period in question by the gross square foot area of the Store containing such Leased Premises for the same period.

GG. **"Trade Fixtures"** means any attached or unattached, moveable or non-moveable, fixture, furniture, or equipment unique to Tenant's business, the installation and removal of which requires no cutting, drilling, or other defacing of the Leased Premises.

HH. **"Utility Reimbursement Fee"** means the amount, if any, set forth as such in the applicable Attachment A.

II. **"White Box"** means the interior condition of the Leased Premises with sprinklers, sheetrock walls, ceiling grid, HVAC installed, electrical service to the Leased Premises, security gate, acoustic ceiling tile, lighting and electrical outlets, and access to water and sewer.

1.2 Landlord's Entry into the Agreement.

A. Each Landlord enters into this Master Lease severally and solely as to the Store it operates and in which the Leased Premises is located and without any obligation with respect to any other Store. Accordingly, only the

respective Landlord that operates the Store in which such Leased Premises is located may execute, for a Leased Premises, an Attachment A.

B. If, during the term of this Master Lease, it is determined that any Restriction on the use of the Leased Premises exists, Landlord may terminate this Master Lease as to the affected Leased Premises and the Master Lease and applicable Attachment A will be null and void as to such Leased Premises without further action by Landlord or Tenant. Neither Landlord nor Tenant will be liable to the other for any damages, loss, or liability in connection with the termination of this Master Lease as to the affected Leased Premises.

1.3 **Landlord's Overlease**. If Landlord is itself a lessee of a Store in which a Leased Premises is located, so that this Master Lease as to the particular Leased Premises is actually a sublease, Landlord will provide to Tenant, upon Tenant's reasonable request, a copy of the overlease under which Landlord holds the Leased Premises as lessee. Tenant accepts this Master Lease subject to all the terms and conditions of such overlease and covenants that it will do no act or thing that would constitute a violation of the overlease.

1.4 **Granting Language**. Upon the full execution of the applicable Attachment A, Landlord leases to Tenant and Tenant rents from Landlord (subject and subordinate to any mortgage, deed of trust, other lien and any other matters of record presently existing or hereafter placed upon the applicable Leased Premises, the Common Areas, the Store, or any combination thereof) the Leased Premises identified in the applicable Attachment A and further depicted in the applicable Attachment A-1 to have and to hold subject to the terms of this Master Lease, by which the parties intend to be legally bound as to the applicable Leased Premises upon the execution by each appropriate party of both this Master Lease and the applicable Attachment A.

ARTICLE II
CONSTRUCTION AND ACCEPTANCE OF THE LEASED PREMISES

2.1 **Landlord's Obligation to Deliver Possession on the Delivery Date.**

A. Landlord shall use commercially reasonable efforts to deliver the applicable Leased Premises to Tenant in the condition and during the Delivery Window specified in the applicable Attachment A.

(1) Unless otherwise agreed to in the applicable Attachment A, Landlord shall notify Tenant, in writing and no later than ten (10)

days prior to the first day of the Delivery Window, of the status of the construction of the applicable Leased Premises and of the anticipated Delivery Date within the Delivery Window on which Landlord estimates it will deliver possession of the applicable Leased Premises to Tenant.

(2) Landlord, at any time prior to notifying Tenant of the anticipated Delivery Date, may revise the Delivery Window.

(3) Landlord may revise the anticipated Delivery Date at any time after Landlord notifies Tenant of the anticipated Delivery Date, in accordance with this Article II, but in no event may Landlord revise the anticipated Delivery Date with less than five (5) days notice.

B. If Landlord is unable, through the use of commercially reasonable efforts, to deliver possession of the applicable Leased Premises to Tenant on the anticipated Delivery Date or within the Delivery Window specified in the applicable Attachment A, subject in all events to causes beyond Landlord's reasonable control, Landlord's delay in delivering possession of the Leased Premises will not constitute a breach of this Lease and Tenant waives any right or remedy it may have, at law or in equity, because of the delay in performance. If Landlord and Tenant mutually agree that delivery of possession is unfeasible within a commercially reasonable amount of time after the Delivery Window specified in the applicable Attachment A, the parties, without liability, may terminate this Master Lease as to the applicable Leased Premises.

2.2 <u>Tenant's Right of Entry</u>.

A. Prior to the Delivery Date, Tenant may enter the Leased Premises only to inspect and measure the Leased Premises to ready the Leased Premises for opening on the Rent Commencement Date.

B. Tenant may enter the Leased Premises in accordance with the preceding paragraph only if:

(1) Landlord and Tenant have previously signed an Attachment A for the Leased Premises;

(2) Tenant does not interfere with Landlord's performance of its obligations under Section 2.1 above, or with the transaction of

Landlord's business or the business of any of Landlord's other Tenants; and

(3) The Leased Premises is not currently in the possession of another tenant.

C. If any work or other action done by, or on behalf of, Tenant results in a stoppage of Landlord's work, Tenant will immediately stop work until such time as the parties mutually agree Tenant's work can re-commence without materially interfering with Landlord's obligations under Section 2.1 above, which time may not be any later than the Delivery Date. Any failure by Tenant to comply with the provisions of this Section 2.2C is a material breach.

2.3 **Acceptance of the Leased Premises.**

A. Landlord makes no representations, covenants, or warranties of any kind or character whatsoever, express or implied, with respect to:

(1) The quality, condition, or title of the applicable Leased Premises;

(2) The suitability of the applicable Leased Premises for any activity and use that the Tenant may conduct in that Leased Premises according to this Master Lease;

(3) Compliance of the applicable Leased Premises with any applicable law;

(4) The habitability, merchantability, or fitness for a particular purpose of the applicable Leased Premises;

(5) The environmental condition of the applicable Leased Premises; or

(6) Whether Tenant's anticipated or actual use of the Leased Premises complies with the applicable land use restrictions or private limitations.

B. Tenant shall accept possession of the applicable Leased Premises when delivered by Landlord, even if Landlord is unable to deliver possession during the Delivery Window or on the anticipated Delivery Date, unless this Master Lease as to the applicable Leased Premises has been terminated according to Section 2.1.B above.

C. **TENANT WAIVES ALL RIGHTS WITH RESPECT TO ANY DEFECT IN THE LEASED PREMISES OR OTHER CONDITIONS OF THE LEASED PREMISES, AND IF TENANT FAILS TO NOTIFY LANDLORD OF ANY DEFECT AT LEAST SIXTY (60) DAYS AFTER THE DATE OF DELIVERY, TENANT CONCLUSIVELY ACCEPTS THE LEASED PREMISES "AS IS" AND WITH ALL FAULTS.**

D. **TENANT WAIVES ALL RIGHTS AGAINST LANDLORD WITH RESPECT TO ANY LIMITATION OR RESTRICTION ON ITS USE OF THE LEASED PREMISES AS A RESULT OF ANY APPLICABLE LAW, RULE, OR REGULATION INCLUDING, WITHOUT LIMITATION, ANY RESTRICTIONS OR PRIVATE LIMITATIONS.**

2.4 **Tenant's Obligations to Prepare the Leased Premises to Open for Business.**

A. Tenant shall complete all Improvements and install all Trade Fixtures in accordance with this Section 2.4 and in accordance with the plans and specifications previously approved by Landlord in a timely manner, and shall open the Leased Premises on the applicable Rent Commencement Date.

B. Tenant shall submit to Landlord and obtain Landlord's approval of the floor plans and specifications and layouts of the Leased Premises, including dimensions, elevations, Improvements, intended colors, Trade Fixtures and plans and specifications for any proposed rooftop or other mechanical equipment, such approval not to be unreasonably withheld, conditioned or delayed.

(1) Tenant shall obtain Landlord's approval of the floor plans and layouts of the Leased Premises prior to seeking and obtaining any permits, licenses, certifications, or other documents necessary to complete the Improvements in the Leased Premises and install Trade Fixtures in the Leased Premises in accordance with this Master Lease.

(2) Tenant may not vary from or add to the previously approved plans and specifications and layouts without Landlord's prior, written consent, which Landlord may not unreasonably withhold or delay. Landlord's approval of Tenant's plans and specifications is solely based on Landlord's review. Landlord's approval of the plans and specifications and layouts does not represent government approval

or suitability of the plans and specifications and layouts for Tenant's intended purposes.

(3) All Trade Fixtures and Improvements installed must be of high quality materials and workmanship, comparable to or better than the storefront, improvements and trade fixtures used by other retailers in the vicinity of the Store and, specifically, used at Tenant's most recent prototype and must be conducted and installed in a good and workmanlike manner in accordance with all applicable laws and in accordance with obligations and requirements of this Master Lease including, but not limited to, insurance, licensing, and regulatory compliance requirements.

(4) Prior to any roof penetrations caused by Tenant's Improvements, Tenant shall obtain from Landlord's Leasing Operations Department the contact information for the contractor approved to work on Landlord's roof.

(5) If Tenant's rooftop heating, ventilating, and air conditioning unit, or other rooftop equipment, requires steel supports in addition to the steel framing erected by Landlord, then Tenant will pay the cost of labor and materials for the installation thereof.

(6) Mechanical equipment on the roof will be placed within the area designated on Landlord's structural drawings.

(7) Tenant will provide screening or other type of cover for such mechanical equipment to prevent visibility by the public and subject to approval of Landlord and the local governmental authorities. If Landlord or any governmental authorities require a project standard equipment screen, Tenant will use and pay for same.

E. Tenant shall construct Improvements and install Trade Fixtures without interfering with other construction in progress at the Store or with the transaction of Landlord's business or the business of any of Landlord's other lessees. Tenant shall repair any damage that results from cutting, drilling or other defacing of the Leased Premises. Additionally, for any Leased Premises for which Improvements are being conducted or Trade Fixtures installed in a Store already open to the public for business, Tenant, prior to commencing Improvements or installing Trade Fixtures, shall erect a dust wall across the entrance to the Store from the Leased

Premises. The dust wall required above must keep dust out of the Store and must minimize any noise or other disruption of Store operations but may not be plastic or canvas, and must be maintained in place throughout the construction.

F. Intentionally Deleted.

G. If Tenant fails to open the applicable Leased Premises on the Rent Commencement Date, subject to events beyond Tenant's reasonable control, including Landlord's material interference or default under this Master Lease, Landlord may charge Tenant liquidated damages of ten thousand dollars ($10,000) and additional liquidated damages of three hundred dollars ($300) a day for each day, including the Rent Commencement Date, which the Leased Premises remains unopened as required by the terms of this Master Lease. By way of example, and not as a limitation thereof, material interference may occur if Landlord fails to deliver possession to Tenant of the applicable Leased Premises with sufficient time before the Rent Commencement Date for Tenant to fulfill its obligations under this Article II. Tenant will pay any liquidated damages it owes to Landlord within thirty (30) days after Tenant receives an invoice from Landlord for the liquidated damages. Landlord and Tenant acknowledge that it would be impracticable to fix the actual damages suffered by Landlord as a result of Tenant's failure to open the Leased Premises on the Rent Commencement Date, according to this paragraph, and that the amount of liquidated damages described above represents fair and reasonable compensation to Landlord for this failure. If the Leased Premises remains unopened for more than three (3) consecutive days following the Rent Commencement Date, Tenant will materially breach this Master Lease.

2.5 Tenant's Contractors. Tenant's contractors must be licensed, carry worker's compensation coverage as required by law, and comply with all applicable laws including, but not limited to, obtaining any required permit, survey (including, without limitation, any asbestos survey), license, or other documentation necessary to perform the construction work in connection with this Master Lease. At Landlord's request, Tenant will provide Landlord with a list of all contractors and subcontractors Tenant is using.

2.6 Signs.

A. Notwithstanding anything to the contrary set forth in this Master Lease or any applicable Attachment A or Appendix 1, Tenant may not install on the exterior of any Store any sign, light, decoration, painting, awning, canopy, or any other identifying mark or like item (collectively, "Signs"). If, however, during the Term of this Lease or any extensions thereof, Landlord amends its signage policy (as may be amended from time to time as determined in Landlord's sole discretion) to allow tenants to install exterior signage, Landlord shall permit Tenant to install an exterior sign in accordance with Landlord's specifications. Tenant understands that Landlord may amend such policy from time to time (as determined in its sole discretion) and that Tenant may be required to subsequently remove such exterior signage upon demand from Landlord. Tenant agrees to promptly remove such exterior signage (at Tenant's sole costs) if requested to do so by Landlord

B. Tenant may, with the prior, written consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed, and in accordance with Section 2.6.C, install a Sign on the exterior bulkhead of the applicable Leased Premises, which is inside the Store in which a Leased Premises is located, with Tenant's trade name identified in Appendix 1 to this Master Lease and Tenant's logo.

C. Tenant may not install any Sign containing images or words that may offend the ordinary, reasonable person including, but not limited to, words or images that are cloaked in other words or images, phrases with double meanings, and words or images commonly considered to be vulgar, swear, or curse words. If Tenant's business or trade name violates this provision, Tenant may not use the name in any signage in or around the Leased Premises.

2.7 **Landlord's Right of Re Entry**. After the Delivery Date and before the Rent Commencement Date, Landlord may re enter the applicable Leased Premises to continue any portion of Landlord's work not yet complete. During this period of re entry, Landlord may not unreasonably interfere with any work required under Section 2.4 being performed by Tenant or on behalf of Tenant.

2.8 **Certificate of Occupancy**. Tenant shall fax a copy of the Certificate of Occupancy within two (2) calendar days after receiving it to Landlord's **Project Management at (479) 204-2263.**

ARTICLE III
BINDING EFFECT OF ATTACHMENTS A AND A-1, COMMENCEMENT NOTICE MASTER LEASE TERM AND EXTENSION

3.1 **Effective Date of Master Lease**. This Master Lease is effective and binds Landlord and Tenant as of the Effective Date. This Master Lease terminates in its entirety upon the termination, for whatever reason, of every Attachment A signed by Landlord and Tenant that attaches to this Master Lease and which is incorporated into this Master Lease.

3.2 **Binding Effect of Attachment A**. This Master Lease governs each Leased Premises for which Landlord and Tenant execute an Attachment A. Once signed by both Landlord and Tenant, each Attachment A and A-1 attaches to and incorporates into this Master Lease binding both Landlord and Tenant to the terms and conditions in both this Master Lease and the applicable Attachments A and A-1.

3.3 **Commencement Notice**. Within forty-five (45) days following the actual Rent Commencement Date of the applicable Leased Premises, Landlord will deliver the Commencement Notice to Tenant. The Commencement Notice is for informational purposes only and does not modify the terms of this Master Lease. If Tenant does not receive the Commencement Notice within that time, Tenant will notify Landlord, in writing or verbally. Any delay in delivery of the Commencement Notice is not a breach of this Master Lease.

3.4 **Lease Term of a Specific Leased Premises**. The Lease Term for each Leased Premises commences on the Rent Commencement Date respecting such Leased Premises and continues until the Expiration Date respecting such Leased Premises.

3.5 **Extension of the Lease Term**. The Lease Term for the applicable Leased Premises may extend, subject to the terms and conditions of this Master Lease, as designated in the applicable Attachment A.

ARTICLE IV
RENT, SECURITY & TAXES

4.1 **Rent**. Tenant's obligation under this Master Lease to pay Rent, in lawful money of the United States and without, for any reason, deduction or offset, begins on the Rent Commencement Date. Tenant shall pay Rent to Landlord for each Leased Premises for which Landlord and Tenant execute an Attachment A in accordance with the terms of this Master Lease and the applicable Attachment A.

4.2 **Base Rent Payments**.

A. Tenant shall pay Base Rent, as set forth in the applicable Attachment A, to Landlord in advance, without offset, notice, or demand, in equal monthly installments with each monthly installment due by the Due Date. If the Rent Commencement Date occurs other than on the first day of the month, the Base Rent for that month equals one-thirtieth (1/30th) of the normal monthly rent installment for each day starting on the Rent Commencement Date and continuing through midnight on the last day of that month. If the Rent Commencement Date occurs other than the first day of the month, the Base Rent for the final month equals one-thirtieth (1/30th) of the normal monthly rent installment for each day starting on the Rent Commencement Date anniversary and continuing through midnight on the Expiration Date.

B. Landlord may require Tenant to pay Base Rent on a quarterly basis rather than monthly if Tenant fails to pay Base Rent within ten (10) days of the Due Date for two (2) consecutive months. The quarter will commence on the first day of the month following the month that Landlord notifies Tenant in writing of this election.

4.3 **Percentage Rent Payments**. To the extent required in the applicable Attachment A, Tenant shall pay Percentage Rent to Landlord on an annual basis. Percentage Rent payments shall be due without offset, notice, or demand on the first day of the calendar month following each anniversary of the Rent Commencement Date; provided, that upon the expiration or earlier termination of this Master Lease, Tenant shall pay any Percentage Rent due as of the effective date of such expiration or earlier termination.

4.4 **Common Area Maintenance, Utility Reimbursement Fees, and Insurance Reimbursement Fees**. To the extent required in the applicable Attachment A, Tenant shall pay, as additional Rent, the Common Area Maintenance Fee, the Utility Reimbursement Fee, and the Insurance Reimbursement Fee to Landlord without offset, notice, or demand on a monthly basis by the Due Date, to be paid with Tenant's payment of Base Rent.

4.5 **Leased Premises Improvement Charge**.

A. If the Leased Premises for which an Attachment A is signed and attached to the Master Lease by Landlord and Tenant is located in a newly constructed Store (including any Attachment A that is signed and attached to the Master Lease by Landlord and Tenant upon a Store Relocation), Tenant shall pay Landlord the Leased Premises Improvement

Charge as described in the applicable Attachment A. Tenant shall submit the Leased Premises Improvement Charge along with payment of the first month's Base Rent.

B. No Leased Premises Improvement Charge will be assessed against Tenant for a Leased Premises in an existing Store or for a Leased Premises permanently or temporarily relocated in connection with Store Renovations.

4.6 **Key Money**. Tenant shall pay Landlord Key Money as described in the applicable Attachment A. Tenant shall submit the Key Money along with payment of the first month's Base Rent.

4.7 **Interest on Late Payments**.

A. Tenant shall pay to Landlord interest on any balance of Rent unpaid more than ten (10) days following the Due Date at the prorated rate, based on a thirty (30) day month, of the lesser of:

(1) Five percent (5%) per annum, or

(2) The maximum amount allowed by law.

B. Any interest due under this provision is additional Rent, and Tenant shall pay it in full no later than the day on which it pays the unpaid balance of Rent unless demanded earlier by Landlord. Interest will not accrue on any unpaid balance of Rent if:

(1) The unpaid balance is due to an error or problem with the automatic debit, if Tenant is paying Rent through an automated clearinghouse account, and

(2) The error or problem was not due to the intentional or negligent act of Tenant.

4.8 **Security Deposit**.

A. Tenant shall deliver to Landlord, no later than ten (10) days following Tenant signing the applicable Attachment A, an amount equal to the sum designated in the applicable Attachment A, as security for the faithful performance and observance of the terms and conditions of this Master Lease by Tenant and its agents, employees, and representatives (the "Security").

B. Tenant may provide Security in the form of a security deposit or a duly executed surety bond from a reputable company satisfactory to Landlord and in full force and effect when delivered to Landlord.

C. Landlord may apply, retain, or use (at its sole option) the whole or any part of the Security to the extent required for payment of:

(1) Rent;

(2) Other sums that Tenant is obligated to pay Landlord under this Master Lease;

(3) Sums that Landlord may expend or may be required to expend by reason of Tenant's breach of this Master Lease;

(4) Loss or damage that Landlord suffers by reason of Tenant's breach of this Master Lease including, but not limited to, any damages incurred by Landlord or deficiency resulting from the re-letting of the Leased Premises, whether such damages or deficiency accrues before or after summary proceedings or other re entry by Landlord; or

(5) Costs Landlord incurs in connection with the cleaning or repair of the Leased Premises after the expiration or earlier termination of this Master Lease as to the applicable Leased Premises.

D. Landlord is not obligated to apply, retain, or use the Security, and any payment of the security deposit in no way relieves Tenant of its obligations under this Master Lease to pay Rent or other charges.

E. Landlord's right to bring an action or special proceeding to recover damages, or otherwise obtain possession of the applicable Leased Premises, before or after Landlord's delivery of notice to Tenant of the termination of this Master Lease as to the applicable Leased Premises for non-payment of Rent, or for any other reason, is not effected because Landlord holds the Security.

F. The Security does not limit Landlord's available rights and remedies under this Master Lease, at law, or in equity nor is it a payment of liquidated damages.

G. Tenant, no more than fifteen (15) days following Landlord's notice to Tenant, shall replace the Security when payments by the Security equal or

exceed the sum of the security deposit. Failure to timely replace the Security is a material breach of this Master Lease.

H. Except as required by applicable law, Landlord is not required to keep security deposits separate from Landlord's own funds and may commingle security deposits with its own funds.

I. If Tenant fully and faithfully complies with all the terms and conditions of this Master Lease, Landlord will return to Tenant any part of the security deposit that Landlord does not apply, retain, or use in accordance with this Section no later than thirty (30) days following Tenant fully discharging all of its obligations under this Master Lease, unless applicable law requires a shorter or extended time.

4.9 Taxes.

A. Landlord shall initially pay all General Taxes levied, during each fiscal tax year, against the Store, the Common Area, or both, subject to Tenant's reimbursement obligations set forth below. "General Taxes" mean all general real estate taxes, general and special assessments; parking surcharges, fees, and other governmental charges and any costs Landlord incurs contesting any of the above.

B. In addition to Tenant's reimbursement obligations set forth below and any other obligations of Tenant under this Master Lease, Tenant shall pay all taxes and assessments:

(1) Levied against any improvements located within or upon any Leased Premises, and any of Tenant's inventory, personal property, and Trade Fixtures;

(2) Assessed, imposed, or levied against Landlord in relation to either Landlord's interest in this Master Lease or the Rent or other charges required under this Master Lease including, but not limited to, increases or additional, special, regular, unforeseen, foreseen, extraordinary, or ordinary, taxes and assessments, whether occurring wholly or partially during the Lease Term of the specific Leased Premises from which the taxes or assessments arise;

(3) For increases, that are billed or assessed during the Lease Term that are attributable to Tenant's Improvements or occupancy of the Leased Premises; and

(4) Imposed against Landlord because of Landlord's interest in this Master Lease as a substitute, or in lieu of, in whole or in part, for any general taxes or other real estate tax or assessment.

C. Tenant shall reimburse Landlord, upon demand, for Tenant's Pro Rata Share of general taxes assessed or levied during the Lease Term, as prorated to account for any period of partial occupancy of the applicable Leased Premises, and for any other tax, assessment, or excise that was imposed, assessed, or levied against Landlord that Landlord paid but for which Tenant is primarily liable under this Master Lease.

ARTICLE V
UTILITIES

5.1 Utilities. Except as otherwise provided in this Master Lease or the applicable Attachment A, Landlord shall pay for all public utilities furnished to the Leased Premises and shall reasonably cool, heat, and light and provide water and sanitary sewerage services to the building in which the Leased Premises is located. Landlord is not liable for any interruption whatsoever to the public utilities, the lighting, the cooling, the heating, the water, or the sanitary sewerage services if any of the preceding are interrupted:

A. Due to equipment failure, fire, accident, strike, acts of God, or other causes beyond the reasonable control of Landlord; or

B. In connection with Store Renovations or to repair the Store or the Leased Premises.

5.2 Telephone Service. Tenant shall pay for telephone service in the Leased Premises. **The use of a cordless phone within a Leased Premises is strictly prohibited.**

ARTICLE VI
USE AND OPERATION

6.1 Use. Tenant shall use the Leased Premises as designated in Section 1 of Appendix 1, Permitted Uses, subject to applicable legal requirements, and for no other purpose without the prior, written consent of Landlord.

6.2 Continuous Operation.

A. Tenant, other than as expressly permitted by this Master Lease, and during the applicable Lease Term, shall operate the applicable Leased

Premises continuously during the Hours of Operation designated in Attachment A in accordance with the Permitted Uses designated in Appendix 1 and the terms and provisions of this Master Lease.

B. Tenant, other than as expressly permitted by this Master Lease, shall not vacate the applicable Leased Premises during the applicable Lease Term or cease operations in the applicable Leased Premises and shall conduct its business, at a minimum, in an efficient, first-rate, and reputable manner.

C. Other than closing the Leased Premises to repair, update, and upgrade the Trade Fixtures, the Improvements, and the Leased Premises in accordance with Section 7.3.B below, Tenant may close the applicable Leased Premises for repair or renovation only with the prior, written consent of Landlord, which Landlord may not unreasonably withhold, condition or delay.

D. Failure to comply with this provision or any representation by Tenant that during the applicable Lease Term the Tenant, or one of its Sublessees, will not comply with this provision or will vacate the applicable Leased Premises materially breaches this Master Lease. In addition to (and not in lieu of) any remedies that Landlord may have under this Master Lease for a breach of this section, Landlord may charge Tenant, in addition to rent, liquidated damages of three hundred dollars ($300) a day for each day, which the applicable Leased Premises remains closed and not operating, excluding any reasonable period for renovation or repair of the Leased Premises approved by Landlord or during any reasonable period in which the Leased Premises remain closed and not operating due to acts or omissions of Landlord which require closure of the Leased Premises.

6.3 Hours of Operation. Tenant shall post its Hours of Operation in a conspicuous location within the Leased Premises, subject to and in accordance with the requirements set forth in Article II (Construction and Acceptance of the Leased Premises), Section 2.6 above.

6.4 Trade Name. During the term of this Master Lease, Tenant shall conduct its business under the name designated as Tenant's Trade Name in Appendix 1 and under no other name without the prior written consent of Landlord, which, consent shall not be unreasonably withheld, conditioned or delayed.

A: Tenant acknowledges that Landlord relied on Tenant's business reputation and associated trade name as a significant material inducement in Landlord's decision to execute this Master Lease, and therefore, Tenant

hereby warrants that Tenant has the right to use the trade name and all logos, trade dress, slogans, and all other identifying marks used by Tenant at the Leased Premises.

B. Failure to comply with this Section 6.4 is a material breach of this Master Lease.

6.5 **Customer Service**.

A. Tenant shall operate the Leased Premises in conformity with Landlord's reputation as the operator of discount retail stores dedicated to customer satisfaction and prompt quality customer service featuring a broad assortment of quality merchandise at low, competitive prices.

B. Tenant, at its sole cost and expense, shall post, in a conspicuous location that customers can see when the Leased Premises is open and when the Leased Premises is closed, a telephone number and an address for customers to contact. The telephone number must be either toll free or a number local to the applicable Leased Premises.

6.6 **Window Display Lights**. Tenant shall keep, during the Hours of Operation, any display windows in the Leased Premises neat and attractive.

6.7 **Mail & Deliveries**. Landlord does not guaranty any mail or deliveries to the Leased Premises and recommends Tenant arrange to receive mail or deliveries at an alternate location. Any mail or deliveries to and from the Leased Premises must be done only at such times and in the areas and through the entrances designated for such purpose by Landlord. Any mail or delivery left with the Store is done at Tenant's sole risk. All property kept, stored, or maintained on the Leased Premises by Tenant is at Tenant's sole risk.

6.8 **Tenant's Advertising, Promotion, and Media Inquiries**.

A. Tenant may use Landlord's name only to the extent Landlord's Leasing Operations Department approves and only as a location reference.

B. Tenant may not promote its services within the Store using Landlord's in-store public address system.

C. Tenant may not post any Signs outside of the Leased Premises, except as provided in Section 2.6.B above, or post any handmade signs inside or outside of the Leased Premises.

D. Tenant's promotions related to the Leased Premises must be conducted in a professional manner by trained individuals.

E. Tenant may not release or cause to be released any statement to the press or otherwise containing Landlord's name or representing any relationship whatsoever to Landlord, without the prior, written approval of the Wal-Mart Leasing Operations Department.

F. Tenant agrees that it will not, within the Leased Premises or anywhere else in the Store, advertise, market, or promote any Competing Business. For purposes of this paragraph, "Competing Business" means any retail business involved in the sale of any products or services sold from within the Store or by any affiliate, parent company, or subsidiary of Landlord.

6.9 **Restrictive Covenants**. Tenant shall comply with and observe any easement, covenant, or restriction that affects or applies to the Leased Premises and the Common Area.

6.10 **Restrictions on Tenant's Activities**. In addition to any easement, covenant, or restriction that affects or applies to the Leased Premises or the Common Area, Tenant, and its Sublessees, shall not:

A. Use the sidewalk adjacent to or any other space outside the Leased Premises for display, sale, or any other similar undertaking.

B. Use a loudspeaker system that may be heard from outside the Leased Premises; place or permit any radio, television, loudspeaker, or amplifier on the roof, inside the Leased Premises, or anywhere that the radio, television, loudspeaker, or amplifier can be seen or heard from outside of the Leased Premises; or solicit or distribute any handbills or other advertising in the parking lot, Store, or Common Areas, unless otherwise protected by law.

C. Use the plumbing facilities of the Leased Premises or the Store for any purpose other than that for which they were constructed. Neither Tenant nor its Sublessees, nor the invitees of either Tenant or its Sublessees, may use the plumbing facilities of the Leased Premises to dispose of any foreign substances. The expense of any breakage, stoppage, or damage resulting from a breach of this Section will be borne by Tenant.

D. Place on any floor a load that exceeds the load per square foot that the floor was designed to carry. Tenant may only install, operate, and

maintain heavy equipment in the Leased Premises if installed in such manner as to achieve a proper distribution of weight.

E. Use any forklift, truck, tow truck, or any other machine or equipment in the Store, in the Common Areas, or on any of the underlying ground, unless necessary to complete Tenant's obligations under Article II (Construction and Acceptance of the Leased Premises), Section 2.4 above or unless otherwise agreed to in Appendix 1.

F. Use the Leased Premises to conduct illegal business or for illegal purposes or for any purpose that may increase the premium cost of or invalidate any insurance policy carried on the Leased Premises, Common Areas, or the Store. If insurance premiums for insurance policies carried on the Leased Premises, Common Areas, or the Store increase in connection with Tenant's use of the Leased Premises, Tenant will reimburse Landlord for the increase.

G. Unreasonably interfere with Landlord's business or the business of another tenant of Landlord or act in such a way that reasonably may be expected to injure Landlord's business relationship including, but not limited to, acting in any way that diminishes the access to or the visibility of any portion of the Store or any other tenant's premises or that impedes the free circulation of customer traffic within the Store.

H. Receive, retain, or store in the Leased Premises any "Controlled Substances" except for any Controlled Substances included in an emergency medical kit. For the purposes of this Master Lease, "controlled substances" means materials containing any quantity of a substance with a stimulant, depressant or hallucinogenic effect on the higher functions of the central nervous system, and having the tendency to promote abuse or physiological or psychological dependence, as designated in state and federal controlled substance schedules including, but not limited to, those listed in Schedules I through V of the Controlled Substances Act, 21 U.S.C. §812, as may be amended from time to time. Failure to comply with this Section is a material breach.

I. Within the Leased Premises, receive, retain, store, or use any firearm, tear gas, mace, pepper spray, dye pack, or any item similar to a firearm, tear gas, or dye pack.

6.11 **Encumbrances and Liens**. Tenant may not cause any encumbrance to attach to or upon the Leased Premises, the Store, the Common Area, the land underlying

any of the foregoing, or Tenant's interest in this Master Lease because of any act or omission of Tenant, its contractors, agents, employees, or representatives. Failure to discharge or bond/insure over any encumbrance within fifteen (15) business days following its filing is a material breach. In addition to any right or remedy Landlord may have for the material breach, Landlord may bond or pay the encumbrance for Tenant's account without inquiring into the validity of the encumbrance. If Landlord elects to pay the encumbrance, Tenant will reimburse Landlord, upon demand by Landlord, the amount Landlord paid, plus an additional ten percent (10%) administrative fee, plus interest. Interest will accrue at the lesser of one percent (1%) and five percent (5%) per annum or the maximum amount allowed by law beginning on the day Landlord bonds or pays the encumbrance and continuing until Tenant reimburses Landlord the entire amount Landlord paid, plus the administrative fee and any interest accrued.

6.12 **Performance Covenants**. Commencing on the fifth anniversary of the Rent Commencement Date and on each anniversary of the Rent Commencement Date thereafter during the Lease Term, Tenant shall satisfy the performance covenants set forth in the applicable Attachment A for each Leased Premises subject to this Master Lease (the "Performance Covenants"). Tenant's failure to satisfy the Performance Covenants with respect to a particular Leased Premises for any calendar year shall constitute a material breach of this Master Lease. In such event, Landlord will have all rights and remedies available to it under Article XVII of this Master Lease, including, without limitation, the right to terminate this Master Lease pursuant to Article XVII (Default, Termination, Surrender & Tenant's Liability), Section 17.2 below; provided, that notwithstanding anything herein to the contrary, in the event Landlord elects to terminate this Master Lease as to such Leased Premises, such termination (a) shall apply only as to such Leased Premises and not to this Master Lease in its entirety; and (b) shall occur upon sixty (60) days prior written notice to Tenant unless Landlord elects to wait to terminate this Master Lease until after it re-lets the Leased Premises in accordance with Article XVII (Default, Termination, Surrender & Tenant's Liability),Section 17.2.

ARTICLE VII
REPAIRS & MAINTENANCE

7.1 **Repairs by Landlord**.

A. Subject to the provisions of Article XI (Casualty) and Article XII (Condemnation & Eminent Domain), Landlord shall maintain the Store and Leased Premises in good order and make all necessary repairs in the

Leased Premises to the foundation, gutter, spouts, exterior walls, interior load-bearing walls, door, door closure devices, exterior openings, gates, and gate closure devices and to the roof and HVAC, except as provided in Section 7.2 below. Tenant shall notify Wal-Mart Maintenance of any necessary or requested repairs by calling the Wal-Mart Maintenance Hotline at (479) 273-4747 or any other communication medium utilized by Wal-Mart to process the reporting of repairs. Tenant must have the work order number provided by the Wal-Mart Maintenance Hotline at the time the repair is reported in order to check on the status of the repair.

B. Tenant shall reimburse Landlord for any repairs necessitated by the intentional acts or negligence of Tenant or Sublessee or the agent, customer, employee, or representative of either. Any reimbursement required in the preceding sentence must be made no later than thirty (30) calendar days after Landlord's written demand for reimbursement from Tenant.

C. Landlord does not breach its obligations under Section 7.1.A above until a reasonable amount of time passes after Tenant notifies Wal-Mart Maintenance, according to Section 7.1.A above, of the needed repair, except in the case of an emergency which will require Landlord to commence repairs within twenty-four (24) hours of such Tenant notification to Wal-Mart Maintenance. Rent will not abate during this time or while any repairs are being made, and Landlord will not be liable to Tenant or Sublessee due to loss or interruption of Tenant's business because of the prosecution of the repair except in the case of Landlord's gross negligence or intentional misconduct.

D. Notwithstanding the foregoing, in the event of an emergency, which threatens to damage any of Tenant's Improvements or Trade Fixtures or interrupts Tenant's ability to operate its business in the Leased Premises, Tenant shall notify Wal-Mart Maintenance immediately and, upon the consent of Wal-Mart Maintenance, Tenant will have the right to make immediate repairs. In such case, Landlord will reimburse Tenant for the reasonable cost of such repairs within thirty (30) days of Landlord's receipt of Tenant's written request for reimbursement, along with invoices and such other supporting documentation as Landlord may reasonably require.

7.2 Tenant's Repairs, Maintenance, Handling Hazardous Substances.

A. Except those items to be maintained by Landlord pursuant to the terms of this Master Lease, Tenant, at its sole cost and expense, shall maintain the Leased Premises in compliance with applicable law and in good order and condition, ordinary wear and tear excepted. Tenant shall effect, at Tenant's sole cost and expense and according to applicable law, all repairs to the Leased Premises (except for those specifically enumerated in Section 7.1 above) that are commercially necessary or desirable to maintain the Leased Premises in a safe, dry, and tenantable condition including, without limitation, repairs to:

(1) Any portion of the pipes, lines, ducts, wires, or conduits, used solely by Tenant;

(2) Plate glass, windows, doorframes, and special storefronts that serve Tenant solely;

(3) Molding, locks and hardware, lighting, plumbing, Trade Fixtures, Signs, and interior painting and treatment; and

(4) Any Improvements or Trade Fixtures installed in the Leased Premises, including any rooftop heating, ventilation, or air-conditioning unit or other rooftop equipment. Any repairs to the rooftop heating, ventilating, and air-conditioning unit or other rooftop equipment must be made by a Landlord approved contractor.

B. Tenant, at no expense to Landlord, shall handle, manage, store, transport, and dispose of all Hazardous Substances created by Tenant, its Sublessees, agents, employees or representatives in any process, action, or inaction in connection with the Leased Premises and in accordance with all applicable federal, state and local laws and regulations. Tenant shall not use any of Landlord's property or equipment in using, handling, managing, storing, transporting, and disposing of Hazardous Substances. Evidence of Tenant's compliance with all applicable federal, state and local laws concerning the use, handling, management, storage, transportation, and disposal of Hazardous Substances must be provided to Landlord upon Landlord's request.

C. Tenant, at no expense to Landlord, shall maintain the Leased Premises in a clean and sanitary condition, free from debris or offensive odor, and in

compliance with all laws affecting the Leased Premises, Tenant's use of the Leased Premises, or Tenant's business.

(1) Tenant shall not allow the accumulation or burning of any rubbish or garbage in, on, or about the Leased Premises and shall keep all entrances, doors, or loading areas in the Leased Premises or immediately adjoining the Leased Premises free from trash, litter, or other obstruction.

(2) Tenant shall bear the expense of garbage and rubbish collection and disposal. If Landlord's Leasing Operations Department permits Tenant to use any part of the Store (other than the Leased Premises), Common Area, or land underlying the foregoing to store garbage and refuse generated by Tenant's use of the Leased Premises, Tenant and its Sublessees, at the expense of Tenant or its Sublessee, will keep all such garbage and refuse in the location designated by Landlord and in the kind of container, including the use of interior refrigerated garbage containers and compactors, Landlord specifies in its commercially reasonable opinion.

(3) Tenant will maintain air pressure in the Leased Premises necessary to keep offensive odors from emanating from the Leased Premises.

(4) Any odor producing function of Tenant's operations must be mechanically vented to the exterior of the Store and the Leased Premises to eliminate the dissipation of such odors into the Store or into the interior or exterior of any other tenant's space. Exhaust hoods may not project above the roof deck higher than that allowed by local governmental authorities or code requirements.

(5) At Landlord's written request, Tenant will install any equipment or procedures necessary to comply with Section 7.2.C.(3) and Section 7.2.C.(4). If Tenant fails to comply with Landlord's request, within twenty (20) days after receiving notice, Landlord may take remedial action for Tenant, and Tenant will pay, as additional Rent, the cost of such remedial action plus an administrative charge of ten percent (10%) of the cost thereof.

D. If Tenant fails to commence, and thereafter pursue diligently any repairs required by this Section 7.2 within ten (10) days of receiving notice from Landlord of the repair, Landlord may repair the Leased Premises as necessary to maintain it in a good, clean, safe, dry, and tenantable

condition. If Landlord makes such repair, Tenant will reimburse Landlord for its costs, plus an additional ten percent (10%) administrative fee when Tenant pays the next month's Rent.

7.3 Store Relocation, Renovation and Closing.

A. Landlord, from time to time, may relocate the Store to another physical address (a "Store Relocation"). In the event of a Store Relocation, Landlord, in its reasonable discretion, may terminate this Master Lease and related Attachment A as to the applicable Leased Premises. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five (5) years, not to exceed fifty thousand dollars ($50,000) (the "Unamortized Improvement Costs"). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises. Landlord and Tenant may mutually agree to enter into a new Attachment A for the new location of the Store or any other Store. If Landlord and Tenant enter into a new Attachment A for the new location of the Store or any other Store, Tenant will bear all costs and expenses incurred in relocating to the new location of the Store or to any other Store. Tenant will also repair, update, and upgrade all Trade Fixtures and Improvements to the Leased Premises and ready the newly located Leased Premises to be open for business to the public for the Store's Grand Opening as required by this Master Lease. Landlord must first approve all repairs, updates, and upgrades to the Leased Premises, such approval not to be unreasonably withheld.

B. Landlord, from time to time, may remodel, re-arrange, renovate, or expand (collectively and individually "Store Renovations") the Store, without relocating the Store to another physical address. During Store Renovations, Tenant will repair, update, and upgrade the Trade Fixtures, the Improvements and the Leased Premises unless Tenant repaired, updated, and upgraded the Trade Fixtures, the Improvements and the Leased Premises within the three (3) consecutive preceding years. All repairs, updates, and upgrades Tenant contemplates must be previously approved by Landlord, which approval will not be unreasonably withheld, conditioned or delayed.

(1) In connection with any Store Renovations, Landlord may temporarily or permanently relocate Tenant to another location within the Store that is of like size and configuration as the Leased Premises and is in a reasonable condition from which Tenant may operate if Landlord, in its commercially reasonable judgment, determines the relocation necessary to complete Store Renovations. Landlord will bear the cost of moving Tenant's Trade Fixtures in the event of a temporary relocation, but Landlord is not responsible for any expense associated with Tenant's repairs, updates, and upgrades of the relocated Leased Premises, whether the relocation is temporary or permanent. If the relocation is of a permanent nature and Tenant reasonably determines that the new location will materially impair its operations in the applicable Leased Premises or is not of like size and configuration as the original Leased Premises, Tenant may terminate this Master Lease as to the applicable Leased Premises by providing written notice to Landlord. If the relocation is temporary and Tenant reasonably determines that the new location of the Leased Premises will materially impair its business or that the Store Renovations are materially impairing its operations in the Leased Premises, Tenant may, with Landlord's written consent, not to be unreasonably withheld, conditioned or delayed, close the applicable Leased Premises until Landlord and Tenant agree that the Store Renovations no longer impair the operations of the applicable Leased Premises.

(2) If, in connection with the Store Renovations, Landlord closes the Store for more than three (3) consecutive days, Tenant may, with Landlord's written consent, not to be unreasonably withheld, conditioned or delayed, either close the applicable Leased Premises while the Store is closed in connection with the Store Renovations and conduct the repairs, updates, and upgrades of the Leased Premises as required by this Section 7.3.B or terminate this Master Lease as to the applicable Leased Premises.

(3) If, in connection with Store Renovations, Landlord determines (in its sole discretion) that there will not be space available for Tenant upon completion of the Store Renovations, Landlord, may terminate this Master Lease and related Attachment A as to the applicable Leased Premises. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable

Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five years, not to exceed fifty thousand dollars ($50,000). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises.

C. If the Leased Premises closes in accordance with this Section 7.3, Rent due during the time in which the Leased Premises is closed will abate. The Leased Premises must re-open once the Store Renovations and the operations of the Leased Premises no longer materially impair each other, as determined by mutual agreement of the parties.

D. If a Store in which the applicable Leased Premises is located permanently ceases to be open for business to the public, and not as a part of a relocation as contemplated by Section 7.3.A above (a "Store Closing"), this Master Lease as to the applicable Leased Premises will terminate on a date mutually agreed to by Landlord and Tenant, but at no time may such date extend past the actual Store Closing date. In the event such termination occurs during the first five (5) years of the Lease Term for the applicable Leased Premises, Landlord will reimburse Tenant for the unamortized portion of the cost of Tenant's initial Improvements to the particular Leased Premises, calculated on a straight line depreciation basis over five (5) years, not to exceed fifty thousand dollars ($50,000). Landlord will not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises.

ARTICLE VIII
COMPLIANCE WITH LAW & OTHER REQUIREMENTS

8.1 Rules and Regulations. Tenant shall observe all rules and regulations established from time to time by Landlord upon notice to Tenant, through publication in the Landlord/Tenant Handbook or otherwise, including, but not limited to:

A. Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, should remove immediately from the Store any merchandise purchased from Landlord.

(1) Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, may not bring into the Leased

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Premises any merchandise purchased from Landlord unless the merchandise is purchased for use by Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, in the operation of its business in the Leased Premises or unless the merchandise is purchased for immediate consumption by Tenant, or its Sublessee, or any agent, employee, or representative of either Tenant or Sublessee.

(2) Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, must keep a receipt for the merchandise purchased with the merchandise at all times while the merchandise is in either the Leased Premises or the Store.

(3) No merchandise for which Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee, has not paid may be removed from the Store or brought into the Leased Premises.

(4) Any purchase by Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, is subject to search according to Landlord's security procedures applicable to other customers of Landlord. Anyone removing, or involved in the removal of, merchandise, either from the Store or into the Leased Premises, without first paying for the merchandise may be evicted from the Store or all of Landlord's property, may be treated as a shoplifter, or both. Shoplifters may be subject to prosecution.

B. Each of Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, shall conduct him or herself while in the Store or in the Leased Premises in a professional and courteous manner, appropriately attired, trained, and groomed, and in accordance with commercially reasonable standards in Tenant's industry.

C. Tenant and Sublessee, and any agent, employee, or representative of either Tenant or Sublessee, shall abide by Landlord's procedures in responding to media inquiries as such inquiries relate to the Leased Premises, Landlord, or any relationship between Tenant and Landlord.

8.2 **Compliance**.

A. Tenant, in its use, occupancy and operation of the Leased Premises, shall comply with all federal, state, and local laws, rules, orders, directives, and regulations.

B. Landlord has absolutely no responsibility, obligation, or liability for Tenant's hiring and other employment practices. Tenant warrants and represents that it has a policy to:

(1) Comply in all respects with all immigration laws and regulations;

(2) Properly maintain all records required by the United States Citizenship and Immigration Services (the "USCIS") including, without limitation, the completion and maintenance of the Form I-9 for each party's employees;

(3) Respond in a timely fashion to any inspection requests related to such I-9 Forms;

(4) Cooperate fully in all respects with any audit, inquiry, inspection, or investigation the USCIS may conduct of such party or any of Tenant's employees;

(5) Conduct annual audit of the I-9 Forms for its employees;

(6) Promptly correct any defects or deficiencies the audit reveals; and

(7) Require all subcontractors performing any work for Tenant to comply with the covenants set forth in this Section 8.2.B.

C. Tenant shall comply with the provisions of the Americans with Disabilities Act ("ADA") as it relates to its operation of the Leased Premises.

(1) If, after Landlord delivers to Tenant the applicable Leased Premises, the presence of any ADA violation on the applicable Leased Premises requires remedial work on the Leased Premises and such ADA violation was not caused by Landlord's actions or failure to act as required with respect to Store (other than the Leased Premises), Tenant will promptly take all actions at its sole expense as are required by any federal, state, or local government agency or political subdivision to comply with the ADA; provided

that Landlord's consent to such actions is first obtained, which consent Landlord may not unreasonably withhold, condition or delay.

(2) In addition to Tenant's obligations under Article XIII (Indemnity and Liability), Tenant shall indemnify, defend and hold harmless the Indemnitees from any Claim including, without limitation, diminution in value of the Leased Premises, damages for the loss or restriction of use of rentable or usable space or of any amenity of the Leased Premises, damages arising from any adverse impact on marketing of space of the Leased Premises, and sums paid in settlement of claims, attorney's fees, consultation fees and expert fees arising during or after the applicable Lease Term as a result of such violation. Tenant's obligations in the preceding sentence include, without limitation, costs incurred in connection with any investigation of site conditions or any remedial work required by any federal, state, or local government agency or political subdivision because of any ADA violation present on or about the Leased Premises not caused by Landlord's actions or failure to act as required with respect to the Store (other than the Leased Premises).

(3) If, after Landlord delivers to Tenant the applicable Leased Premises, the presence of any ADA violation exists in the Store (other than the Leased Premises) which requires remedial work on the Leased Premises, Landlord, at its sole cost and expense, will take all necessary actions required by any federal, state or local government agency or political subdivision to comply with the ADA.

D. Tenant represents and warrants that neither it nor its Sublessees are:

(1) A person or entity designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List"), as maintained by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") at http://www.ustreas.gov/offices/enforcement/ofac/sdn, with which a U.S. person or entity cannot deal or otherwise engage in business transactions;

(2) A person or entity who is otherwise the target of U.S. economic sanctions and trade embargoes enforced and administered by OFAC, such that a U.S. person or entity cannot deal or otherwise engage in business transactions with such Tenant or its Sublessees;

(3) Either wholly or partly owned or wholly or partly controlled by any person or entity on the SDN List, including, without limitation, by virtue of such person being a director or owning voting shares or interests in an entity on the SDN List;

(4) A person or entity acting, directly or indirectly, for or on behalf of any person or entity on the SDN List; or

(5) A person or entity acting, directly or indirectly, for or on behalf of a foreign government that is the target of the OFAC sanctions regulations such that the entry into this Master Lease would be prohibited under U.S. law.

E. Tenant shall inquire diligently into and screen the qualifications of each employee, agent, or representative operating out of the Leased Premises, and no one that may pose a reasonably ascertainable risk to the safety or property of Wal-Mart or its affiliates or subsidiaries, associates, customers, or business invitees are permitted on Wal-Mart property. For purposes of this paragraph, "inquire diligently into and screen" means conducting a criminal background check in accordance with federal and state law, properly checking references, and using such other methods to determine qualifications that a reasonable and prudent employer might utilize under the circumstances. In addition, "risk" means any propensity to engage in violence, sex crimes, fraud, theft, vandalism, or any other conduct likely to result in harm to a person or property. Failure to comply with this provision constitutes a material breach of this Master Lease.

F. Tenant represents and warrants that it currently maintains information protection practices and procedures ("Information Security Program") that complies with industry best practice and applicable legal requirements relating to the privacy, confidentiality or security of any personally identifiable information ("PII").

(1) Tenant agrees to immediately notify Wal-Mart's Emergency Operations Center by phone (479) 271-1001 of any reasonably suspected or actual loss of PII or breach or compromise of its Information Security Program to the extent such loss, breach or

compromise relates in any way to Tenant's operation of the Leased Premises and has or may result in the loss or unauthorized access, disclosure, use or acquisition of PII, including hard copy records (a "Data Incident").

(2) While the initial phone notice may be in summary form, a comprehensive written notice should be given within forty-eight (48) hours to Wal-Mart's Chief Privacy Officer, 702 SW 8th Street, Bentonville, AR, and its Chief Information Security Officer, 805 Moberly Lane, Bentonville, AR. The notice shall summarize in reasonable detail the nature and scope of the Data Incident and the corrective action already taken or to be taken by Tenant. Tenant shall promptly take all necessary and advisable corrective actions, and shall cooperate fully with Landlord in all reasonable efforts to mitigate any adverse effects to Landlord of the Data Incident.

(3) Tenant acknowledges that it is solely responsible for the confidentiality and security of PII in its possession, custody or control to the extent associated in any way with Tenant's operation of the Leased Premises.

G. Tenant shall maintain the warranties and representations Tenant made under this Master Lease, all of which are remade and reaffirmed by Tenant when signing each new Attachment A, in full force and effect throughout the term of this Master Lease.

H. Any failure by Tenant to comply with its obligations under this Section 8.2 is a material breach.

8.3 **Landlord's Right of Removal**. Landlord, in its sole judgment and discretion, may deny entry to or remove from its premises any Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee, who violates any of Landlord's rules or regulations.

ARTICLE IX
RIGHT TO ACCESS & COMMON AREAS

9.1 **Landlord's Right to Access**. Landlord may enter the Leased Premises:

A. Upon reasonable notice to Tenant (except in the case of emergency, in which case no notice will be required) to either inspect the Leased

Premises; enforce any of Landlord's rules and regulations or enforce the terms and conditions of this Master Lease;

B. Upon reasonable notice to Tenant, either to effect repairs it is obligated to perform or to add, alter, improve, repair, or otherwise construct or maintain any part of the Store adjacent to the Leased Premises; and

C. With twenty-four (24) hours' advance notice to Tenant to show the Leased Premises to a prospective lender, lessee, or purchaser.

9.2 **"For Rent" or "For Lease."** Landlord may post "For Rent" or "For Lease" signs on the Leased Premises during the last ninety (90) days of the Leased Term if, in accordance with this Master Lease, Landlord and Tenant do not extend the Lease Term.

9.3 **Tenant's Right to Access.**

A. Tenant, its Sublessee, and the agent, customer, employee, or representative of each, has a limited right, during the Hours of Operation listed in Attachment A and immediately before and immediately after the Hours of Operation, to enter upon the Common Areas of the Store in order to conduct business in the Leased Premises.

B. Except as set forth in Article II (Construction and Acceptance of the Leased Premises) and Article VII (Repairs and Maintenance), Tenant has no rights or obligations related to the rooftop of the Leased Premises.

C. Tenant, with Landlord's prior consent, which will not be unreasonably withheld, conditioned or delayed, may enter Landlord's property for the limited purpose of servicing, maintaining, and otherwise performing its obligations in connection with this Master Lease at times the Store is not open to the public for business if Tenant, in no way, provides its services to the public during that time.

9.4 **Parking.** Tenant, its Sublessee, and the agents, employees, and representatives of each, while working in the Leased Premises, may park their motor vehicles in spaces designated by Landlord. Landlord may tow or cause to be towed, at the expense of the owner of the motor vehicle, any motor vehicle owned by Tenant, its Sublessee, or the agents, employees, and representatives of each that is parked in any area of Landlord's property other than the parking area designated. Landlord will not be liable to Tenant or its Sublessee or either of their agents,

employees or representatives for any damage to or theft of their motor vehicles or any personal property contained in their motor vehicles.

9.5 **Landlord's Liability**. If Landlord enters the Leased Premises according to the provisions of this Master Lease, Landlord is not liable to Tenant for any loss, liability, or damages resulting from Landlord's entry except to the extent such losses, liabilities or damages arise from Landlord's gross negligence or willful misconduct. If Landlord enters the Leased Premises during the Hours of Operation, Landlord will use commercially reasonable efforts not to interfere with Tenant's business, and Landlord will not be liable to Tenant for any loss, including lost profits, for any resulting business interruption, except for losses, other than lost profits, to the extent such interruption arises from Landlord's gross negligence or willful misconduct.

9.6 **Common Areas**. Despite the preceding Sections, Landlord may close or prohibit the use of any Common Area, in part or in whole; may change the location or appearance of the Common Area; or may erect additional structures in the Common Area, provided such changes do not materially impact access to the Leased Premises.

ARTICLE X
TRANSFER OF INTEREST, SUBORDINATION & ATTORNMENT

10.1 **Transfer of Tenant's Interest**. During the term of this Master Lease, Tenant may not, without the prior written consent of Landlord, which Landlord may withhold in its sole discretion, take any of the following actions (individually and collectively, a "Transfer"):

A. transfer, encumber, pledge, or sublease, its interest in this Master Lease, either in its entirety or as to a particular Leased Premises, or an applicable Leased Premises, other than to an Affiliate;

B. permit any transfer of its interest in this Master Lease by operation of law other than a transfer by operation of law to an Affiliate;

C. permit any person or entity other than Tenant to use the Leased Premises;

D. cause or permit Tenant's dissolution, merger, or consolidation, other than a merger;

E. transfer, at any time during the term of this Master Lease, more than an aggregate of fifty percent (50%) of Tenant's voting shares or more than

fifty percent (50%) of the value of Tenant's unencumbered assets (as of the date of the transfer);

F. transfer, at any time during the term of this Master Lease, any part or all of Tenant's shares of stock resulting in the majority owner(s) of said shares of stock as of the day Tenant signs this Master Lease no longer maintaining effective voting control of Tenant.

10.2 **Effect of Unauthorized Transfer**. Subject to the exceptions in Section 10.1, any Transfer or attempted Transfer without Landlord's prior written consent will be void, will not confer any rights upon any third person, and will constitute a material breach of this Master Lease.

10.3 **Requesting Landlord's Consent**.

A. Any request for Landlord's consent pursuant to this Article X must be in writing and include:

(1) The proposed effective date of the Transfer, which should not be less than forty-five (45) days nor more than one hundred eighty (180) days in advance of the notice;

(2) All of the terms, including the consideration, of the proposed Transfer, the name and address of the proposed transferee, and a copy of all documentation pertaining to the proposed Transfer; and

(3) The current audited financial statements of the proposed transferee or any other financial statements that would enable Landlord to determine the financial responsibility, character, and reputation of the proposed transferee.

B. Tenant shall provide any additional information Landlord reasonably requests in connection with the proposed Transfer.

10.4 **Effect of Consent**.

A. If Landlord consents to any Transfer, that consent is not effective until and unless:

(1) Landlord receives a copy of the assignment effecting the Transfer, in a form approved by Landlord in its sole discretion; and

(2) The transferee delivers to Landlord a written agreement, in form and substance satisfactory to Landlord in its sole discretion, by which the transferee assumes all of the obligations and liabilities of Tenant under this Master Lease.

B. Any consent by Landlord to a Transfer does not constitute a waiver by Landlord of any prohibition against any future Transfers.

C. No Transfer relieves Tenant of any obligations under this Master Lease.

10.5 **Transfer Premium**.

A. For the purposes of this provision, "Transfer Premium" means all Rent or other consideration payable by the Transferee in any monthly period that is in excess of the Rent payable by Tenant under this Master Lease in the same monthly period.

B. Tenant promptly, without notice or demand, shall pay Landlord fifty percent (50%) of any Transfer Premium Tenant receives in connection with a Transfer.

C. Tenant shall pay Landlord, in a form satisfactory to Landlord, any part of the Transfer Premium Tenant receives in a non-cash form.

D. In lieu of accepting any payment from Tenant of a Transfer Premium, Landlord may elect, upon ninety (90) days' written notice, to increase the Rent due under this Master Lease as to the transferred Leased Premises by an amount equal to Landlord's share of the monthly amount of the Transfer Premium.

E. Landlord and its authorized representatives have the right to conduct an audit, relating to any Transfer Premium, of Tenant at Tenant's place of business during Tenant's regular work hours and with reasonable notice. If the audit establishes that Tenant underpaid Landlord's percentage of the Transfer Premium, Tenant, within thirty (30) days following receipt of written demand, will pay the deficiency and Landlord's costs of such audit. If the deficiency is greater than five percent (5%), Landlord may terminate this Master Lease as to the transferred Leased Premises. If the audit establishes that Tenant overpaid Landlord's percentage of the Transfer Premium, Landlord, within thirty (30) days following receipt of written demand by Tenant, will reimburse Tenant the amount of the overage.

F. This provision does not apply to:

(1) Any Transfer between Affiliates,

(2) Payments made by a transferee for Tenant's customer deposits, or

(3) Tenant's furniture, fixtures, and equipment.

10.6 **Transfer of Landlord's Interest**.

A. Landlord may transfer all or a part of its interest in the Store, the Common Areas, or the Leased Premises to a parent, subsidiary, or affiliated corporation of Landlord without prior consent or notice to Tenant.

B. If Landlord transfers its interest in this Master Lease as to a Leased Premises and the transferee assumes all of Landlord's future obligations under this Master Lease, Landlord will be released from any further obligations under this Master Lease as to the transferred interest from and after the date of such transfer. Tenant agrees to look solely to Landlord's transferee for performance of obligations thereafter arising under this Master Lease. Landlord will transfer to the transferee any Security given by Tenant according to Article IV (Rent Security & Taxes), Section 4.8 (Security Deposit), and Landlord will be discharged from any further obligation relating to the Security.

10.7 **Subordination**. Landlord may elect that this Master Lease, as to a particular Leased Premises, be subordinate to or paramount to the lien of any mortgage. Landlord's right to elect is self-operative, and no further instrument will be required. If Landlord requests, Tenant will do one or both of the following:

A. Confirm in writing and in a recordable form that this Master Lease, as to a particular Leased Premises, is subordinate to or paramount to (as Landlord elects) the lien of any mortgage; and

B. Execute an instrument making this Master Lease, as to the particular Leased Premises, subordinate or paramount (as Landlord may elect) to the lien of any mortgage, in a form as may be required by any applicable mortgagee.

10.8 **Attornment**. Tenant may not disaffirm any of its obligations under this Master Lease if Landlord transfers its interest in the Store or a particular Leased Premises to a successor. Landlord's successor and Tenant will attorn to and be

bound by the terms, covenants, and conditions of this Master Lease as to the affected Leased Premises for the balance of the Lease Term.

10.9 Non-Disturbance. Notwithstanding anything in this Article X to the contrary, provided Tenant is not in default under this Master Lease following any applicable notice and cure period, Landlord shall not disturb Tenant's occupancy of the Leased Premises. In addition, Landlord shall use commercially reasonable efforts to obtain non-disturbance agreements from any future mortgagees of Landlord.

ARTICLE XI
CASUALTY

11.1 Fire or Other Casualty. Tenant shall promptly notify Landlord, in writing, of any damage caused to a Leased Premises by casualty.

11.2 Election to Rebuild.

A. Landlord may elect to repair and restore structural damage to a Leased Premises damaged by casualty and shall notify Tenant of its election in writing within sixty (60) days after Landlord receives notice of the casualty damage.

B. If Landlord does not elect to repair and restore structural damage to a Leased Premises damaged by casualty, this Master Lease as to the applicable Leased Premises will terminate.

C. If Landlord elects to repair the structural damage to a Leased Premises damaged by casualty, Landlord, after notifying Tenant of its election, will diligently undertake the appropriate measures necessary to complete the repairs to the applicable Leased Premises in a commercially reasonable amount of time. Landlord will return the applicable Leased Premises to Tenant in substantially the same condition the applicable Leased Premises was in on the Delivery Date. Tenant will then complete the build out of the applicable Leased Premises with commercially reasonable diligence and return the applicable Leased Premises to substantially the same condition the applicable Leased Premises was in immediately prior to the casualty.

11.3 Rent Abatement. If Landlord elects to repair the structural damage to a Leased Premises damaged by casualty, Landlord may abate Rent due on the applicable Leased Premises to the extent that the:

A. Applicable Leased Premises is closed for repair, or

B. Tenant's operations within the Leased Premises are impaired by the structural damage and subsequent repairs.

ARTICLE XII
CONDEMNATION & EMINENT DOMAIN

12.1 **Total or Substantial Taking**. If a Taking of a Leased Premises, or a Store in which exists a Leased Premises, occurs, this Master Lease as to the applicable Leased Premises will terminate automatically as of the date of the Taking. For purposes of this Master Lease, "Taking" means any government action that deprives, directly interferes with, or substantially disturbs the use and enjoyment of the Leased Premises, any of which may occur because of either the exercise of the power of eminent domain or condemnation or resulting from a purchase in lieu thereof.

12.2 **Partial Taking**. If a Taking of only a portion of the Leased Premises, or of a Store in which exists a Leased Premises, occurs, Landlord may either:

A. Terminate this Master Lease, without liability, as to the applicable Leased Premises; or

B. Reduce the Base Rent in proportion to the area of the Leased Premises affected by the Taking until such time that portion of the Store or the Leased Premises is restored.

12.3 **Temporary Use**. If a Taking of the Leased Premises occurs for temporary use, this Master Lease will continue in full force and effect as to the applicable Leased Premises. Tenant will continue to comply with its obligations under this Master Lease, and any appendix, amendment, or attachment hereto; to the extent, compliance is possible because of the Taking for temporary use. If, during the temporary Taking, Tenant is unable, based on a commercially reasonable standard, to operate its business from the Leased Premises such that Tenant reasonably is unable to open the Leased Premises for business, Landlord will reduce Tenant's Rent in proportion with the number of days the Leased Premises is closed during the temporary Taking.

12.4 **Compensation**. Except as provided below, any compensation, arising out of the Taking of a Leased Premises belongs to and is the property of Landlord without any participation by Tenant. Tenant hereby assigns to Landlord any share of any compensation arising out of the Taking of a Leased Premises that may be

awarded to Tenant and waives any rights it may have with respect to the loss of its leasehold estate; provided, however, that Tenant shall have the right to any compensation award relating specifically to the Improvements or Trade Fixtures installed by Tenant.

ARTICLE XIII
INDEMNITY AND LIABILITY

13.1 Definitions. For the purposes of this Master Lease:

A. "Claim" means any action, cause of action, claim, or any other assertion of a legal right; damages including, but not limited to, consequential, future, incidental, liquidated, special, and punitive damages; diminution in value; fines; judgments; liabilities; losses including, but not limited to, economic loss and lost profits; and regulatory actions, sanctions, or settlement payments.

B. "Indemnitee" means:

(1) Landlord, its subsidiaries, affiliates, officers, directors, employees, agents, and

(2) Any lessor of Landlord or other party to an agreement with Landlord related to Landlord's purchase, lease, or use of the Store or the underlying land, which Landlord has a contractual obligation to indemnify for Claims in connection with the Store or the Leased Premises.

C. "Indemnified Claim" means a Claim for which Tenant is obligated to indemnify, defend, and hold harmless the Indemnitees according to Section 13.2 below.

13.2 Indemnification. Tenant shall indemnify, defend, and hold harmless the Indemnitees against any Claim, even if the Claim is groundless, fraudulent, false, or raised or asserted by a third party, including a government entity, in connection with or resulting from:

A. Any actual or alleged breach of this Master Lease by Tenant or Sublessee, or any agent, employee, or representative of either Tenant or Sublessee;

B. Any actual or alleged negligence or willful misconduct by Tenant or Sublessees, or their respective agents, employees, representatives, subcontractors, or customers, at or related to the Leased Premises;

C. An investigation of the Indemnitees concerning the alleged improper management, handling, storage, disposal, or transportation of Hazardous Substances, any of which Tenant is responsible for under this Master Lease and the actual or alleged improper use, handling, management, storage, transportation, and disposal of Hazardous Substances by Tenant, Sublessee, or any agent, employee, or representative of either Tenant or Sublessee;

D. Any Data Incident; and

E. Indemnitees' actual or alleged passive negligence, secondary liability, vicarious liability, strict liability, or breach of a statutory or non delegable duty, related, directly or indirectly, to any matter covered under Section 13.2 of this Master Lease.

13.3 Scope of Indemnity. Tenant's obligations under this Article XIII:

A. Are independent of, and not limited by, any of Tenant's obligations under Article XIV (Insurance) below, even if damages or benefits are payable under worker's compensation or other statutes or if Tenant breaches its obligations under Article XIV (Insurance) below.

B. Survive the termination or expiration of this Master Lease until applicable law fully and finally bars all Claims against Tenant. **ALL OBLIGATIONS UNDER THIS ARTICLE XIII WILL BE ENFORCED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW FOR THE BENEFIT OF THE INDEMNITEES.** In the event that applicable law affects the validity or enforceability of this Article XIII, that applicable law will operate to amend this Article XIII to the minimum extent necessary to bring the provisions of this Article XIII into conformity with the applicable law. This Article XIII, as modified, will continue in full force and effect.

C. Applies unless and until a final judicial decision, from which there is no further right to appeal, determined that the Indemnitees are not entitled to be indemnified, defended, and held harmless under this Master Lease.

13.4 Defense of Claim.

A. On receiving notice, from whatever source, of the Indemnified Claim, Tenant shall:

(1) Promptly notify Landlord of the assertion, filing, or service of any Indemnified Claim of which Tenant becomes aware; and

(2) Immediately take all appropriate actions necessary to protect and defend the Indemnitees regarding the Indemnified Claim.

B. Tenant shall cause the counsel selected by the Indemnitees to defend the Indemnitees with respect to the Indemnified Claim at Tenant's sole cost and expense, and to acknowledge receipt of, to accept, and to represent Indemnitees' interest regarding the Indemnified Claim in accordance with "Wal-Mart's Indemnity Counsel Guidelines."

C. If, in its sole discretion, the Indemnitees determine that a conflict of interest exists between the Indemnitees and the indemnifying counsel or that the indemnifying counsel is not pursuing a defense for the Indemnitees that is in the Indemnitees' best interests, the Indemnitees may request Tenant replace the indemnifying counsel.

(1) Tenant shall not unreasonably withhold its consent to replace the indemnifying counsel and will replace the indemnifying counsel timely or cause the indemnifying counsel to be replaced timely.

(2) If Tenant unreasonably withholds consent or the indemnifying counsel is not timely replaced after the Indemnitees requested, the Indemnitees may replace the indemnifying counsel, and Tenant will reimburse the Indemnitees any costs incurred by the Indemnitees in replacing the counsel.

13.5 Waiver. Tenant waives any right, at law or in equity, to indemnity or contribution from the Indemnitees.

13.6 Non-Liability of Landlord and Tenant.

A. Landlord will not be liable to Tenant or Sublessee, or any agent, employee, representative, or customer of Tenant or Sublessee, and Tenant will not be liable to Landlord, for any Claim relating to the negligence or willful misconduct of any of Landlord's customers, invitees, or other lessees or sublessees or any customers or invitees of Landlord's other lessees and sublessees.

B. Except to the extent that any of the following result from Landlord's gross negligence or willful misconduct, Landlord will not be liable to Tenant for

any Claim relating to the condition of the Store, the Common Areas, or the Leased Premises in connection with disrepair or defect in any:

(1) Structural element of the Leased Premises;

(2) Trade Fixtures, Improvements, wiring, or any of Tenant's installations;

(3) Backup of drains constructed or installed by Tenant; or

(4) Gas, water, steam, electricity, grease, or oil, leaking, escaping, or flowing, from any equipment, pipes, drains, wiring, Trade Fixtures, or Improvements installed or maintained by Tenant.

13.7 **Breach of Article XIII**. Any failure by Tenant to comply with this Article XIII is a material breach of this Master Lease, which does not relieve Tenant of its obligations under this Article XIII.

ARTICLE XIV
INSURANCE

14.1 **Insurance Required**. Tenant shall procure and maintain, at Tenant's own expense, the insurance policies described in the attached Appendix 2. All insurance policies required by this Master Lease must be obtained from an insurance company with a rating of A+ or better and a financial Size Category rating of VII or better as rated in the A.M. Best Key Rating Guide for Property and Casualty Insurance Companies ("Insurer"), unless self-insured as discussed in Section 14.3 below.

14.2 Requirements.

A. Tenant and its Sublessees bear the responsibility of insuring for fire and all risks, including risk of flood, earthquake, and terrorism, associated with the merchandise, Trade Fixtures, and Improvements related to the operation of the Leased Premises. At no time is Landlord liable for any Damage or Injury to Tenant's business property, Improvements, betterments, or Trade Fixtures or other property of Tenant within any of the Leased Premises due to fire or any other risk covered under a Causes of Loss – Special Form Insurance Policy or due to flood, earthquake, or terrorism.

B. Tenant shall submit to Landlord a Certificate of Insurance for each insurance policy required under this Article XIV and the attached

Appendix 2 naming "Wal-Mart Stores, Inc., Attn: Asset Management, 2001 S.E. 10th Street, Bentonville, AR 72716-5525" as the Certificate Holder. Additionally, each Certificate of Insurance must:

(1) Be submitted to Landlord at the address provided in the preceding sentence;

(2) Show the name and address of the Insurer;

(3) Show the policy number and date(s) of coverage for each policy procured by Tenant in satisfaction of its obligations under this Master Lease;

(4) Include the name, address, telephone number, and signature of the authorized person providing the Certificate of Insurance;

(5) Verify the insurance coverage required in this Article XIV and Appendix 2;

(6) Where permitted by law, list as Additional Insureds Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party that Landlord has a contractual obligation to indemnify in relation to Tenant's use of the applicable Leased Premises;

(7) Verify that Insurer waives subrogation in favor of Landlord and Landlord's affiliates and subsidiaries;

(8) Verify the insurance policies are primary, non-contributory, and not in excess of any insurance the Additional Insured has available to it; and

(9) Where permitted by law, provide coverage for punitive damages.

14.3 Self-Insured.

A. Landlord may accept self-insurance in lieu of the insurance policies set forth in this Article XIV and the attached Appendix 2 if Tenant provides to Landlord:

(1) A copy of the Certificate of Authority to Self-Insure its Worker's Compensation obligations issued by the state(s) in which the

Leased Premises will be located and a copy of the state-issued letter approving self-insurance for automobile liability, if required under this Master Lease;

(2) Proof that Tenant's net worth is at least ten (10) times the amount of Commercial General Liability insurance required by this Master Lease; and

(3) A copy of Tenant's most recently audited annual financial statements, with no negative notes, or the most recent Dun & Bradstreet report.

B. If Landlord accepts self-insurance in lieu of the insurance policies set forth in this Article XIV and the attached Appendix 2, Tenant hereby agrees to the obligations of any endorsement or Certificate of Insurance required under Section 14.2 above and that may be required under any appendix, amendment, or attachment hereto. Such obligations become Tenant's obligations under this Master Lease.

14.4 Mutual Waiver of Subrogation. Landlord and Tenant each hereby release the other from all liability or responsibility to the other or to any other party claiming through or under them by way of subrogation or otherwise or for any loss or damage to property caused by casualty that is customarily insured under a Causes of Loss – Special Form insurance policy or that is due to flood, earthquake, or terrorism. This mutual waiver applies only to Damage or Injury to Tenant's business property, Improvements, betterments, or Trade Fixtures within any of the Leased Premises occurring during the time when Tenant's business property, Improvements, betterments, or Trade Fixtures within any of the Leased Premises are covered under a Causes of Loss – Special Form insurance policy or are due to flood, earthquake, or terrorism for which Tenant has insurance coverage.

14.5 Breach. Failure to procure and maintain the insurance required under this Article XIV and the attached Appendix 2 constitutes a material breach of this Master Lease. Tenant shall indemnify, defend, and hold harmless the Indemnitee against Indemnified Claim that the required insurance would have covered but for Tenant's breach.

14.6 Insurance Obligation is in Addition to Other Obligations. Tenant's obligations under this Article XIV and the attached Appendix-2 are in addition to, not in lieu of, Tenant's other obligations, including Tenant's obligations under Article XIII (Indemnity and Liability), to Landlord under this Master Lease.

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ARTICLE XV
CONFIDENTIALITY

15.1 The terms and provisions of this Master Lease affect present and future negotiations Landlord or Tenant may have with another party. As such, Landlord and Tenant, and the agents, employees, representatives, and Sublessee of each, shall each keep the same confidential, disclosing only such information as is required by law or by mutual, written agreement between Landlord and Tenant.

15.2 Neither Landlord nor Tenant shall disclose any information that the other may mark as confidential or proprietary including, but not limited to, lists of available rental space and marketing plans, schedules, sales figures, sales projections, financial statements or other financial information that Landlord or Tenant may make available or known to the other party, disclosing only such information as is required by law or by mutual, written agreement between Landlord and Tenant.

15.3 Failure to comply with this Article XV is a material breach of this Master Lease.

ARTICLE XVI
COVENANT OF QUIET ENJOYMENT

16.1 Landlord covenants that Tenant peaceably and quietly may enjoy the Leased Premises in accordance with, and subject to, the terms of this Master Lease and without any interruption or disturbance from Landlord, provided Tenant:

A. Pays Rent and all other charges provided for in this Master Lease and any appendix, amendment, or attachment hereto,

B. Performs all of its obligations provided for under this Master Lease, and

C. Observes all of the other provisions of this Master Lease.

ARTICLE XVII
DEFAULT, TERMINATION, SURRENDER, TENANT'S LIABILITY, RIGHT OF REENTRY, TENANT'S WAIVERS, LANDLORD'S RIGHT TO PERFORM, CUMULATIVE RIGHTS

17.1 Default Each of the following events constitutes a Default of this Master Lease:

A. Tenant files for Insolvency or is adjudicated Insolvent. For the purposes of this Master Lease, "Insolvency" means any petition filed by Tenant in

bankruptcy, for reorganization or arrangement, or for appointment of a receiver or trustee; Tenant acquiescing to a petition for bankruptcy, reorganization, arrangement, or the appointment of a receiver or trustee by a creditor; or any assignment by Tenant for the benefit of a creditor.

B. A petition for Insolvency is filed against Tenant, to which Tenant does not acquiesce, and that, within sixty (60) days following the filing, is not dismissed, discontinued, or vacated.

C. Tenant's interest in this Master Lease, in its entirety or as to a particular Leased Premises is assigned by operation of law, except to the extent permitted under Article X (Transfer of Interest, Subordination and Attornment) hereof.

D. Tenant fails to pay any installment of Rent or any other charge, to which Tenant is obligated by this Master Lease to pay when due and payable, and the failure to pay continues for more than ten (10) days after the date due and such failure occurs more than two (2) times in any twelve (12) month period.

E. Tenant breaches any material obligation or covenant under this Master Lease.

F. Tenant breaches any non-material obligation or covenant under this Master Lease more than two (2) times in any twelve (12) month period, and each breach remains uncured thirty (30) days after Tenant receives written notice of the breach from Landlord.

G. After the Rent Commencement Date, Tenant materially deviates from the Hours of Operation designated in Attachment A more than two (2) times in any twelve (12) month period following Landlord's written notice on each occasion, without Landlord's prior, written approval or as otherwise allowed under this Master Lease.

17.2 Termination for Default. Landlord may terminate this Master Lease, in its entirety or as to a particular Leased Premises, without any liability, if Tenant Defaults, as defined in Section 17.1 above, or elsewhere in this Master Lease, upon ten (10) days prior written notice to Tenant. However, Landlord may wait to terminate this Master Lease, in its entirety or as to a particular Leased Premises, until after it re-lets the Leased Premises in accordance with this Article, and in such event Tenant shall pay Landlord all sums due Landlord under this Master Lease up through the date of such termination.

17.3 **Condition Upon Surrender at Termination or Expiration**. See Attachment A for each applicable Leased Premises.

17.4 **Landlord's Right of Reentry**. If Tenant fails to surrender the applicable Leased Premises in accordance with this Article, Landlord, its agents, employees, or representatives, without prejudice to any right or remedy available to Landlord under this Master Lease, at law, or in equity and subject to applicable law, may:

A. Re-enter and repossess the applicable Leased Premises and do one or more of the following:

(1) Dispose of any property, Trade Fixtures, or Improvements remaining therein.

(2) Re-let the Leased Premises, and if Landlord re-lets the Leased Premises for Rent and other charges equal to or greater than the Rent and other charges for which Tenant remains liable, Tenant will be released from further liability under this Master Lease.

(3) Use all or a portion of the Leased Premises, in which case the fair market value of the applicable Leased Premises, or the portion of that Leased Premises used, will be used in calculating Tenant's liability described in Section 17.5 below. If the fair market value equals or is greater than the Rent and other charges for which Tenant remains liable, Tenant will be released from further liability under this Master Lease.

(4) Demand full and final settlement, whereupon Tenant shall pay Landlord the present value of the total of all future Rent that would come due under this Master Lease but for the termination of this Master Lease, plus other charges that may apply under this Master Lease, less the fair market value of the particular Leased Premises. Present value will be calculated at eight percent (8%).

B. Continue this Master Lease in full force and continue to look to Tenant to perform all Tenants' obligations under this Master Lease, but Landlord may pursue Tenant for damages incurred or equitable relief or both.

17.5 **Survival of Tenant's Liability**. Upon termination of this Master Lease, in its entirety or as to a particular Leased Premises and without prejudice to any right or remedy available to Landlord under this Master Lease, at law, or in equity and subject to applicable law, Tenant shall remain liable for

A. Unpaid Rent and other charges;

B. Damages for its failure to perform other obligations;

C. Expenses Landlord incurs in the course of evicting Tenant and re-entering the Leased Premises, including reasonable attorneys fees and court costs; and

D. Unless Tenant surrenders the Leased Premises in accordance with this Article, any cost incurred by Landlord in returning the Leased Premises to the same condition in which Tenant received the Leased Premises on the Delivery Date, less any revenue received by Landlord by re-letting the Leased Premises, less any claim Landlord successfully makes against the Security required pursuant to Article IV (Rent, Security & Taxes) Section 4.8 above.

17.6 **Tenant's Waivers**. Landlord and Tenant waive any right to trial by jury on all issues in all litigation between Landlord and Tenant arising from or relating to this Master Lease, and Tenant, additionally, waives any:

A. Right to withhold or reduce Tenant's required payments of Rent and other charges for which Tenant is obligated under this Master Lease;

B. Statutory requirements of prior, written notice before filing for eviction or for any damages suit for non-payment of Rent;

C. Claim for damages against Landlord resulting from Landlord's re-entry, except for damages arising from Landlord's gross negligence or willful misconduct;

D. Rights to bring any counterclaim, proceeding, or other cause of action in relation to dispossession, other than compulsory counterclaims; and

E. To the extent legally permissible, for itself and all persons claiming by, through, or under it, any right of redemption or for the restoration of the operation of this Master Lease under any present or future law in case Tenant is dispossessed for any cause or in case Landlord obtains possession of the Leased Premises as herein provided.

17.7 **Landlord's Right to Perform for Account of Tenant**.

A. If Tenant Defaults under this Master Lease, Landlord may cure the Default at any time for the account of and at the expense of Tenant, and

Tenant will reimburse Landlord for any amount, including reasonable attorneys fees and interest, expended in connection therewith.

B. If either party seeks enforcement of this Master Lease by litigation and prevails, the non-prevailing party will reimburse the prevailing party for its reasonable attorneys' fees and disbursements reasonably incurred in connection with the litigation.

C. In addition to all other obligations under this Master Lease, Tenant shall pay interest to Landlord, at the maximum lawful rate, on the amount specified in Sections 17.7.A and 17.7.B above, from the date Landlord incurs the expense until the day reimbursed.

17.8 **Cumulative Rights.**

A. Landlord's and Tenant's rights and remedies set forth in this Master Lease are cumulative and in addition to any other right and remedy now and hereafter available to Landlord or Tenant by this Master Lease, at law or in equity. Either party may exercise its rights and remedies at any time, in any order, to any extent, or as often as such party deems advisable.

B. A single or partial exercise of a right or remedy will not preclude a further exercise of that or another right or remedy.

C. No action, inaction, delay, or omission by either party in exercising a right or remedy exhausts or impairs the same or constitutes a waiver of, or acquiescence to, a breach of this Master Lease or Default.

D. If either party waives a breach of this Master Lease or a Default, that waiver does not extend to or affect any other breach of this Master Lease or any other Default, nor will it impair any right or remedy with respect thereto.

E. Acceptance by Landlord of Rent after Landlord notifies Tenant of termination does not waive Landlord's right to terminate or pursue any other right and remedy available to Landlord under this Master Lease, at law, or in equity.

17.9 **Landlord's Default.**

A. Landlord's failure to perform any of its obligations under this Master Lease may constitute a default of this Master Lease, in its entirety or as to the particular Leased Premises affected by Landlord's failure to perform,

if Tenant notifies Landlord, in writing, of Landlord's failure to perform, and Landlord fails to cure the failure to perform within at least thirty (30) days after Landlord receives Tenant's notice, or such longer period of time as may reasonably be necessary to cure the type of alleged breach under the circumstances, provided that Landlord commences to cure within the initial thirty (30) day period and thereafter diligently pursues completion of such cure. Notice required under this Section must include a description of the particular facts and circumstances alleged giving rise to the alleged breach and the date of commencement of the alleged breach.

B. If Landlord defaults on this Master Lease, Tenant, in addition to any other rights or remedies to which it is entitled at law or in equity, may:

(1) Treat this Master Lease as still in full force and effect continuing to look to Landlord to perform its obligations under this Master Lease but seek damages or equitable relief, or both; or

(2) Terminate this Master Lease, in its entirety or as to the applicable Leased Premises, with thirty (30) days' written notice stating the date on which Tenant will vacate the Leased Premises. If Tenant fails to timely vacate the Leased Premises, Tenant's notice of termination will be deemed void; the Master Lease, in its entirety or as to the applicable Leased Premises, will continue in full force and effect and Landlord will be deemed to have cured any alleged breach.

C. Regardless of which remedy Tenant pursues, **LANDLORD'S LIABILITY FOR DEFAULT UNDER THIS MASTER LEASE, AT LAW OR IN EQUITY, WILL NOT EXCEED AN AMOUNT EQUAL TO ONE (1) YEAR'S RENT PAID BY TENANT FOR THE LOCATION IN WHICH LANDLORD WAS FOUND IN DEFAULT.**

17.10 **Force Majeure**. If a force majeure occurs, the time that the force majeure delays performance by either Landlord or Tenant will be excluded from the computation of time within which Landlord, Tenant, or both, must perform under this Master Lease. For purposes of this Master Lease, a force majeure is a strike, riot, act of God, shortage of material, war, governmental law, regulation, or restriction, or any other cause of any kind that is beyond the reasonable control of the party owing performance.

ARTICLE XVIII
HOLDING OVER & ESTOPPEL CERTIFICATES

18.1 **Holding Over**. If Tenant remains in possession of the Leased Premises after the expiration of the Lease Term without a new Attachment A or Master Lease executed by both Landlord and Tenant, Tenant will be a "Holdover Tenant." As a Holdover Tenant, Tenant will occupy the Leased Premises on a month-to-month basis with a monthly rental rate equal to the Rent and other charges applicable at the time of the expiration of the Master Lease plus fifty percent (50%) of the sum of such amounts. Further, Tenant will be subject to all conditions, provisions, and obligations of this Master Lease as far as the same are applicable to a month-to-month tenancy.

18.2 **Estoppel Certificates**. Tenant, within ten (10) days of Landlord's request, shall deliver to Landlord an executed, written statement addressed to the party designated in Landlord's request and identifying Tenant and this Master Lease and certifying and confirming, in addition to any information or confirmation Landlord may reasonably require, the following:

A. That this Master Lease is either unmodified since its execution and in full force and effect, or modified since its execution but still in full force and effect as modified;

B. That Landlord either is not in default of any of its obligations under this Master Lease or is in default, specifying the default;

C. Tenant's obligations and restrictions concerning subordination and attornment; and

D. The Lease Term, Rent Commencement Date, and Expiration Date as to the Leased Premises for which the estoppel certificate applies.

18.3 **Agent-in-Fact**. Tenant's failure to provide an estoppel certificate materially complying with Section 18.2 above is a material breach of this Master Lease and Landlord may pursue any rights or remedies it may have under this Master Lease, at law, on in equity..

ARTICLE XIX
INTERPRETATION, NOTICES & MISCELLANEOUS

19.1 **Severability**. If a court of proper jurisdiction determines that any provision of this Master Lease, or any application of the provision, is invalid or

unenforceable, the remainder of this Master Lease, or the applications of the provision that are not invalid or unenforceable, will remain in full force and effect to the fullest extent permitted by law.

19.2 **Captions**. The captions and headings used throughout this Master Lease are for convenience of reference only and do not affect the interpretation of this Master Lease.

19.3 **Merger**. This Master Lease, together with any Attachment A, exhibit, addendum, amendment, or any other document attached to and incorporated into this Master Lease, constitutes the entire agreement between Landlord and Tenant, a complete allocation of risks between them, and a complete and exclusive statement of the terms and conditions of this Master Lease. This Master Lease is merged into by and supersedes all prior written or oral agreements, leases, licenses, negotiations, dealings, and understandings, unless specifically provided otherwise in Appendix 1. Except for changes to the Delivery Window and Delivery Date designated in the applicable Attachment A, no amendment or other modification of this Master Lease will be valid or binding on either Landlord or Tenant unless it is reduced to writing and signed by both Landlord and Tenant.

19.4 **Survival**. The following provisions of this Master Lease survive the termination, for whatever reason, of this Master Lease: Article XIII (Indemnity and Liability), Article XIV (Insurance), Article XV (Confidentiality), Article XVII (Default, Termination, Surrender & Tenant's Liability), Article II (Construction and Acceptance of the Leased Premises) Section 2.4, Article XVIII (Holding Over & Estoppels Certificate) Section 18.1, and Appendix 2.

19.5 **Third Party Beneficiaries**. Nothing in this Master Lease confers, or intends to confer, any rights upon any person or entity not a party to this Master Lease, except for the Indemnitees identified in Article XIII (Indemnity and Liability) Section 13.1.B above.

19.6 **Benefit & Binding Effect**. The terms, provisions, and covenants contained in this Master Lease apply to, inure to the benefit of, and are binding on Landlord and Tenant and their respective heirs, successors, and assignees.

19.7 **Fiduciary Relationship**. This Master Lease does not create a fiduciary relationship between Landlord and Tenant. Any expenditures, investments, or commitments either party makes in reliance on any present or future business or lease with the other party is done at such party's own risk and without any obligation whatsoever from the other party.

19.8 **No Obligation**. Landlord has no obligation to offer, nor does the course of performance under this Master Lease create any obligation on Landlord to offer, any number of locations for lease to Tenant. Any locations offered for lease to Tenant in accordance with this Master Lease are in the sole and absolute discretion of Landlord. Landlord, in its sole discretion and at any time, may cease offering locations to Tenant, and this Master Lease will continue in full force and effect solely with regard to those Leased Premises for which both Landlord and Tenant have signed an Attachment A. Landlord may lease locations that Landlord might otherwise offer to Tenant under this Master Lease to any party that Landlord chooses including, without limitation, Tenant's competitors. Tenant recognizes and agrees that this Master Lease creates no exclusive rights in Tenant's favor.

19.9 **Independent Contractors**. Nothing contained in this Master Lease creates a partnership, joint venture, principal/agent relationship, or any other relationship other than that of landlord/tenant between Landlord and Tenant.

19.10 **Notice**. Any notice required by this Master Lease must be in writing and delivered either by hand; by commercial courier; or by placing notice in the U.S. mail, certified mail, return receipt requested, properly addressed and with sufficient postage.

A. Notice is deemed received on:

(1) Delivery if by hand;

(2) One (1) business day (Monday through Friday) after deposit with a commercial courier, provided deposit is done timely so as to effect next business day delivery, if by commercial courier; or

(3) Three (3) business days after placing the notice in the U.S. mail, properly addressed and with sufficient postage for certified mail, return receipt requested.

B. Notice intended for Tenant must be sent to the address provided in Appendix 1.

C. Notice intended for Landlord must be sent to: Wal-Mart Stores, Inc., Asset Management, 2001 SE 10th Street, Bentonville, AR 72716-5525, with a copy to: Wal-Mart Stores, Inc., Wal-Mart Stores Division – Legal, Office of the General Counsel, 702 SW 8th Street, Bentonville, AR 72716-0185. Any notices required pursuant to Article VIII (Compliance with Law & Other Requirements), Section 8.2.F must be sent to the addresses provided in that Section.

19.11 **Governing Law**. This Master Lease, and any property or tort disputes between Landlord and Tenant, will be construed and enforced in accordance with the laws of the State of Arkansas, without regard to the internal law of Arkansas regarding conflicts of law. Neither Landlord nor Tenant may raise in connection therewith, and hereby waive, any defenses based on venue, inconvenience of forum, or lack of personal jurisdiction, in any action or suit brought in accordance with the foregoing.

19.12 **Jurisdiction and Venue**. For any suit, action, or legal proceeding arising from this Master Lease or from any property or tort dispute between Landlord and Tenant, Landlord and Tenant consent and submit to the exclusive jurisdiction and venue of the state courts of Arkansas situated in Benton County, Arkansas or the federal courts situated in the Western District of Arkansas. **Landlord and Tenant acknowledge that they have read and understand this clause and willingly agree to its terms.**

19.13 **Attorney's Fees**. Except as otherwise provided in this Master Lease, if either party commences an action in a court of law against the other party to enforce the terms of this Master Lease, to declare rights under this Master Lease, or for any other reason related to this Master Lease, each party will pay its own attorney's fees and costs incurred as a result of that action.

19.14 **Broker's Fees**. Tenant represents and warrants that it has not consulted or negotiated with any broker or finder with regard to the Leased Premises. Tenant covenants and agrees to indemnify and hold harmless Landlord from any claims for fees or commissions from anyone with whom Tenant has consulted or negotiated with regard to the Leased Premises.

19.15 **Counterparts**. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument. This Agreement may be executed by one or more parties using an electronic signature, which the parties agree shall be binding for all purposes and shall constitute an original signature.

[Signatures on following page]

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Landlord:

WAL-MART STORES, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART STORES EAST, LP

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART STORES TEXAS, LLC

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART LOUISIANA, LLC

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART STORES ARKANSAS, LLC

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

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WAL-MART PUERTO RICO, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

SAM'S WEST, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

SAM'S EAST, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

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Tenant:

REGIS CORP.

By: DocuSigned by: Kim Ellis
Name: Kim Ellis
Title: Senior Vice President, Development
Date: February 25, 2013

DocuSign Envelope ID: 97202FF5-C4F2-48D4-AA38-23270B117F4A

APPENDIX-1

Basic Lease Terms

The following terms and conditions supplement the terms and conditions set forth in the Master Lease, to which this Appendix-1 attaches and into which this Appendix-1 incorporates. All capitalized terms used in this Appendix-1 shall have the meanings set forth in the Master Lease unless otherwise specifically stated in this Appendix-1.

1. **Permitted Use of the Leased Premises:** During the Lease Term of the applicable Leased Premises, Tenant shall use the applicable Leased Premises solely for the purpose of the retail sale of hair care services, facial waxing services and related sale of professional hair care products; provided that space allocated to such products and merchandise does not exceed thirty-three percent (33%) of the total floor space in each location. Tenant may not trade merchandise that conflicts with Landlord's merchandise without prior written approval (the "Permitted Uses"). Tenant shall operate in a diligent and businesslike manner in conformity with Tenant's standards and policies. During the Lease Term of the applicable Leased Premises, Tenant shall not offer or provide any additional services or products in the Leased Premises, or change the use of the Leased Premises unless previously approved by Landlord, in its sole discretion.

2. **Leased Premises Specifications:**

   a. Tenant may submit change orders up to one hundred eighty (180) days prior to the applicable Delivery Date.

      (1) Landlord will use reasonable efforts to comply with change orders received by Landlord more than one hundred eighty (180) days prior to the applicable Delivery Date. Landlord, in its sole discretion, may comply with any change orders Landlord receives from Tenant that is one hundred eighty (180) days or less in advance of the applicable Delivery Date.

      (2) Tenant, upon execution of the applicable Attachment A, will identify to Landlord the name, title, and contact information of the individual Tenant authorizes to effect change orders for the applicable Leased Premises. Tenant may not modify this designation without written notice to Landlord at least ten (10) days prior to the date on which Tenant desires the change to be effective.

      (3) Tenant shall pay any cost and expense resulting from Tenant's change order(s) including but not limited to, construction costs, architectural fees, engineering fees, and legal fees.

   b. In addition to its obligations under the Master Lease, Tenant shall clean and maintain the floors of the Leased Premises.

   c. Tenant's obligations under this Section 2 are in addition to, and not in lieu of, Tenant's obligations to prepare the Leased Premises in accordance with Article II of the Master Lease.

   d. Landlord shall deliver the Lease Premises in accordance with the Master Lease.

3. **Trade Name(s):** SmartStyle; Cost Cutters; TGF

4. **Address of Tenant:** All notices required to be sent to Tenant under the Master Lease, or any Appendix, Attachment, Amendment, Exhibit, or other document attached to and incorporated into the Master Lease, must be sent to:

Name of Tenant:	Regis Corp.
Attention:	Lori Haskamp
Title:	Legal Department
Address:	7201 Metro Boulevard
	Minneapolis, MN 55439-2103
Telephone Number:	(952) 918-4724 (952) 947-7777
Facsimile Number:	(952) 995-3273
Email Address:	lori.haskamp@regiscorp.com

5. **Advisements:** Notwithstanding anything in the Master Lease to the contrary, Landlord shall not be liable to Tenant for any loss of business or loss of inventory resulting from any interruption whatsoever to the public utilities Landlord provides to the applicable Leased Premises pursuant to the Master Lease, provided such interruption was beyond Landlord's control.

6. **Representations and Warranties:** Tenant represents and warrants that the foundation of its business is the adherence by Tenant, and any franchisee, agent, employee, or sublessee of Tenant, to standards and policies established by Tenant to provide uniformed operation of its business. Tenant covenants that the Leased Premises will be diligently operated in a businesslike manner in accordance with the Master Lease and in conformity with the standards and policies referenced in the preceding sentence.

7. **Tenant's Disclosures and Reports:**

   a. Tenant shall provide Landlord, on a monthly basis submitted with Tenant's Rent, a list of the Leased Premises identified by Landlord's Store number, physical address, and (if Tenant leases more than one Leased Premises in a single Store) the specific floor location; the date on which each Leased Premises listed opened; whether the Leased Premises is operated by Tenant or by a Sublessee and, if operated by a Sublessee, the name, local and regional business address and phone number of the Sublessee; the phone number to each Leased Premises listed; and, if different from the Hours of Operation required in Article VI of Attachment A [Hours of Operation] for each Leased Premises listed..

   b. If Tenant is obligated to pay Landlord Percentage Rent, as designated in each applicable Attachment A to the Master Lease, Tenant will daily submit to Landlord, in each Store in which Tenant operates out of a Leased Premises, daily sales data for the applicable Leased Premises. By the fifth (5th) calendar day of the following month, Tenant shall

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submit to Landlord a spreadsheet listing sales from the preceding month for each Leased Premises leased under the Master Lease. Sales must be listed according to the applicable Leased Premises and broken down by daily sales (if possible). If Tenant cannot provide a breakdown of daily sales as required in the preceding sentence, Tenant will provide a breakdown of weekly sales, and if Tenant is unable to provide a breakdown of daily sales and weekly sales, Tenant will provide a breakdown of monthly sales. Upon receipt of this spreadsheet, Landlord will compile the daily sales data Tenant submitted over the course of that month and will calculate the aggregate Percentage Rent due from Tenant for all Leased Premises leased under the Master Lease.

c. If Tenant is obligated to pay Landlord Percentage Rent, as designated in each applicable Attachment A to the Master Lease, Tenant shall maintain, at its corporate headquarters or principal place of business and for at least twenty-four (24) months following the end of Landlord's fiscal year, full and accurate books of account and records from which Gross Sales (as defined in the applicable Attachment A) can be determined. Until the end of the twenty-four (24) month period in which Tenant is obligated to maintain its books of account and records, Landlord has the right to inspect and audit all books and records and other papers and files of Tenant or its Sublessees relating to Gross Sales. Any such inspection or audit will be conducted during Tenant's regular business hours, and, at the request of Landlord, Tenant and each Sublessee will produce the appropriate books and records and other papers and files relating to Gross Sales.

(1) If any audit conducted in accordance with this paragraph 7.c. finds evidence of under-reporting of Gross Sales by an amount equal to or greater than three and one-half percent (3.5%) of the total amount of Gross Sales reported, Tenant shall immediately pay to Landlord the amount under-reported, and Tenant shall bear all costs and expenses of the audit.

(2) Additionally, Tenant shall pay Landlord as Percentage Rent an amount equal to fourteen percent (14%) of the total amount of Gross Sales under-reported.

(3) If any audit conducted in accordance with this Paragraph 7.c. finds evidence of over-reporting of Gross Sales by an amount equal to or greater than three and one-half percent (3.5%) of the total amount of Gross Sales reported, Landlord shall immediately reimburse to Tenant the amount over-reported, but Tenant shall bear all costs and expenses of the audit.

8. **Miscellaneous:**

a. Tenant shall strictly comply with local, state, and national codes and current N.F.P.A. requirements, as periodically updated. Installation of fire extinguishers must be in accordance with applicable codes and requirements and must meet Landlord's insurance underwriter's requirements.

b. This Appendix-1 attaches to and incorporates into the Master Lease as part of the entire agreement between Landlord and Tenant, as set forth in the Master Lease.

c. This Appendix-1 may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which, together, shall constitute one and the same instrument. This Agreement may be executed by one or more parties using an electronic signature, which the parties agree shall be binding for all purposes and shall constitute an original signature.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date(s) first set forth below.

Landlord:

WAL-MART STORES INC.

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

Landlord:

WAL-MART STORES EAST, LP

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

Landlord:

WAL-MART STORES TEXAS, LP

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

Landlord:

WAL-MART LOUISIANA, LLC

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

Landlord:

WAL-MART STORES ARKANSAS, LLC

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

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Regis Corp.

WAL-MART PUERTO RICO, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

SAM'S WEST, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

SAM'S EAST, INC.

By: DocuSigned by: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

Tenant:

REGIS CORP.

DocuSigned by:
Kim Ellis

By:
Name: Kim Ellis
Title: Senior Vice President, Development
Date: February 25, 2013

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Appendix-2 – Insurance

Tenant shall procure and maintain, in accordance with the Master Lease, the "primary" insurance policies described below in accordance with the below conditions.

1. Worker's Compensation insurance with statutory limits, or if no statutory limits exist, with minimum limits of $500,000 per occurrence, and Employer's Liability coverage with minimum limits of $1,000,000, for each employee for bodily injury by accident and for each employee for bodily injury by disease. Tenant shall cause Insurer to issue an endorsement providing stopgap insurance in monopolistic states in which a Leased Premises under this Master Lease may be located.

2. Commercial General Liability insurance with a $3,000,000 minimum limit per occurrence for each Leased Premises leased under the Master Lease or with per location aggregate limits for each Leased Premises leased under the Master Lease.

   a. The Commercial General Liability policy required under this Paragraph 2 should contain neither exclusion for contractual liability assumed by Tenant in a lease nor any Absolute Pollution exclusion, unless these coverages are provided by a separate policy with minimum limits equal to the Commercial General Liability policy limits required by this Paragraph 2.

   b. Any policy obtained to satisfy the obligations of this Paragraph 2 must list as Additional Insureds the parties described below in Paragraph 5.

   c. Tenant shall submit to Landlord, no later than thirty (30) days after the actual Rent Commencement Date, Certificates of Insurance and endorsements evidencing Tenant's compliance with this Paragraph 2.

3. Business Automobile Liability insurance with minimum combined single limits of $500,000 covering liability arising out of the operation of owned, hired, and non-owned vehicles.

4. Tenant may satisfy the minimum limits required in Paragraphs 1 and 2, above, by procuring and maintaining, in accordance with Article XIV of the Master Lease, Umbrella/Excess Liability insurance on an umbrella basis, in excess over, and no less broad than the primary liability coverage; with the same inception and expiration dates as the primary liability coverage it is in excess of; with minimum limits necessary to satisfy the required primary minimum limits; and which "drop down" for any exhausted aggregate limits of the primary liability coverage. Tenant shall cause Insurer to issue an endorsement to any policy Tenant procures in satisfaction of its obligations in this paragraph providing per location per occurrence limits or per location aggregate limits for each Leased Premises leased under this Master Lease and listing as Additional Insured the parties described below in Paragraph 5.

5. Additional Insureds are Wal-Mart Stores, Inc., its Subsidiaries and its Affiliates, and the directors, officers, shareholders, employees, agents, and representatives, and the respective successors and assigns of each, and any party Landlord has a contractual obligation to indemnify for Claims in connection with the Store or the Leased Premises.

[signature pages on following pages]

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Landlord::

WAL-MART STORES, INC.

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART STORES EAST, LP

By: Don Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART STORES TEXAS, LLC

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

WAL-MART LOUISIANA, LLC

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Date: February 26, 2013

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By: Don Etheredge
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Title: Senior Director
Date: February 26, 2013

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WAL-MART PUERTO RICO, INC.

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

SAM'S WEST, INC.

By: Don Etheredge
Name: Don R. Etheredge
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Date: February 26, 2013

SAM'S EAST, INC.

By: Don Etheredge
Name: Don R. Etheredge
Title: Senior Director
Date: February 26, 2013

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Tenant:

REGIS CORP.

By: DocuSigned by: Kim Ellis
Name: Kim Ellis
Title: Senior Vice President, Development
Date: February 25, 2013

Amended and Restated Attachment A

This Amended and Restated Attachment A ("Amendment") is effective as of _____ ("Effective Date"), by and between **Regis Corp.** ("Tenant") and **Wal-Mart** _____ ("Landlord" or "Walmart").

W I T N E S S E T H:

WHEREAS, Walmart and Tenant entered into a Wal-Mart Master Lease Agreement dated _____ ("Master Lease"), to govern vestibule space located various Walmart stores; and

WHEREAS, Walmart and Tenant entered into an Attachment A for the Leased Premises consisting of approximately ____ square feet of floor space in the Store commonly referred to by Landlord as Walmart #____, in the City of ____, State of _____. The Leased Premises is further depicted on Exhibit A, attached hereto. The Attachment A document and the Master Lease are collectively referred to as "Lease;"

WHEREAS, Walmart and Tenant desire to amend and restate the Attachment A in its entirety, as more fully set forth hereinafter; and

NOW, THEREFORE, in consideration of One Dollar ($1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

Recitations/Controlling Document. The recitations set forth above are true and correct and are incorporated herein by this reference. Any defined or capitalized terms used herein shall have the same meaning given such terms in the Lease, unless the context indicates otherwise. This Amendment shall amend and restate the Leased Premises' Attachment A in its entirety and the previous Attachment A document will be of no further force or effect as of the Effective Date, unless otherwise stated herein. This Amendment is an Attachment A that is attached to and made a part of the Master Lease. In the event of any conflict or ambiguity between the terms and provisions of this Amendment and the terms and provisions of the Lease, this Amendment shall control to the extent of such conflict or ambiguity.

Article I
DELIVERY DATE

The Delivery Date will be considered the same as the Effective Date of this Amendment, although the Tenant is already in operation at the Leased Premises.

Article II
LEASE TERM, EXTENSION/REMODEL, EXPIRATION AND SURRENDER

1. **Lease Term**. The Lease Term of the Leased Premises is hereby re-set and will start anew on _____ ("New Term Commencement Date") and start what is to be considered the first year of the Lease Term for the Leased Premises. The Lease Term for the Leased Premises will expire on the fifth (5) anniversary of the New Term Commencement Date or January 31 of the year following such anniversary if the anniversary of the New Term Commencement Date falls between July 1 and December 31 ("Expiration Date"), subject to the possible extension described below.

2. **Extension Option/Remodel Condition**.

   (a) Tenant shall have the option, at Tenant's sole discretion ("Extension Option" or "Extension Term") to extend the Lease Term as to the Leased Premises for one (1), five (5) year period,

subject to the terms and conditions of the Lease and this Amendment, including but not limited to subsections 2(b) and 2(c) below.

(b) Tenant shall notify Walmart no later than one hundred eighty (180) days prior to the Expiration Date of its desire to exercise the Extension Option for the Leased Premises ("Option Notice"). Such Option Notice must be in writing and Tenant may not be in default at the time of the Option Notice nor as of the date of the commencement of the Extension Term. In the event Tenant provides proper Option Notice and is not in default, but Tenant fails to meet either of the following criteria: (i) fails to achieve Minimum Gross Sales in the amount of one hundred fifty thousand dollars ($150,000) for the Leased Premises during the twelve (12) month period prior to the Option Notice; or (ii) fails to perform the Full Remodel by the Remodel Deadline (both as defined below), then Landlord may reject Tenant's exercise of its Extension Option for the relevant Leased Premises by providing Tenant written notice at least thirty (30) days prior to the Expiration Date and Tenant shall surrender and quit the relevant Leased Premises as stated herein. In order to be effective, any Extension Term must be evidenced by the signing of a new Attachment A for the Leased Premises.

(c) Notwithstanding anything to the contrary contained in the Lease, unless Tenant has completed a Full Remodel scope of work within the previous three (3) years, Tenant will, at its own expense, repair, update, remodel, modernize and redecorate the Leased Premises to be consistent with the mutually approved scope of work and the latest Walmart approved proto designs for Tenant's brand ("Full Remodel"). The Full Remodel shall include, but not be limited to, (i) all customer facing fixtures, signing and equipment will be in "like new" condition with no visible wear and tear on the surfaces; (ii) patch and paint; (iii) deep cleaning the interior by a professional service; (iv) specialty floors (those not furnished by Walmart) should be waxed or professionally maintained with any broken, chipped or missing flooring replaced; (v) specialty ceiling tiles (those not furnished by Walmart) should be steamed or replaced and the ceiling grid painted and (vi) remove any signage, fixtures and/or décor that is inconsistent with the latest Walmart approved proto design for Tenant's brand. The Full Remodel shall occur no later than forty-five (45) days prior to the Expiration Date, subject to the exceptions below ("Remodel Deadline").

(d) In the event the Remodel Deadline would be such that Tenant would be required to perform work on the Full Remodel during October 1 to January 4, then the Remodel Deadline (and the Expiration Date, if necessary), shall be automatically extended to the next March 31. If the Full Remodel is not completed by that March 31 deadline, then this Attachment A shall terminate on the Expiration Date. If the Full Remodel is completed as required, then the Extension Term shall be five years from the Expiration Date <u>before</u> it may have been extended.

For clarification, if the Expiration Date was January 31, 2020, and the Full Remodel Deadline would therefore have been December 17, 2019, and thus would automatically extend to March 31, 2020, then if the Full Remodel was completed by March 31, 2020, then the Extension Term would be five years starting on February 1, 2020.

3. <u>Modified Remodel SOW Upon Store Renovation and Other Future Full Remodel Requirements</u>.

(a) Notwithstanding anything to the contrary in Section 7.3(B) of the Master Lease, unless Tenant has completed a Full Remodel within the previous three (3) years, Tenant, at its own expense, agrees to perform the following minimum remodel scope of work at any time Landlord performs Store Renovations ("Modified Remodel SOW"): (i) restore all customer-facing fixtures, equipment, signing and marketing materials to "like new" condition; (ii) patch and paint all interior walls if needed in the Leased Premises; (iii) updated Tenant's overhead lighting to meet current

Tenant standards and (iv) replace any missing or damaged flooring and deep clean the Leased Premises. Tenant agrees to complete the Modified Remodel SOW prior to the time Landlord completes its Store Renovations. Alternatively, during Store Renovations, Tenant may choose to perform a Full Remodel. All repairs, updates, and upgrades Tenant contemplates must be previously approved by Landlord, which approval will not be unreasonably withheld, conditioned or delayed.

(b) At any time, if Tenant has been in the Leased Premises for any ten (10) consecutive years and has not performed a Full Remodel within that ten (10) years, then Tenant shall be in material breach of the Master Lease.

4. **Condition Upon Surrender or Termination**. Upon the expiration or earlier termination of the Lease as to the Leased Premises, for whatever reason, Tenant shall immediately remove all property and the Trade Fixtures from the Leased Premises. Additionally, Tenant shall surrender and quit the Leased Premises and shall either:

(a) return the Leased Premises to Walmart in a Surrender White Box condition as described on Exhibit B, attached hereto and made a part hereof; or

(b) pay Landlord a fee in the amount of twenty-five thousand dollars ($25,000) and surrender the Leased Premises in broom clean condition. Said fee shall increase at four percent (4%) per annum from the Rent Commencement Date.

Article III
RENT COMMENCEMENT DATE, RENT, LANDLORD BUYOUT, OTHER

1. **Base Rent**. From the Effective Date until the New Term Commencement Date, the Base Rent for the Leased Premises shall remain the same as stated in the Attachment A document in effective immediately prior to the Effective Date. Beginning on the New Term Commencement Date and continuing through any Extension Option, if applicable, Tenant shall pay Walmart monthly, the greater of Base Rent in the amount of one thousand dollars ($1,000) or Percentage Rent (as defined below) in accordance with the terms of the Lease; provided however that the Base Rent and Percentage Rent for the Leased Premises shall not exceed five thousand five hundred dollars ($5,500) per month. Upon the New Term Commencement Date, that date will then also be considered the Rent Commencement Date.

2. **Percentage Rent**.

(a) From the Effective Date until the New Term Commencement Date, the Percentage Rent for the Leased Premises shall remain the same as stated in the Attachment A document in effect immediately prior to the Effective Date.

(b) Beginning on the New Term Commencement Date and continuing through any Extension Option, if applicable, Percentage Rent shall be an amount equal to the product of (i) monthly Gross Sales in and from the Leased Premises and (ii) sixteen percent (16%) (the "Percentage Rent Rate").

(c) "Gross Sales" means the aggregate selling price of all merchandise sold or delivered at or from any part of the Leased Premises and the charges for all services sold or performed at or from any part of the Leased Premises or at any other location if the merchandise is taken from the Leased Premises or the order for services taken at the Leased Premises. In addition: (i) Gross Sales includes sales and charges for cash or credit, and credit sales shall be included in Gross Sales regardless of collections; (ii) Gross Sales excludes refunds made by Tenant to its

customers for merchandise originally included in Gross Sales but returned to Tenant; exchanges of merchandise between stores of Tenant where such exchanges are made solely for the convenient operation of Tenant's business; the amount of any city, county, or state sales tax on sales paid to a taxing authority by Tenant, but not by any vendor of Tenant; sales of gift certificates or gift cards, provided, however, all gift certificates or gift cards redeemed at the Leased Premises shall be included in Gross Sales, regardless of where they were purchased; and (iii) a sale shall be deemed to be made in the Leased Premises if the merchandise or services are ordered from the Leased Premises in person, via telephone, facsimile, internet, or other electronic means, or filled at the Leased Premises, or delivered from the Leased Premises.

(d) Tenant shall also provide annually, no later than the last day of the fourth month following Tenant's fiscal year end, Tenant's accounting officer's report, consistent with the definition of Gross Sales above, and the computation of Percentage Rent based upon that Gross Sales definition.

3. Other Fees. Common Area Maintenance Fee, Utility Reimbursement Fee, Leased Premises Improvement Charge, Key Money, Security, and Insurance Reimbursement Fee are all not applicable as to any future payments due as of the Effective Date for the Leased Premises.

4. Landlord Buyout Provision. Subject to the limitations set forth below in this section, Landlord may, without cause, terminate this Attachment A (the "Landlord's Termination Option"), with prior, written notice effective one hundred fifty (150) days after Tenant receives such written notice. In the event such termination occurs during the Lease Term, and provided that Tenant has made standard improvements during the Lease Term, Landlord shall pay to Tenant any early termination fee equal to the sum of (X) Tenant's prior 12-month average Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") from the Leased Premises multiplied by the number of months remaining in the Lease Term; and (Y) the unamortized portion of the cost of Tenant's Improvements (to include fixtures, furniture, equipment and décor, but only if part of the Tenant's standard specifications) to the applicable Leased Premises, calculated on a straight-line depreciation basis over said Lease Term.

Tenant will use commercially reasonable efforts to provide Landlord with Tenant's current EBITDA within four (4) business days following Landlord's request, and Tenant agrees that in no event will Tenant take more than fifteen (15) business days to provide Tenant's current EBITDA to Landlord.

It is expressly understood and agreed by the parties that the amount specified by the parties is reasonable and Landlord shall not be liable for any other cost or expense of Tenant ceasing operations in the applicable Leased Premises.

In no event during the first year following Tenant's surrender of the Leased Premises pursuant to the terms of this Section 4, may Landlord allow the Leased Premises to be used for the purpose of operating a hair care, nail care or salon business.

In any calendar year, Landlord may terminate a maximum of twenty (20) Attachment A's pursuant to Landlord's Termination Option for the purpose of evaluating new users. Notwithstanding the foregoing, if Landlord determines that a test of a new user has been successful, Landlord may terminate a maximum of one hundred (100) Attachment A's in any calendar year to further test said successful concept. In no event may Landlord terminate in excess of one hundred (100) Attachment A's pursuant to Landlord's Termination Option in any calendar year. This Section 4 shall not apply in case of a Store Closing as defined in Section 7.3D of the Master Lease.

Article IV
PERFORMANCE COVENANTS

In the event Tenant fails to achieve the Minimum Gross Sales for the Leased Premises in any year as set forth below, Landlord may elect (as determined in its sole and absolute discretion) to terminate the Master Lease and Attachment A for the Leased Premises upon ninety (90) days written notice to Tenant at a zero ($0) termination fee.

END OF LEASE YEAR	MINIMUM GROSS SALES
5	$150,000
6	$153,000
7	$156,060
8	$159,181
9	$162,365
10	$165,612

Article V
HOURS OF OPERATION

Tenant shall operate the Leased Premises:

a. Monday through Friday: Minimum 10 hours/day

b. Saturday: Minimum 10 hours

c. Sunday: Minimum 5 hours

d. Such additional hours during holiday season or special promotions as Landlord may determine on reasonable prior notice.

e. Upon written approval, such modified operating hours as Landlord's Home Office Leasing Manager may agree to from time to time, but in no event shall operating hours total less than fifty-five (55) hours per week.

Article VI
MISCELLANEOUS

1. **Subleasing**. Notwithstanding anything to the contrary contained in the Lease, and provided that neither Tenant nor Sublessee (if Sublessee is an existing sublessee of Leased Premises under the Lease) is in Default under the Lease, Landlord's consent shall not be required for a sublease of any of the entire space of the Leased Premises, to Sublessees pursuant to Subleases, provided that such Sublessee has not been previously evicted from or had its sublease as to a particular Leased Premises under the Lease terminated as a result of a Default, and further provided that all other applicable requirements of Article X of the Master Lease are satisfied.

2. **Authority**. Walmart and Tenant each represent and warrant to the other that each has the right, full power and absolute authority to enter into this Amendment in accordance with its terms.

3. **Counterparts; Facsimile**. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same agreement. The parties intend that facsimile signatures (including via pdf scan) or electronic signatures constitute original signatures and electronic signatures or a facsimile Amendment containing the signatures (original, facsimile or scan) of all parties is binding on the parties.

IN WITNESS WHEREOF, the Landlord and Tenant have caused this Amendment to be duly executed and to become effective as of the date first written above.

Landlord:

Wal-Mart _____

By:_____

Name:_____
Title:_____
Date:_____

Tenant:

Regis Corp.

By:_____

Name:_____
Title:_____
Date:_____

Exhibit A

LEASED PREMISES DEPICTION

Exhibit B

Surrender White Box

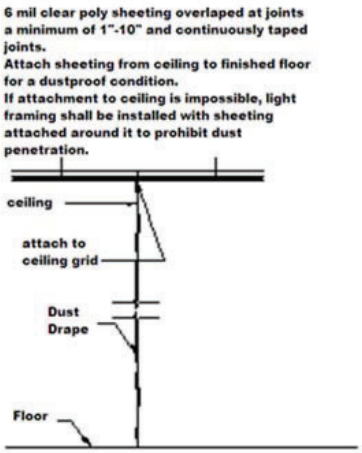
General Requirements

- Verify with the local authority having jurisdiction (AHJ) to find out if a permit is required for the scope of work and provide a copy of the permit or an email stating that a permit is not required to the Walmart Services Project Manager prior to commencing any construction activity.
- Discuss the scope of work, timelines and dumpster placement (if needed) with the store manager. All disruptive work (noise, fumes, gases, odor, airborne particulates, etc.) must occur overnight or during hours that have been approved by the store manager. The Tenant is responsible for all costs incurred to secure the applicable dumpster. If the store manager requests any changes to the Tenant approved scope of work it will need to be approved by the Walmart Services Project Manager prior to commencing any construction activity.
- Ensure all contractors are licensed and insured in the jurisdiction that the project is taking place.
- Install a temporary dust wall per the details and guidelines described below or an approved barricade before work commences.
- Not perform any work during the construction blackout (November 1 through January 1) unless approved by Walmart Services Project Manager.
- Execute the applicable checklist Surrendered White Box and email it to the Walmart Services Project Manager.
- Email final pictures of the completed Surrendered White Box space to the Walmart Services Project Manager.
    - Photos should include:
        - Completed interior space with a photo of each wall, floor, and the ceiling.
        - Interior bulk head.
        - Completed exterior of building where the sign was removed if applicable.

Temporary Dust Wall Detail

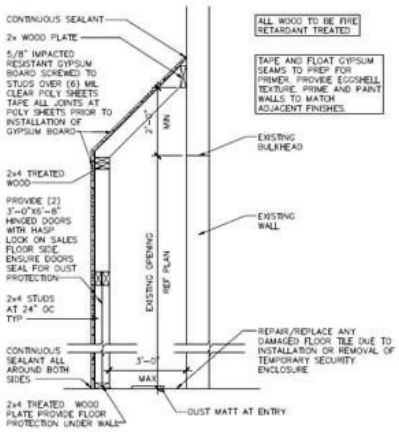
- Dust Drape:
    - Use if minor work is being done in the space and work will take less than five days.
        - Painting.
        - General patch work to walls that does not require sanding.
        - Fixture installation or removal.

- Barricade: Preferred temporary dust wall method for projects that do not meet the Dust Drape requirements.
    - Tenant must use vendors approved by Walmart.
- Rigid Dust Partition:
    - May be used in place of a Barricade.



Temporary Dust Drape

Barricade



Temporary Rigid Dust Partition

Surrendered White Box Requirements

- All furnishings and fixtures must be removed from the space.
- All electrical wires that were hard wired to fixtures and equipment must be removed back to the panel or terminated by code in an approved electrical box secured in the wall or above the ceiling per codes.
- Flooring must be repaired to match existing flooring where interior walls are removed as long as flooring is in good condition, normal wear and tear excepted. If the flooring is not in good condition, then Tenant must replace the flooring. The flooring options are:
  - PVC wood-look plank flooring.
  - Polished concrete when Walmart sales floor is polished concrete.
  - White VCT when Walmart sales floor is white VCT.
- All walls have a minimum ½" gypsum board from finished floor to a minimum of 4" above ceiling (unless otherwise directed by code).
- All walls have been patched and painted SW 7102 white flour or other neutral color previously approved by Landlord (paint colors may vary, confirm color with Landlord).
- Walmart standard 4" black plastic wall base has been installed around the perimeter of the space.
- Tenant will need to cap all plumbing and sanitary lines flush with the finish floor or behind finished wall and ceiling.
- Shutoff valve to the water heater, if applicable, will need to be turned to the off position or remove the water heater and cap water supply lines behind the ceiling or wall.
- Suspended ceiling system must be repaired to match existing suspended ceiling where interior walls are removed as long as the existing suspended ceiling system is in good condition and is Walmart's standard, white suspended ceiling system. If it is not in good condition or is not Walmart's standard, then Tenant must replace the suspended ceiling system. The suspended ceiling system is 10'-0" AFF with 2x4 ceiling tiles ACT1 (see finish schedule below). Ceiling grid will be standard exposed white T system, unless approved by the Walmart Services Project Manager.
- Remove all custom lighting and replace with 2x4 fluorescent light fixtures with light bulbs to match sales floor lighting.
- Emergency lighting and exit signs, if applicable are installed per code.
- Minimum 100 AMP electrical panel is flush mounted on rear wall near the corner of the space.
- 110V duplex electrical receptacles have been installed at 18" AFF and 72" on center around the perimeter of the space.

- All interior partition walls have been removed from the space.
- Sales floor side of wall will need to match the adjacent finishes, texture and paint color.
- Install new floor base and wall guard to match existing on the sales floor side of the wall.
- Ensure fire sprinkler and life safety systems are installed as required per code and Walmart standards.
- All work must meet code.

Signing

- Bulkhead sign and hardware must be removed and be patched and painted to match the adjacent Walmart finishes, wall texture and paint color.
- Exterior sign, if applicable, must be removed and exterior of building patched and painted to match the adjacent Walmart finishes, wall texture and paint color.

Tenant must use Walmart approved products for flooring, ceiling tile, security grill, wainescoting/chair ail/cove base, and fire suppression sprinklers. Please see your Walmart Services Project Manager for details.

PAINT COLORS: see list on following page but confirm with Landlord at the time of surrender for the most current colors.

P3	PAINT	"LOYAL BLUE"	SW #6510
P5	PAINT	"SAFETY YELLOW" OSHA STANDARD	
P8	PAINT	"PURE WHITE"	SW #7005
P15	PAINT	"SUMMIT GRAY"	SW #7669
P16	PAINT	"SOFTWARE"	SW #7074
P33	PAINT	"DOVER WHITE"	SW #6385
P36	PAINT	"DOMINO"	SW #6989
P40	PAINT	"GARDENIA"	SW #6665
P49	PAINT	"GAUNTLET GRAY"	SW #7019
P60	PAINT	"REDDENED EARTH"	SW #6053
P76	PAINT	"MEDIUM WALMART BLUE"	#076
P76(U)	PAINT	"MEDIUM WALMART BLUE"	#076 (URETHANE)
P92	PAINT	"BITTERSWEET STEM"	SW #7536
P93	PAINT	"TAMARIND"	SW #7538
P94	PAINT	"TRICORN BLACK"	SW #6258
P100	PAINT	"NOTABLE HUE"	SW #6521
P102	PAINT	"BEACH HOUSE"	SW #7518
P105	PAINT	"WHITE FLOUR"	SW #7102
P106	PAINT	"WHITE FLOUR"	SW #7102
P107	PAINT	"STRAW HARVEST"	SW #7698
P112	PAINT	"BUTTERFIELD"	SW #6676
P126	PAINT	"KNOCKOUT ORANGE"	SW #6885
P126(U)	PAINT	"KNOCKOUT ORANGE"	SW #6885 (URETHANE)
P131	PAINT	"WHITE FLOUR"	SW #7102
P134	PAINT	"REPOSE GRAY"	SW #7015
P135	PAINT	"DORIAN GRAY"	SW #7017
P140	PAINT	"SNOWBOUND"	SW #7004
P162	PAINT	"PEPPERCORN"	SW #7674
P163	PAINT	"TURQUISH"	SW #6939
P164	PAINT	"ESSENTIAL GRAY"	SW #6002
PC1	PRECAST PANEL	MEDIUM GRAY	
PC2	PRECAST PANEL	LIGHT GRAY	
PF4	PREFINISHED METAL	LEAD - COTE	
PF5	PREFINISHED METAL	MATTE BLACK	
PF13	PREFINISHED METAL	BONE WHITE	
PS1	PROTECTIVE SURFACE	MEDIUM BLUE	
PS4	PROTECTIVE SURFACE	MATCH SW #6885 "KNOCKOUT ORANGE"	
PS5	PROTECTIVE SURFACE	MATCH SW #7102 "WHITE FLOUR"	

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I: STATE ADDENDA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC. ("NASAA")
ADDENDA TO COST CUTTERS® FRANCHISE DISCLOSURE DOCUMENT

This Addendum pertains to franchises sold in the United States and is for the purpose of complying with federal and state statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Disclosure Document the following shall apply:

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

Dated:_____

Signatures:

COST CUTTERS:

By:_____

FRANCHISEE:

By: _____

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC. ("NASAA")
ADDENDA TO COST CUTTERS® FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

This Addendum pertains to franchises sold in the United States and is for the purpose of complying with federal and state statutes and regulations. Notwithstanding anything which may be contained in the Franchise Agreement or Development Agreement to the contrary, the Franchise Agreement and Development Agreement are amended as follows:

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

Dated:_____

Signatures:

COST CUTTERS:

By:_____

FRANCHISEE:

By: _____

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.

3. All development fees and initial fee payments by area developers shall be deferred until the first franchise under the development agreement opens.

Dated:_____

Signatures:

COST CUTTERS:

By:_____

FRANCHISEE:

By: _____

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.

4. Based on the financial information submitted, the Commissioner has determined that all fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.

Dated:_____

Signatures:

COST CUTTERS

By:: _____

FRANCHISEE:

By: _____

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 5

Based on the financial information submitted, the Commissioner has determined that all fees paid to the franchisor by the franchisee, including payments for goods and services received from the franchisor before the business opens, shall be deferred pending satisfaction of all of the franchisor's pre-opening obligations to the franchisee.

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 exemplary or 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.

5. Section 20.4 of the Franchise Agreement is the same as written with the following addition:

The general release required as a condition to assignment of the franchise shall not affect any liability under the North Dakota Franchise Investment 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®
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 Financial Protection and Innovation:
Toll Free: 1 (866) 275-2677

Los Angeles

Suite 750
320 West 4th Street
Los Angeles, California 90013-2344
(213) 576-7500

Sacramento

2101 Arena Boulevard
Sacramento, California 95834
(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

Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101
(651) 539-1600

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: FRANCHISEE PARTICIPATION AGREEMENT

DocuSign Envelope ID: 7667D84E-60B0-42B0-BA84-183E81861693

EXHIBIT 1

Form of
FRANCHISEE PARTICIPATION AGREEMENT

WHEREAS, _____, a Franchisee ("Participant") owns and operates a _____ pursuant to a franchise arrangement with _____ ("Franchisor").

WHEREAS, Franchisor and Stored Value Solutions, Inc. ("SVS") have entered into that certain Services Agreement (the "Services Agreement") dated May 30, 2020 for SVS to provide services in connection with Franchisor's gift card program whereby gift cards are issued to the customers for use as gift certificates, promotional cards and store credit; and

WHEREAS, the Services Agreement provides that Participant may participate in Franchisor's closed-loop prepaid card program (the "gift card program") by executing this Participation Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Franchisee hereby covenants and agrees to SVS as follows:

1. Participation in Gift Card Program. By entering into this Agreement, Participant elects and agrees to participate in the gift 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 gift card program.
2. ACH Authorization. Participant understands and agrees that amounts due and owing from Participant to SVS and to Franchisor in connection with the gift 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 gift card program for the settlement of gift card redemptions between gift 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 resulting from Participant's participation in the gift card program. 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 gift card program is in effect, Participant will provide updated information and forms as requested by SVS, including, such information and forms as needed for any new locations opened by Participant.
3. Funding. Participant acknowledges, agrees and understands that proper funding of its designated bank account(s) for the gift card program is necessary to ensure fair and efficient administration of the gift 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.
4. 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.
5. No Assignment. This Participation Agreement is not assignable, in whole or in part, without the prior written approval of Franchisor and SVS.
6. Miscellaneous All capitalized terms not defined herein shall have the meaning attributable thereto in the Services Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Participation Agreement as of the __ day of _____, 20__.

Franchisee PARTICIPANT:_____ Address:_____

By:_____ _____

Printed Name:_____ _____

Title:_____ _____

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.:

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

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

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT M: CONSTRUCTION MANAGEMENT SERVICE AGREEMENTS

BUILDPOINT SOLUTIONS GROUP INC.
SERVICE AGREEMENT

This Consulting Services Agreement (this "Agreement") is made as of September 16, 2021 by and between BuildPoint Solutions Group Inc. ("BSG") and the Client/Owner set forth below ("Client").

1. BASIC INFORMATION

Client/Owner Name:
Address:
City/State/Zip:
Phone:

Project Address:
City/State/Zip:

Select One or Both of the Following, By Checking the Applicable Box and Initialing Adjacent Thereto:

☐ _____ Construction Management Services as described in ***Exhibit A – Basic Package***

☐ _____ Post-Construction Services as described in ***Exhibit B- Standard Package***

2. SCOPE OF SERVICES: BSG will perform the services indicated in the box checked above and described in Exhibits A and B attached hereto. Exhibit A and Exhibit B as applicable, are hereby incorporated into this Agreement. Client agrees to sign any contracts BSG receives from outside vendors unless the contract varies materially in scope of work or cost adversely to Client from an applicable estimate.

3. PAYMENT:

(a) Construction Management Services. Client shall pay BSG (i) a non-refundable payment of $5,500 upon execution of this Agreement.

(b) Post-Construction Services. Client shall pay BSG a non-refundable payment of $2,000 upon execution of this Agreement.

4. DEVELOPMENT COSTS: Client 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/location.

5. TRAVEL AND EXPENSES: Client shall reimburse BSG for all reasonable expenses related to the performance of any services that require BSG to travel. Client must approve all travel in advance and reimburse upon the submission of appropriate receipts and invoices.

6. CLIENT ACKNOWLEDGEMENT. Client acknowledges that BSG's obligation under this Agreement shall be limited to providing the services designated in the applicable Exhibit to this Agreement in coordination with Client's selected and approved architect and general contractor. Client acknowledges and agrees that BSG 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 BSG is not responsible for the actual construction of the project, 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. BSG 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 or where general contractor's license has expired in the city and state where the project is located. Client understands and acknowledges that BSG's services are not intended to provide a "turn-key" service to Client. BSG is not responsible for ensuring that the Store/Site to be renovated/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. Client understands that any estimate with regard to cost of the project or a portion thereof provided by BSG is only a non-binding estimate and such shall not constitute a representation or warranty of any kind. Client shall be responsible for all charges even if such charges exceed an applicable estimate.

7. NO WARRANTY: Client agrees and understands that BSG makes no warranties, express or implied, regarding this project, the leased premises, or its development and construction. BSG 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 Client. Nothing contained in this Agreement is intended, nor shall the same be deemed or construed, to make the BSG in any way responsible for any debts, obligations, or losses of Client.

8. 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 BSG's liability to Client with respect to the project or this Agreement exceed an amount equal to the lesser of the fee paid by Client and Five Thousand Dollars ($5,500.00).

9. OTHER AGREEMENTS AND SUBLEASE: Nothing in this Agreement shall be construed to abrogate or modify the obligations of the Client under any other agreement, including any Franchise Agreement, or any Sublease associated with Client's premises.

10. TO PROCEED: Sign, date and scan this Agreement and return via e-mail to: dspaulding@buildpointusa.com

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the date first above written.

CLIENT:	**BuildPoint Solutions Group Inc.:**
Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

Exhibit "A"

Construction Management Services

BSG's "Construction Management Services" include the following:

1. Determine communication strategy based on project scope and timelines.

2. Provide Client with a preliminary construction estimate based on the initial information received and historical data.

3. Consult with the Client on construction related lease requirements, if any.

4. Consult with the Client on the sign package requirements and the sign review/approval process.

5. Advise the Client as to how to set up utilities for the premises (gas, electric, water, sewer, etc.). It is the responsibility of the Client 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 Client 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 Client. The Client shall sign a contract directly with the selected general contractor. *Note: BSG recommends utilizing AIA (American Institute of Architects) contract documents.*

7. Provide Client with a revised construction estimate based on general contractor pricing, vendor quotes, and additional information.

8. Consult with the Client to obtain the required building permit(s) from state and local authorities. Client'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 Client 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 Client 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 Client, general contractor and other parties (if required).

10. Consult with the Client on processing general contractor payment applications. Payments should be disbursed per the construction contract guidelines.

11. Consult with the Client on FFE operation, maintenance, and troubleshooting.

12. Consult with the Client 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 Client and general contractor. It is the Client'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 Client 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 Client regarding construction warranty work the general contractor may be required to provide. For FFE warranty information, the Client should contact the Project Coordinator for a period of 12 months following completion.

15. Consult with the Client to verify that the proper documentation is received from the general contractor (lien releases, inspection reports, warranty statements, etc.) prior to project closeout.

Exhibit "B"

Post-Construction Services

BSG's "Post-Construction Services" include the following:

1. Schedule call with Client for closeout process, and assist in collection of any Tennent Improvement Allowance

2. Work with general contractors to ensure that specific closeout requirements are achieved. Further, BSG will review all costs, processes and information presented to ensure contract terms have been met.

3. Prior to the expiration of a general contractor's warranty, BSG will interview management/staff to review completed construction so to determine whether there are any current material defects or workmanship issues that should be addressed by warranty. BSG will also seek confirmation that warranty inspections have been completed, that warranty maintenance procedures have been adhered to and operational and that any maintenance manuals are in place and updated.

GENERAL NOTES RELEVANT TO ALL SERVICES

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 BSG, 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 your Project Manager needs to visit the premises during the construction process, additional costs may be incurred.

5. BSG and its affiliates may from time to time receive allowances, discounts and/or benefits from certain suppliers and/or service providers.

BuildPoint Solutions Group

PROJECT MANAGEMENT & BID PACKAGE PROGRAMS

There are two options to choose from.

❑The Standard Package provides comprehensive project management from beginning to end and offers the best value.

❑The Basic Package covers the basics and handles the day-to-day tasks to ensure your project is built right, for the right price.

	5 PHASES OF SUPPORT	*BASIC PACKAGE	*STANDARD PACKAGE
DESIGN PHASE	Coordinate site survey / property condition assesment to verify lease space dimensions and conditions.		✓
	Coordinate construction documents with preferred vendor architect.		✓
	Coordinate approvals & permits with landlord & the governing authorities		✓
BID PHASE	Source and vett general contractors	✓	✓
	Issue Request For Proposal and answer contractor questions.	✓	✓
	Qualify bids and provide comparative summary analysis for Owner review.	✓	✓
CONTRACT PHASE	Issue AIA contract and coordinate execution between GC and Owner.	✓	✓
	Assist with SBA financing documents and requirements between Bank, Owner and GC for inclusion into final AIA contract.	✓	✓
CONSTRUCTION PHASE	Lead weekly construction update meetings between GC, Owner and Spec'd vendors.	✓	✓
	Provide weekly photos, budget and progress updates thru Job Tracker.	✓	✓
	Review all change orders with owner and provide additional detail and impacts as needed.	✓	✓
	Assist in the coordination of all required vendor installs, including Owner Supplied Items.	✓	✓
	Review and approve GC payment applications and distribute to owner/bank.	✓	✓
	Ensure all contract, construction and compliance requirements are met.	✓	✓
PROJECT CLOSE-OUT	Assist in final project compliance signoff.		✓
	Collect all final lien waivers and warranty paperwork from GC.		✓
	Collect all paperwork for Operation and Maintenace manuals (O&M).		✓
	Provide all required closeout documents to Landlord to ensure payment of Tenant Improvement Allowance.		✓
	Ensure all payments are made to all parties to complete project.		✓
		$5,500	$7,500

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT N: AGREEMENT FOR PURCHASE AND SALE OF ASSETS

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's designated vendor (which may be Seller or its or its affiliate) to provide construction management services and furniture, fixture, and equipment coordination services pursuant to Seller's designated vendor'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 after 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 designated vendor's current standard 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 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's designated or approved suppliers (which may be Seller and its affiliates).

(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's designated or approved suppliers (which may be Seller and its 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's designated or approved suppliers (which may be Seller and its 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.

(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.

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:_____

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®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT O: LEASE ADDENDUM

EXHIBIT O
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 P: 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

COST CUTTERS®

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT Q: STATE EFFECTIVE DATES

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	
Indiana	
Illinois	
Maryland	
Michigan	November 11, 2022
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 November 11, 2022.

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 R: 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 franchisor is The Barbers, Hairstyling For Men & Women, Inc., located at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. Its telephone number is 952-947-7777.

Issuance Date: November 11, 2022

The following franchise sellers for this offering have a principal business office of 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 with a contact number of 952-947-7777. If any of these franchise sellers have had or will have dealings with you, the name of that person will appear below.

_____

_____

The Barbers, Hairstyling For Men & Women, Inc. authorizes the respective state agents identified on Exhibit J to receive service of process for it in the particular states.

I received a disclosure document from The Barbers, Hairstyling For Men & Women, Inc. dated as of November 11, 2022 that included the following exhibits:

Exhibit A:	List of Operational Salons	Exhibit J:	State Agencies and Agents for Service of Process
Exhibit B:	List of Franchisees that have Left the System	Exhibit K:	Franchisee Participation Agreement
Exhibit C:	Financial Statements and Guarantee of Regis Corporation	Exhibit L:	Gift Card Participation Agreement
Exhibit D:	Franchise Agreement	Exhibit M:	Construction Management Service Agreements
Exhibit E:	Development Agreement	Exhibit N:	Agreement for Purchase and Sale of Assets
Exhibit F:	Cost Cutters Sublease	Exhibit O:	Lease Addendum
Exhibit G:	Regis Sublease for Wal-Mart Sites	Exhibit P:	Operations Manual
Exhibit H:	Walmart Master Lease	Exhibit Q:	State Effective Dates
Exhibit I :	State Specific Addenda	Exhibit R:	Receipts

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

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 franchisor is The Barbers, Hairstyling For Men & Women, Inc., located at 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. Its telephone number is 952-947-7777.

Issuance Date: November 11, 2022

The following franchise sellers for this offering have a principal business office of 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 with a contact number of 952-947-7777. If any of these franchise sellers have had or will have dealings with you, the name of that person will appear below.

_____

_____

The Barbers, Hairstyling For Men & Women, Inc. authorizes the respective state agents identified on Exhibit J to receive service of process for it in the particular states.

I received a disclosure document from The Barbers, Hairstyling For Men & Women, Inc. dated as of November 11, 2022 that included the following exhibits:

Exhibit A:	List of Operational Salons	Exhibit J:	State Agencies and Agents for Service of Process
Exhibit B:	List of Franchisees that have Left the System	Exhibit K:	Franchisee Participation Agreement
Exhibit C:	Financial Statements and Guarantee of Regis Corporation	Exhibit L:	Gift Card Participation Agreement
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Exhibit I :	State Specific Addenda	Exhibit R:	Receipts

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____