FRANCHISE DISCLOSURE DOCUMENT

Roosters MGC International, LLC
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(952) 947-7777 www.roostersmgc.com
FranchiseDevelopment@regiscorp.com

As a ROOSTERS MEN'S GROOMING CENTER franchisee, you will operate a unique full service grooming center that provides personal grooming services primarily to men**,** including haircuts, under the service mark and trade name ROOSTERS MEN'S GROOMING CENTER.

The total investment necessary to begin operation of a ROOSTERS MEN'S GROOMING CENTER franchise ranges from $208,166 to $342,808. This includes $60,416 to $72,958 that must be paid to the Franchisor or its affiliates. If you want to develop more than one Roosters business, you will sign a development agreement (the "Development Agreement"). The development fee depends on the number of stores you want to develop (the "Development Fee").

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our corporate office at 3701 Wayzata Boulevard, Suite 500, Minneapolis, MN 55416 or via telephone at (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 your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

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

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

Issuance Date: 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 Exhibit G.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Roosters Men's Grooming Center 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 Roosters Men's Grooming Center franchisee?	Item 20 or Exhibit G 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 H.

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 mediation, arbitration and/or litigation only in Minnesota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in 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.

3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails

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

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

ROOSTERS MEN'S GROOMING CENTER

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is Roosters MCG International, LLC, a Michigan limited liability company, which will be referred to as "we", "us", or "Roosters" in this Franchise Disclosure Document. We will refer to the person who buys the franchise as "you" throughout this Franchise Disclosure Document. If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners and will be noted.

Roosters is a Michigan limited liability company that was formed on April 10, 2009 and is a wholly owned subsidiary of The Barbers, Hairstyling for Men & Women, Inc., a Minnesota corporation ("The Barbers"). On July 1, 2011, The Barbers acquired a controlling interest in us and subsequently acquired the remaining interest through a series of transactions that occurred in December 2020. We do business under the name "Roosters" and/or "Roosters Men's Grooming Center". We do not do business under any other name. Our principal business address is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. Our agents for service of process are disclosed in Exhibit H of this disclosure document. As of June 30, 2022, there were 89 franchised and no company-owned Roosters stores.

We first began offering and selling franchises on October 1, 2009. We do not own or operate any business of the type you will be operating. We have not offered franchises in any other line of business. Additionally, we do not engage in any other business activities outside of the Roosters System.

Our Parents, Predecessors and Affiliates

a. 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.

b. The Barbers, Hairstyling for Men & Women, Inc.

Regis acquired The Barbers Hairstyling for Men & Women, Inc., a Minnesota corporation, through a merger on May 20, 1999 ("The Barbers"). The Barbers' principal business address is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. The Barbers does business under the names *Cost Cutters*®, *The Barbers*, *City Looks*®, *Smartstyle*®, and *Holiday Hair*®.

Following its incorporation in 1968, 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 Inc.*®. In 1970, The Barbers began franchising hairstyling businesses under the names "*The Barbers*" and *The Barbers, Hairstyling for Men & Women Inc.* 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. As of June 30, 2022, The Barbers had 5 *City Looks* Salons franchises and no company-owned *City Looks* Salons.

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 605 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 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. 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. As of June 30, 2022, there are 1,477 franchised Smartstyle® salons. All Cost Cutters and Smartstyle salons are value-priced, family-oriented hair care salons.

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.

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

c. Regis Corporation

Regis Corporation, a Minnesota corporation and 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"). As of June 30, 2022, Regis owned approximately 1 Smartstyle salon, which are value-priced, family-oriented hair care salons that operate in Wal-Mart® stores and Wal-Mart® Supercenters in the United States. On January 5, 1999, Regis Corporation, our parent company, 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, Regis operated 4 BoRics.

On February 10, 2009, Supercuts' 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, there were 2 franchised BoRics Hair Care Salons and Regis operated 4 BoRics.

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

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 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. 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 Supercuts 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 34 franchised Pro-Cuts salons in operation. There are no corporate-owned or operated Pro-Cuts salons. RPC's principal business address is 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

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 Supercuts 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 were First Choice Canada-owned salons in Canada, First Choice corporate salons in the United States, and First Choice franchised salons in Canada. First Choice Canada has never operated or franchised Supercuts 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 Supercuts 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 Supercuts 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 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. 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 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416. 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 Supercuts Stores or offered franchises in any lines of business.

The Franchise

Roosters grants franchises to qualified individuals and business entities develop and operate retail hair care establishments identified principally by the *ROOSTERS*® and *ROOSTERS MEN'S GROOMING CENTER*® trademarks and that feature personal grooming services primarily for men, including haircuts, shaves and other barbering services provided by a staff of trained, licensed professionals. We call these Stores "Roosters Stores." In this disclosure document, we refer to your Roosters Store as the "Store." Roosters Stores operate under the trademarks, service marks, and other commercial symbols we periodically designate (the "Marks"). Roosters' strategy is to provide consistent, convenient, high quality hair care services and products at low prices. While many other hair care stores offer chemical treatments such as perms, Roosters' services are generally limited to haircuts, shampoos, blow-drys, and color services. Roosters Stores are conveniently located in strip shopping centers and are designed to create an attractive and appealing atmosphere.

a. The Franchise Agreement

Each Roosters Store is operated pursuant to a Franchise Agreement. A copy of our Franchise Agreement is attached as Exhibit A. Under the Franchise Agreement, we grant you the right, and you accept the responsibility, to operate a Roosters. 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 Roosters 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 Roosters, 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 Roosters Stores in a Designated Market Area ("DMA"), even if you expect to develop only one Store (the "Development Agreement"). Under the Development Agreement, you must open the agreed-upon number of Roosters 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 Roosters, depending on your Store development commitment (*See* Item 12).

Roosters 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". Previously, Roosters permitted Franchisees to develop multiple locations in a DMA without signing a Development Agreement and granted rights under the Expansion Policy discussed in Items 11 and 12. If you acquire the right to develop just one Roosters Store, you will sign the Development Agreement and a Franchise Agreement for that Roosters 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 Roosters' then current standard Franchise Agreement for each subsequent Roosters Store you open according to the Development Agreement.

Competitors

The retail hair salon and barbering market is well-developed, high-fragmented, competitive and is not seasonal. Your competitors include other retail hair care and barbering 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 Roosters' 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 barbershops, 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.

Industry-Specific Regulations

You must comply with all local, municipal, state and federal laws, ordinances, rules and regulations that apply to the operation of your Center, including health, sanitation, environmental, insurance, discrimination, employment and sexual harassment laws. Health regulations as well as other state and local specific safety and workplace regulations may impact the types of safety training, safety devices and safety equipment you must make available to or be required to offer to your employees. These can vary from jurisdiction to jurisdiction and specific inquiry should be made with your state and local authorities.

Some states regulate barber, cosmetology and personal grooming by statutes with which you must comply. Most locations require a barber cosmetology establishment license and vendor's license in order to operate the business. These licenses must be maintained in good standing. State and local agencies inspect barber and cosmetology establishments to ensure that they comply with these laws and regulations. Depending upon the laws and regulations of the state in which your Center is located, the barbers or stylists providing haircuts, shaves, and related services may be required to have a current license valid in that state.

Other than the licenses and regulations disclosed in this Item, we are not presently aware of any other regulations or special permits required for you to operate your Center. However, specific inquiry should be made with your state and local authorities. You should consult with an attorney concerning these and other laws and ordinances that may affect your operations.

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.

Rent and royalty collection lawsuits

None.

Other than these 11 actions, no litigation is required to be disclosed in this Item.
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ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Development Fees and Franchise Fees

Roosters' 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. Roosters 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, Roosters 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 Roosters' 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 Roosters 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.

During last fiscal year, our Development Fees ranged $0 to $$39,500

Single Store Program

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

Fast Start Program

The Fast Start Program applies if you acquire the right to develop three or more Roosters 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 Roosters' then-current standard Franchise Agreement for each subsequent Roosters 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.

Equipment and Initial Inventory

You must construct and build-out your Center according to our specifications. You must purchase certain furniture, fixtures and equipment ("FF&E"), which will cost approximately $40,000 to $70,000. The FF&E includes certain custom cabinetry, trim, reception desk(s) and retail display(s) ("Roosters Specific Equipment") that you must purchase from our designated and/or approved suppliers. You may purchase other FF&E from our designated and/or approved suppliers. The cost of the Roosters Specific Equipment ranges from $20,000 to $30,000, which is payable to our designated suppliers at the time you place your order for the Roosters Specific Equipment for your Center. You must also purchase an initial inventory of hair care products, merchandise, and supplies, including retail inventory, backbar, and shop supplies to be used at your Roosters Center from our designated and/or approved suppliers prior to opening (the "Opening Inventory Supply"), which costs between $5,000 and $10,000, as described in Item 7 and 8. This includes all initial and ongoing inventory from suppliers we designate or approve. The costs associated with the Opening Inventory Supply must be paid to our designated and/or approved suppliers at the time you place your order. The fees payable for both the Roosters Specific Equipment and Opening Inventory Supply are non-refundable and are more fully described in Item 7 of this disclosure document.

Center FF&E Coordination Services and Construction Management Services

We recommend that you use our currently approved vendor to coordinate the development, buildout, and fixturing of your Center. Our currently approved vendor is the designated and only supplier of such construction management services and FF&E coordination services if you purchase an affiliated branded salon for conversion to a Roosters Center. The FF&E coordination services involve our approved vendor ordering on your behalf furniture, fixtures, and equipment for your Center and coordinating delivery, and consulting with you regarding the unloading, initial inspection, and acceptance, of all of the furniture, fixtures, and equipment on the Center's approved

construction documents. These FF&E coordination services are intended to streamline that aspect of the Center development process. If you use our approved vendor's coordination services, you must sign our approved vendor's Construction Management Services Agreement (Exhibit P) and pay such vendor's applicable fee (either $5,500 or $7,500) as well as the cost of the store development, buildout, and fixturing.

These payments are not refundable. While our approved vendor provides consulting services in these various areas if you sign its Construction Management Services Agreement, you alone are responsible for all fees, costs, and expenses associated with the Center's development, build-out, and fixturing, including plans and specifications, permits, licenses, construction and materials, FF&E, installation, and insurance.

If you do not use our currently approved vendor to coordinate all of the development, buildout, and fixturing of your Center pursuant to its Standard Package (for its fee of $7,500), then to ensure you develop, build, and fixture your Business to our standards, you must pay us: (a) $500-$1,000 for our review and approval of your construction and design plans and review and approval of your contractor prior to beginning construction; and (b) $1,500-$3,000 prior to our review and approval of your Business as built. These payments are not refundable.

Construction Fees

If you want Roosters' 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 O 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.

ITEM 6
OTHER FEES

Name of Fee	Amount	Date Due	Remarks
Royalty	4% of Gross Sales until first year anniversary From first year anniversary through end of Franchise Agreement term: 6% of Gross Sales	Payable by "EFT" monthly and withdrawn by the 15th of the next month.	See Note 1
Transfer – legal entity	$100	Before transfer.	See Note 2
Transfer Fee – 3rd party	$5,000 per Center	Before transfer.	See Note 3
Franchise Renewal Fee	$2,500 per Center	When you reacquire the franchise.	See Note 4
National Advertising Fund (the "National Fund")	Up to 2% of Gross Sales (currently required to pay 1%)	Same time as Royalty Fee.	See Note 5
Interest on Overdue Payments ("Finance Charges") & Late Fees	1.5% per month or highest commercial contract interest rate the law allows, whichever is less. In addition, you must pay us a One-Hundred Dollar ($100) administrative fee. You must also pay a $100 late fee for failure to submit report of gross revenues with weekly Continuing Fees payment	On demand after the payments become overdue.	See Note 6
Additional Training Fee	Then-current tuition fee $100 per day plus expenses and costs of training materials and supplies.	Prior to receiving additional training.	See Note 7
Annual Convention	Up to $1,000 per person attending	Registration fee is due upon registration to attend convention, and other costs are due as incurred	See Note 8
Franchisor- Obtained Insurance	Varies	On demand by Franchisor.	See Note 9

Name of Fee	Amount	Date Due	Remarks
Indemnification	Will vary under circumstances – depends on nature of claim	On demand.	See Note 10
Local advertising cooperative	Up to $500 per month, as approved by Co-op	As established by members of the Cooperative.	See Note 11
Local Advertising Expenditures	Minimum of $1,000 per month.	As incurred.	See Note 12
E-mail Exchange Mailbox	$15 per month per mailbox.	As incurred.	See Note 13
Supplier Testing	Reasonable cost of inspection and actual costs of test(s)	As incurred.	See Note 14
Ongoing Supplies/Inventory Purchases	Cost of requested inventory/supplies	Prior to delivery of requested inventory and/or supplies.	You must purchase from our designated or approved suppliers (which may include Roosters and its affiliates) all approved hair care products, merchandise, and supplies, including all retail inventory, backbar, and shop supplies to be used and/or sold at your Roosters Center.
Tax Reimbursement	Reimbursement of our tax payments	When billed	You must reimburse us for any taxes we must pay (including any sales tax and/or gross receipts tax) based on Initial Fees, Continuing Fees and/or Advertising Fees but not including any income taxes on our net income.
Lease payments	$3,000 - $5,000 per month	Monthly at least 10 days before due date	See Note 15
Lease Renewal Fee	$1,500	Immediately upon execution of the lease renewal	See Note 16
Lease Guaranty Fee	The amount by which twelve percent (12%) of your monthly Gross Revenues exceed your	Monthly	See Note 17

Name of Fee	Amount	Date Due	Remarks
	monthly lease payments for as long as such guaranty is in effect		
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

Unless otherwise indicated, all of the fees listed in this Item 6 are uniformly imposed by, payable to, and collected by us, and are non-refundable. Increases in fees and costs are possible and fees and cost may vary due to circumstances. The Item 6 table describes other recurring or isolated fees or payments that you must pay to us or our affiliates, or which we or our affiliates may impose or collect on behalf of a third party, in whole or in part.

Explanatory Notes

(1) Royalties are based on "Gross Sales." "Gross Sales" shall mean all revenues derived from all sales of services and/or products of every kind or nature sold from, at or in connection with the operation of the Center or otherwise arising out of the operation of the Business, including sales made at or away from the Business, whether for cash or credit, less returns for which refunds are made, provided that the refund shall not exceed the sales price. "Gross Sales" does not include the amount of any tax imposed by any federal, state, municipal or other governmental authority; you agree to pay such amounts as and when due. You shall supply us with monthly gross sales reports signed by you and in the form and manner we specify, including electronically, which contains the sales information pertaining to the preceding month including, without limitation, a summary of all monies received during the relevant period, as well as customer counts and average sales, and such other additional information which we deem necessary to properly evaluate your progress on or before the tenth (10th) of each month. You shall participate in our electronic funds transfer ("EFT") program under which we automatically deduct all monthly royalty payments for the immediately preceding month and other payments owed to us under this Agreement on the 15th day of each month, or such other day designated by us (the "Due Date") from your bank account.

(2) Payable to us if you transfer to your wholly-owned legal entity.

(3) Payable to us if you transfer to an approved third party.

(4) Payable to us if you wish to renew your franchise agreement.

(5) We have established a National Advertising Fund (the "National Fund") and require you to pay 1% of your monthly Gross Sales, which we may require you to pay through EFT at the same time we collect your monthly royalty fee. You must begin making payments to the National Fund in the first full month after your Center is open for business. We may increase this fee up to 2% of your monthly Gross Sales.

(6) Payable to us only if you fail to pay amounts when due or for each dishonored payment plus an administrative fee of $100. $100 late fee may be charged for failure to submit your report of gross revenues with your Royalty payment.

(7) We may, in our sole discretion, make available mandatory ongoing training programs or seminars as we deem appropriate, and you will be required to pay our then-current tuition rate for this ongoing training, the cost of training materials and supplies, along with any travel costs and expenses associated with this training. You will also be responsible for the tuition and travel costs associated with training any new or replacement managers for your Center. The tuition for the Initial Training is included in your Initial Franchise Fee for you and two (2) additional persons.

(8) You must attend an annual systemwide convention. We will require you to pay the registration fee (currently up to $1,000) for the annual convention regardless of whether you attend the annual convention. In addition, to the registration fee payable to us, you must pay your travel, lodging and food expenses.

(9) If you fail to obtain any required insurance and we obtain it for you, you must reimburse us the actual cost plus a reasonable administrative fee.

(10) You must reimburse us if we are held liable for claims arising from your operation of your franchised business.

(11) If a local advertising cooperative is established in your Designated Marketing Area, you must contribute dues up to a maximum of $500 per month. See Item 11 for more information.

(12) Payable to third-parties. Any contributions to a Cooperative will count toward this requirement. See Item 11 for more information.

(13) We may provide a standard web page on our web site that you may customize for an additional charge. See Item 11 for more information.

(14) If you request that we test a particular product or evaluate a supplier in order to make future purchases of this product or from this supplier, you must reimburse us our reasonable testing costs, which is due regardless of whether we subsequently approve the product or supplier. You must cover the reasonable costs incurred in the inspection and the actual cost(s) of the test(s) performed. See Item 8 of this Franchise Disclosure Document for more information about designated and approved suppliers. This fee is payable upon the conducting of testing of new supplier or product proposed by franchisee.

(15) You will lease your Center location directly from the landlord, although we reserve the right to require you to sublease the location from us or our affiliate. These payments will fluctuate depending on prevailing market conditions, the amount that you or we pay to any owner or master sublessor, and any additional expenses we incur if we decide to sublease the location to you. If you initially sublease your Center's location, we reserve 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, we may subsequently require you to sublease). If you request and we agree to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then we reserve 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. We have no obligation to guarantee your lease in any way, but if we do, you must pay such monthly lease guaranty fee.

(16) If you hire Franchisor to negotiate the lease renewal for your Roosters Center, you must pay Franchisor $1,500 upon execution of the lease renewal. This is an optional service that may be offered by Franchisor.

(17) We have no obligation to guarantee your Lease in any way, but if we do, you must pay such monthly lease guaranty fee.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is To Be Made
Initial Franchise Fee	$39,500	Lump sum via EFT	On signing franchise agreement	Us See Note 1
Travel and Living Expenses During Initial Training	$0 to $3,000	As arranged	As incurred	3rd party suppliers See Note 2
Grand Opening Advertising	$15,000 to $20,000	As arranged	As incurred	3rd party suppliers See Note 3
Insurance	$250 to $350	As arranged	As incurred	3rd party suppliers See Note 4
Rent	$10,000 to $15,000	As arranged	As incurred	3rd party suppliers See Note 5
Computer Software (Point of Sale System)	$2,040 ($170 per month)	Lump Sum or Monthly	Before and After Opening	3rd party supplier See Note 6

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is To Be Made
Computer Hardware/Installation	$1,876-$2,418	Lump Sum, Lease, or Financing is Available	Before Opening	3rd party supplier See Note 6
Professional Fees	$6,000 to $12,000	As arranged	As incurred	3rd party suppliers See Note 7
Exterior Signage	$6,000 to $12,000	As arranged	As specified	3rd party suppliers See Note 8
Leasehold Improvements	$75,000 to $150,000	As incurred	As specified	Approved Contractors and Professional Services See Note 9
Furniture, Fixtures & Equipment	$55,000 to $70,000	As arranged	As incurred. Prior to ordering and shipment	3rd party suppliers See Note 10
Opening Inventory	$5,000 - $10,000	Lump Sum	Prior to ordering and shipment	Designated and/or approved 3rd party suppliers
Construction Management Services Fee	$5,500 - $7,500	Lump Sum	Upon signing Construction Management Services Agreement	Independent Supplier See Note 11
Construction and Design Plan Review	$500-$1,000	Lump Sum	Prior to starting construction	Us or our affiliate See Note 12
Post Build Review	$1,500-$3,000	Lump Sum	Prior to opening for business	Us or our affiliate See Note 13
Additional Funds first three months	$15,000 to $25,000	As arranged	As incurred	3rd party suppliers, Us, Regis, or an affiliate See Note 14
TOTAL ESTIMATED INITIAL INVESTMENT	$208,166 to $342,808			See Note 15

General Statements

A. No expenditure paid to us that is in this table is refundable.

B. The table above assumes that you will develop a new Roosters Center. However, if you choose to buy the assets of an existing Roosters Center from an affiliate of Roosters or an existing affiliated branded salon for conversion to a Roosters Center (in each case to operate the store as a Roosters Center going-forward), the purchase price will depend on age, location, condition, profitability, cash flow, strategic considerations, and other relevant market factors. If you are acquiring an affiliated branded salon for conversion to a Roosters Center, you must make certain upgrades, modifications, and improvements to convert the store to Roosters' then-current design as a condition of your acquisition and operation of the store as a Roosters Center. These costs will depend on the condition of the premises and business assets but should be less than the aggregate numbers presented in the chart above because the store has already been built.

C. Roosters no longer has corporate-owned Roosters Salons for purchase, however during the fiscal year ended June 30, 2021, Roosters MGC International, LLC sold 2 corporate-owned Roosters Centers to franchisees.

D. **These figures are estimates**. Except as otherwise described below, all payments are nonrefundable. We make no representation that your costs will come within the ranges estimated and cannot guarantee that you will not incur additional expenses starting your business. Your actual costs will depend on: region; size of your site, time of year; how much you follow our methods and procedures; your management skill, experience and acumen; local economic conditions; local market for your services and products; prevailing wage rate; competition; and sales levels that you reach during the initial period of your business. Except as noted, we do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions.

Explanatory Notes

(1) See Item 5 for more information about the initial franchise fee.

(2) You are responsible for other expenses you or your employees may incur in the initial training program, such as travel and living expenses and meals during initial training.

(3) You must spend between $15,000 to $20,000 on your grand opening plan to promote your Center in its local market area using a mix of public relations, promotions, advertisements, direct mail and other marketing strategies that we approve (the "Grand Opening Marketing Plan") and may include, at your option, up to $500 in approved grand opening public relations services provided by our approved public relations agency.

(4) You must purchase insurance policies according to our requirements and naming us as co-insured. See Item 8 for more information regarding our insurance requirements.

(5) This estimate is for 3 months of rent. A traditional Center typically is located in an outdoor or enclosed mall or a strip shopping center and generally is from 1,000 to 1,400

square feet with six (6) grooming stations. Rent is estimated at $3,000 per month for a traditional Center, but your rent may be higher or lower depending on the market, Center size, and common area expenses passed through to tenants. Rent for enclosed mall locations generally will be higher. Security deposits may be refundable either in full or in part, depending on your lease or contract.

You will lease your Center's location directly from the landlord, although we reserve the right to require you to sublease the location from us or our affiliate. The cost of the leased premises depends on the amount you or we paid to purchase the property, the amount you or we paid to any owner and/or master sublessor, or the amount you paid to any owner, plus any other expenses you or we incur as a result of its ownership and/or leasing of the premises. The lease's exact costs depends upon location, building size, condition, related taxes, utility charges, and other expenses related directly to the premises. A security deposit approximately equal to one month's rent also might be required. If you initially sublease your Center's location, we reserve 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, we may subsequently require you to sublease). If you request and we agree to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then we reserve 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. We have no obligation to guarantee your lease in any way, but if we do, you must pay such monthly lease guaranty fee.

(6) See Item 10. You must purchase this software from Soham, Inc. ("Zenoti").

(7) This amount includes engineering and/or architectural drawings, site survey fees, permit fees, and other professional services.

(8) The exterior signage specifications will be provided by Roosters MGC. All exterior signage is subject to changes depending upon the Landlord's signage criteria and/or city/municipal codes and ordinances.

(9) Leasehold improvements and exterior signage must conform to our standard specifications and local ordinances. The low estimated fee is based on the costs to design and build-out a Center that is 1,000 square feet in size, and the high estimated fee is based on the cost to design and build-out a Center that is 1,400 square feet, with both estimates accounting for a Center with six (6) grooming stations. In some situations, your landlord may pay or contribute to the costs incurred in obtaining these leasehold improvements. Also included in these costs are associated professional fees.

(10) The furniture, fixtures, equipment and products we specify for your Center include, but are not limited to, interior signage, cabinetry, millwork package, trim, mirrors, station lighting, reception and retail components, over-sized barber chairs, shampoo bowls, point of sale cash register (POS) system, store décor, and all sundries needed to open and carry out over the first three months of operating your Center, along with the Roosters Specific Equipment excluding delivery and installation. The estimated cost of the FF&E for your Center is $55,000 to $70,000, depending on the size of your Center and the number of grooming stations and includes the Roosters Specific Equipment. The costs of the Roosters Specific Equipment is $20,000 - $30,000 and is payable to our designated and/or

approved vendor at the time you place your order with them for the Roosters Specific Equipment for your Center.

(11) You must make certain modifications and leasehold improvements to your Center's premises according to Roosters' Architectural Design Manual. Roosters must approve all plans and specifications, which must be prepared by a firm Roosters approves. You must strictly comply with the Architectural Design Manual and approved plans and specifications. Roosters estimates that leasehold improvement costs including installation costs for FF&E will be between $75,000 and $150,000 depending upon the Center's exact size and the number of grooming stations, 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.

(12) If you want our 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 Roosters Center), 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 Center's FF&E that our approved vendor arranges for you to purchase, plus shipping and handling.

(13) If you elect not to use our approved vendor to coordinate the buildout of your Roosters Center, 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 Center after it is built and before it opens for business.

(14) This range is an estimate of the funds needed to cover your initial expenses for the first three (3) months of operation. It includes payroll costs (but not any draw or salary for you), utilities, and miscellaneous supplies. However, this is only an estimate, and it is possible that you will need additional working capital during the initial period. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Center(s) will break even. We cannot guarantee when or if the Center(s) will break even. Your costs will depend on your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and your Center's sales during the initial period.

(15) We have relied on our suppliers' and our principals' many collective years of experience in this business to compile these estimates. Because these figures are only estimates, it is possible both to reduce and to exceed costs in any of the areas listed above. Actual costs may substantially exceed these estimates in a few major metropolitan markets. You should review all figures carefully with a business advisor and investigate actual costs in your market before you decide to purchase the franchise. The estimate does not include any finance charge, interest, or debt service obligation.

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 Roosters 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 Roosters 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
e. 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 Roosters 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. Roosters Specific Equipment and Opening Inventory Supply

You must purchase or lease products, services, certain Roosters Specific Equipment, supplies, national brand professional hair care products including shampoos, conditioners, and finishing products, furniture and fixtures required to establish your business from our designated and/or approved suppliers (which may include us and our affiliates). You must purchase your Opening Inventory Supply from our designated and/or approved suppliers, and any additional supplies must be purchased on an ongoing basis (as needed) from third party suppliers designated or approved by us.

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 L 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 Roosters Store ("Plans"), including requirements for dimensions, design, interior layout, improvements, color scheme, décor, signage, and Operating Assets. All other decisions regarding the Roosters Store's development are subject to our review and prior written approval. You must adapt the Plans for the Roosters 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 Roosters 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 Roosters Specific Equipment in, and otherwise develop the Roosters Store according to our standards, specifications, and directions. The Store must contain all Operating Assets, and only those Operating Assets, we specify or pre-approve. You agree to place or display at the Roosters Store (interior and exterior), according to our guidelines, only the signs, emblems, lettering, logos, and materials we approve.

f. Sublease

You may sublease the premises of your Roosters Store, at least initially, pursuant to a sublease, the form of which is included in Exhibit C to this disclosure document (the "Sublease"). If you are required to 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 Roosters agrees to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then Roosters 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. Roosters 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 sublease from us, we do not derive any revenue from your sublease.

g. Insurance

You must maintain insurance coverage for the Roosters 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 Roosters 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 Roosters 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 P 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 Roosters 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 Roosters 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 Roosters 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 Roosters Store network's best interest. If we approve any supplier or distributor you recommend, we may authorize other Roosters Stores to buy or lease any Roosters Specific Equipment, 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 Roosters Stores on account of those suppliers' prospective or actual dealings with your Store and other Roosters 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. The designated credit card processor pays Regis $.0065-$.0315 per authorization and 2%-6% of eligible revenue based on authorizations by and revenue received from franchisees.

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 Roosters 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	$ 25,574.00	0.009%
Construction management and FF&E coordination services	$ 0	0

Required Purchase or Lease by Roosters Franchisees	Amount of Revenue from the Required Purchase or Lease	Percentage of Regis' Total Revenue from the Required Purchase or Lease
Hair Care Products and Supplies	$ 65,269.26	0.023%

Collectively, your purchases and leases from us or our affiliates, from designated or approved suppliers, or according to our standards and specifications represent about 68% - 73% of your overall purchases and leases to establish and then to operate the Roosters Store.

A number of our officers disclosed in Item 2 own an interest in Regis Corporation, the publicly-traded parent company of Roosters. These officers have no ownership interest in any other approved or designated suppliers.

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 Roosters Stores. We and our affiliates also are not responsible for the performance of suppliers and distributors to Roosters 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 agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	1(C), 1(D) and 5(B)	Article 1	7 & 11
b. Pre-opening purchases/leases	3(B), 3(D), 5(B) and 5(C) and Construction Management Services Agreement	No Additional Provision(s)	5, 7 & 8

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
c. Site development and other pre-opening requirements	3(A)-(D), 5(A)-(D) and 5(F) and Construction Management Services Agreement	No Additional Provision(s)	8 & 11
d. Initial and ongoing training	3(D) and 5(F)	No Additional Provision(s)	11
e. Opening	5(D)	Article 3	11
f. Fees	4, 11(B), 11(F) & 13(B)(2)(k) and 3 and 4 of Construction Management Services Agreement	Articles 3 and 4	5 & 6
g. Compliance with standards and policies/Operating Manual	1(A), 5(A), 5(K)(L), 5(O)-(R), 5(T), 5(V), 7 and 8	Article 5	11 & 14
h. Trademarks and proprietary information	5(J), 5(T), 6, 8, 9 and 17(A)	Article 5	13 & 14
i. Restrictions on products/services offered	1, 5(K), 5(O)-(R), 7 and 17(B)	No Additional Provision(s)	5, 8 & 16
j. Warranty and customer service requirements	5 & 7	No Additional Provision(s)	16
k. Territorial development and sales quotas	1(C), 1(D) and 5(B)	Articles 1 and 3	12
l. Ongoing product/service purchases	5(J) and 5(O)-(R)	No Additional Provision(s)	8
m. Maintenance, appearance and remodeling requirements	2(B), 5(K), 13(B)(2)(g) and 17	No Additional Provision(s)	8 and 11
n. Insurance	12	No Additional Provision(s)	7
o. Advertising	11	No Additional Provision(s)	6 & 11
p. Indemnification	19	No Additional Provision(s)	6
q. Owner's participation, management, staffing	5(G)-(J), 5(O)(3)	Article 4	15
r. Records/reports	4(C), 5(U) and 10	No Additional Provision(s)	Not applicable
s. Inspections	5(Q) and 10	No Additional Provision(s)	Not applicable
t. Transfer	13	Articles 10 and 11	17
u. Renewal	2B	Not Applicable	17
v. Post-termination obligations	15	Articles 7 and 8	17
w. Non-competition covenants	16(B)-(C)	No Additional Provision(s)	15 & 17

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
x. Dispute resolution	25	Article 12	17
y. Taxes/permits	5 and 18	No Additional Provision(s)	1

ITEM 10
FINANCING

Neither we nor any agent or affiliate offers direct or indirect financing to you, guarantees any of your notes, leases or obligations, except as described below.

While you are required to locate the site and lease your Center location, we reserve the right to lease directly from the landlord and require you to sublease the Center location from us or our affiliate. If you initially sublease your Center location, we reserve 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, we may subsequently require you to sublease). If you request and we agree to guarantee your lease obligations in any way (e.g., as tenant or guarantor), then we reserve 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. We have no obligation to guarantee your lease in any way, but if we do, you must pay such monthly lease guaranty fee. If we require you to sublease or if you open a Roosters Center at a site that we or an affiliate leases from a third-party, you must enter into the Sublease attached as Exhibit C.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Development Agreement

Roosters grants franchises for the operation of Roosters Stores located within geographic areas defined by Roosters. Unless you are signing a Franchise Agreement for a new Roosters Store to be developed under a previously-signed Development Agreement or as a result of your exercise of Expansion Policy rights, Roosters' current practice is to sign a Development Agreement with all franchisees for each new franchise acquisition in a geographic area, even if the franchisee expects to develop only one Store. If you acquire the right to develop just one Roosters 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 Roosters requires you to sublease the location, Roosters' Sublease, when the Roosters Store's site is found and secured. You and Roosters also will sign the Location Identification Amendment to

Franchise Agreement at that time.) You sign Roosters' then current standard Franchise Agreement and, if applicable, Sublease, for each subsequent Roosters 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. (Section 5(A) of the Franchise Agreement). 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 Roosters 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 approve or disapprove the site within thirty (30) days of your submission (Section 3(A) of the Franchise Agreement). We will review the site characteristics and demographics and other factors that we consider for site approval that include but are not limited to: traffic patterns, size of site, location within the mall or strip center, trade area demographics, competition terms of the lease, and any other characteristics that we deem important. Roosters consent to a site constitutes permission only and is in no way an endorsement or guarantee that the Center will do well (Section 5(B) of the Franchise Agreement). If we do not approve of a site for your Center or your Center is not opened within the time specified in the Franchise Agreement, the Franchise Agreement may be terminated.

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. The lease or sublease must either (i) include the Lease Addendum attached as Exhibit N to this Franchise Disclosure Document or (ii) include within its body the Lease Addendum's terms and conditions. You may not sign any lease we have not accepted in writing.

c. Assist you with construction of your Store. Assist you in the construction or improvement of your location by providing specifications for improvements (Section 5(C) of the Franchise Agreement).

d. Provide initial training. Provide an initial training program to train you in all aspects of operation of your Center (Sections 3(D) and 5(F) of the Franchise Agreement). The training program is described in more detail below in this Item under the subheading "Training."

e. Provide our minimum standards and specifications. Provide our specifications and sources of supply for the equipment, fixtures, signs and initial inventory necessary for you to begin operation of your Center (Sections 3(B)-(C) of the Franchise Agreement).

f. Provide you with required products and services. Designate the products and services to be offered by your Center and provide sources of supply for all products used in your Center (Section 3(B) and 3(C) of the Franchise Agreement).

g. Give access to our Operations Manual. Loan you one (1) copy of our Operations Manual for use in the operation of your Center during the term of the Franchise Agreement (Section 3(G) of the Franchise Agreement). The Operations Manual is approximately 241 pages in length and its Table of Contents is attached to this disclosure document as Exhibit "K".

h. 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 6) We will accept your Stores' proposed locations only if they meet our then-current standards for Store sites.

Time Between Signing and Opening

Under the Franchise Agreement, your Center must be open by the earliest of: (i) thirty (30) days from the date you complete construction of the Center (Section V(C) of the Franchise Agreement); or (ii) twelve (12) months from the date you enter into your franchise agreement for that Center (Section V(D) of the Franchise Agreement). If you fail to open within these time periods, we may terminate your franchise agreement if we provide you with notice of your failure to open and you do not open within fifteen (15) days (Section 14(C)(3) of the Franchise Agreement).

Generally, we expect franchisees to open each Center within five (5) to twelve (12) months after: (i) signing that Center's respective franchise agreement; or (ii) paying consideration to us. The main factors that we expect to affect this time period are the availability of suitable locations, the ability to obtain mutually acceptable lease terms, the need for rezoning of the location, the ability to obtain financing, the local time frame for obtaining building permits, weather, construction delays, shortages, delayed installation of equipment, fixtures or signs, and your personal timetable.

If you enter into a Development Agreement with us, it must be signed at the same time as your Franchise Agreement and your second Roosters Center is required to be open eighteen (18) months from the date your first Roosters Center granted under your initial Franchise Agreement is required to be open. Your third Roosters Center is required to be open within eighteen (18) months from the date your second Roosters Center is required to be open. If you do not open the Centers within the applicable Development Period(s) described in the Development Agreement, then we may revoke your option to open any Additional Centers that have not been open as of that date without refunding any of your Development Fee (See Section 3 of the Development Agreement).

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 Roosters Store's operation with respect to standards, specifications, operating procedures, and

methods that Roosters 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 Roosters Store. (Section 3(F) of the Franchise Agreement).

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. (Section 3(D) of the Franchise Agreement)

c. **Manuals.** Provide you with, or otherwise make available, any updates, changes or modifications to the Operations Manual and/or other manuals that are related to the operation of your Center (Sections 3(G) and 8 of the Franchise Agreement). You are responsible, however, for making sure that you continually update your manual(s) once we have made such updates or revisions available to you.

d. **Monthly Reporting**. As we deem necessary in our sole discretion, we may provide general assistance in establishing the monthly reporting system, bookkeeping and accounting systems necessary to enable you to operate your Center and accurately report your revenue to us (Section 3(H) of the Franchise Agreement). This reporting assistance will only be offered if we deem such assistance is necessary and subject to the availability of our staff.

e. **Telephone Number**. We have the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys (Section 3(I) of the Franchise Agreement). If we establish a toll free number, you must comply with our procedures for implementing the nationwide service as we specify in the Operations Manual or otherwise in writing.

f. **Brand Standards.** Changes in Brand Standards may require you to invest additional capital in the Roosters 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 Roosters Store sells, including requirements for promotions, special offers, and discounts in which some or all Roosters Stores must participate. (Section 3(J) of the Franchise Agreement).

g. **Advertising and Marketing Assistance**. We administer a national advertising fund (the "National Fund") for the benefit of all Roosters Centers system-wide. (Section 11(D) of the Franchise Agreement). We also review for approval any local advertising proposed by you. (Section 11(A) of the Franchise Agreement). Additional information regarding the Fund and advertising generally is provided below in this Item under the subheading "Advertising".

h. **Promotional/Loyalty/Gift Card Programs.** We will create and implement promotions and loyalty programs aimed at driving customers to Roosters. 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 P of this disclosure document. (Franchise Agreement – Section 3.E)

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 Roosters Store, however we do not mandate pricing.

Advertising and Marketing

All advertising and promotion you use must be in the media and of the type and format as we approve. You must conduct the activities in a dignified manner and they must conform to our standards. You may not use any advertising or promotional plans or materials until you have received our written approval, according to the procedures and terms described in the franchise agreement. You must submit to us, at least twenty-one (21) business days prior to your use, samples of all sales promotional and advertising materials you desire to use for approval. (Section 11(A) of the Franchise Agreement). Our failure to approve or disapprove the materials within 21 business days of receipt will be deemed disapproval. (Section 11(A) of the Franchise Agreement). You may not use any advertising or promotional materials for which we have not given our prior written approval. You may not advertise the Business or any products or services offered by the Business via the Internet without our prior written consent, which may be given or withheld in our sole discretion. (Section 11(A) of the Franchise Agreement).

a. National Fund

We have established a national advertising fund ("National Fund") for the common benefit of System franchisees. You are required to participate in and contribute monthly to the National Fund an amount not to exceed 2% of your Gross Sales ("Fund Contribution Fee") in the manner we prescribe (Section 11(D) of the Franchise Agreement). We have the right to use National Fund contributions, in our sole discretion, to develop, produce, and distribute national, advertising and public relations materials which promote, in our sole judgment, the services offered by System franchisees. We may or may not use the following media: print, radio, television, telephone, telephone directories, Internet and direct mail.

Currently, we require all System franchisees to contribute 1% of their monthly Gross Sales to our National Fund. (Section 11(D) of the Franchise Agreement). We do not anticipate that any part of fund contributions will be used for advertising which is principally a solicitation for the sale of additional franchises, but we reserve the right to include a notation in any advertisement indicating "Franchises Available". Although we anticipate that all advertising contributions will be spent in the fiscal year in which they accrue, any remaining amounts will be carried over to be expended during the next fiscal year. We have the sole right to determine contributions and expenditures from the National Fund, or any other advertising program, and sole authority to determine the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend such funds in the general best interests of the System on a national basis. (Section 11(D) of the Franchise Agreement).

We are not required, under the Franchise Agreement, to spend any amount of National Fund contributions in your geographic area and not all System franchisees will benefit directly or on a pro rata basis from our expenditures. We have the right to reimbursement from National Fund contributions for such reasonable costs and overhead, if any, as we may incur in activities which

are reasonably related to directing and implementing the National Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs. There is no requirement that the National Fund be audited. Upon your written request, we will provide you with an unaudited accounting of National Fund expenditures. All franchisees participating in the National Fund will be required to contribute to such fund at the same rate. Company owned Centers may, but are not required to contribute to the National Fund.

In our most recent fiscal year ended June 30, 2021, we spent 69% of the total advertising fund expenditures for production and creation of advertising, 31% on media placement and 0% on administrative expenses.

b. Advertising Council

We have established an advertising council of franchisees to advise us (the "Roosters Council"). The Roosters Council will be advisory in nature and have no operational or decision-making power, and we will have the right to change or dissolve the council. (Section 11(D) (8) of the Franchise Agreement). Members of the Roosters Council will be selected by us in our sole discretion.

c. Advertising Cooperatives

We have the right to require that advertising cooperatives be formed, changed, dissolved or merged. You must participate in a local advertising cooperative if one is established in your market. All members of the Cooperative will jointly decide how much will be contributed on a monthly basis per location, as well as when and how contributions will be collected. Local Advertising Cooperative fees and expenditures must be approved by an affirmative majority vote at a meeting of participating franchisees, attending in person or voting by proxy, at a duly constituted meeting. Any Centers owned by us will exercise the same voting power as a single franchised center and will contribute to the Cooperative on the same basis as franchisees (Section 11(E) of the Franchise Agreement). The maximum monthly contribution is currently $500.

d. Other System-Wide Advertising

We do not currently conduct any other system-wide advertising, although we reserve the right to do so in the future.

e. Local Advertising

You must spend a minimum of $1,000 per month per Center you own on local advertising (Section 11(B) of the Franchise Agreement). You must spend this minimum amount according to our specifications.

f. Telephone Numbers and Listings

In addition to your local advertising minimum spend, you must maintain and pay for appropriate business listings in local telephone directories as specified in our Operations Manual or otherwise in writing by us. (Section 11(C) of the Franchise Agreement). We will own all rights to the telephone listings due to the use of our trademark, and you must transfer them to us on the expiration, termination, repurchase or transfer of the franchise, at your expense (Section 15(J) of the Franchise Agreement). You must sign an authorization that grants us the right to change,

transfer or terminate your telephone listings, if the franchise expires, is not renewed or is terminated (see Section 15(J) and Exhibit "F" to the Franchise Agreement).

g. Web Sites

We reserve the right, but are not obligated to, maintain a web site on the Internet to advertise and promote the franchise system and the products and services that we or you market in your Center (Section 11(G) of the Franchise Agreement). If we do maintain a website, we will permit you to maintain a standard listing (or subpage) on our website and may allow you to customize a web page that may be subject to an additional fee as periodically set by us in our Operations Manual. You may not maintain a web site or otherwise advertise and promote your Center on the Internet except with our prior written approval (Section 11(G) of the Franchise Agreement).

Computer Systems

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 V.R) The computerized point of sale cash register system and/or franchise back office software tracks employee productivity, records individual performance, customer data, monitors salon profitability factors, facilitates scheduling and payroll records, product sales, monitors inventory, simplifies point of sale and may link Roosters Men's Grooming Centers to computer networks, including internet access to Regis systems, but excludes standards, specifications, requirements and instructions relating to labor relations and employment practices. All data and information, including without limitation, operational, financial, revenue, expenses, profit, customer (e.g., names, addresses, email addresses, phone numbers), individual and collective transaction data, and marketing data and information for your Roosters Center including all such data and information on your point of sale and back office computer system (but excluding employee and employment related information) ("Data") are owned exclusively by us and we, our parent and affiliates may access and use such Data at any time, including on a daily and other basis without restriction. 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 form of agreement between you and Zenoti is included in Exhibit L of this disclosure document. 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, you and your 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

You will receive the following training before you open your Roosters Store based solely on our proprietary Operations Manual:
:

TRAINING PROGRAM

Subject	Time of Training	Hours of on-the-Job Training	Location
Introduction to Regis and Roosters	24 min	0	Online or virtual learning, Roosters Corporate Office in Minneapolis, MN, or other location designated by us.
Roosters Brand & Culture	14 hours, 43 min	0	Online or virtual learning, Roosters Corporate Office in Minneapolis, MN, or other location designated by us.
Roosters Marketing	1 hour, 5 min	0	Online or virtual learning, Roosters Corporate Office

Subject	Time of Training	Hours of on-the-Job Training	Location
			in Minneapolis, MN, or other location designated by us.
Roosters Merchandising	15 min	0	Online or virtual learning, Roosters Corporate Office in Minneapolis, MN, or other location designated by us.
Financial Tools & Compensation	17 min	0	Online or virtual learning, Roosters Corporate Office in Minneapolis, MN, or other location designated by us.
Recruiting, Hiring & Retention	36 min	0	Online or virtual learning, Roosters Corporate Office in Minneapolis, MN, or other location designated by us.
Daily Operations	1 hour, 12 min	0	Online or virtual learning, Roosters Corporate Office in Minneapolis, MN, or other location designated by us.
Salon Leadership	2 hours, 3 min	0	Online or virtual learning, Roosters 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.

At least thirty (30) days prior to opening the Center, you (or if you are a corporation, your manager) and your employees must complete the on-site portion of our mandatory Training Program to our satisfaction (and we may conduct this training online). The other portions of our Training Program will be held at our corporate headquarters or such other place we designate, including online. We will pay for training instructors, facilities and materials in connection with the initial training programs, but you are responsible for all other expenses you and your employees incur in attending training such as transportation, meals and lodging. Our training classes are offered based on demand and subject to the availability of training personnel. Our training schedule is subject to change at our discretion.

b. Additional Training

We may require that you and certain employees attend additional courses, seminars, and other training programs that we may periodically require. For all required additional training courses, we will provide instructors and training materials, to the extent we offer any such training at that time. You and your employees will be responsible for all training materials and supplies and other expenses that you will incur in connection with the courses, including the cost of transportation, lodging, meals and wages (Section 5(G) of the Franchise Agreement).

We also offer technical training, which is overseen by James Suarez, Senior Vice President of Merchandising and Education. New franchisees receive the following in-person by our Artistic Directors to new franchisees: (a) Customer Service; (b) Haircutting; (c) 7 step shave; (d) Road recover facial; (e) Facial grooming and waxing; (f) Color; and (g) Retail.

ITEM 12
TERRITORY

Approved Location

You must only operate your Center at a site that we approve at the time you enter into your Franchise Agreement, or thereafter, in writing (the "Approved Location"). The Approved Site must be located within the Designated Market Area ("DMA") we designate in Exhibit "B" to the Franchise Agreement. Typically, your DMA is described in terms of street boundaries or other geographical/political demarcation and may vary in size from other DMAs depending on the following: population density and other demographic factors, including: the population base; growth trends of population; apparent degree of affluence of population; the density of residential and business entities; location of competing businesses; and major, restricting, and topographical features which clearly define contiguous areas, such as rivers, mountains, major freeways and underdeveloped land areas; and other factors. If you have not secured an Approved Location for the Center at the time you sign your Franchise Agreement, you must select and secure an Approved Location for your Center within twelve (12) months of signing the Franchise Agreement. Once you have secured an Approved Location for your Center, the parties will execute the Site Selection Addendum attached as Exhibit "C" to your Franchise Agreement defining the Approved Location.

Exclusions and Reserved Rights

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we and/or our affiliates own, operate or franchise, the sale of our products/services in other channels of distribution and/or competitive brands that we control.

In addition to the above, we and our affiliates expressly reserve the right to: (i) own and operate, and license others the right to own and operate, Centers at any locations with the Proprietary Marks and System; (ii) own and operate, and license others the right to own and operate, similar businesses under different marks at any locations; (iii) use the Proprietary Marks and System in connection with services and products, promotional and marketing efforts, or related items, or in any alternative channel of distribution (as described more fully in this Item 12); (iv) acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by Franchisee under the System and Proprietary Marks; (v) sell to, solicit, or direct advertising or promotional materials to customers; and (vi) use the Proprietary Marks and System, and license others to use the

Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

With respect to our rights in alternative channels of distribution, we or our designees may distribute certain of our products and services, whether now existing or developed in the future in such manner and through such alternate channels of distribution as we, in our sole discretion, determine. These alternate channels of distribution include, but are not limited to, the sale of Rooster's Proprietary Products and other items via the Internet, mail order catalog, through wholesale and resale stores, and direct marketing via television and radio. Nothing in the Franchise Agreement grants you any right to: (1) distribute such products or services in these alternative channels; or (ii) share in any of the proceeds that we or our designee receives from the sale of such goods and services in these channels.

The Franchise Agreement does not grant you any right of first refusal, or any other right, to purchase additional Centers. We do not grant any exclusive territorial rights. You are prohibited from soliciting other franchisees for any other business or investment activity. You may not solicit business for your Center outside of your Designated Market Area except when approved by us in writing.

Affiliated Hair Care Chains

As described in Item 1, Regis and its subsidiaries and affiliates own, operate, and franchise numerous hair and retail product salon concepts including: Regis, Mastercuts, Pro-Cuts Classic, Pro-Cuts Sports, Cost Cutters, Supercuts, SmartStyle, Holiday Hair, Hair Masters, HairCrafters, Great Expectations, The Barbers, City Looks, First Choice Haircutters, and Magicuts. Such businesses may be located near your Roosters Center. Regis, its subsidiaries and affiliates, reserve the right to own, operate, franchise, develop and acquire hair and retail product salons under the above concepts as well as under any other trade name or trademark, anywhere they desire, including in locations adjacent to or nearby the locations of your Roosters business. We or our affiliates also may develop or acquire other hair care salons which may be operated near your Roosters Center. To the extent that any such salons are located near your Roosters Center, they may compete for customers by offering hair care services and hair care products. We cannot guarantee that your Roosters business will not compete for customers with such salons.

ITEM 13
TRADEMARKS

We grant you the non-exclusive right and obligation to use the trademark, service mark and trade name ROOSTERS MEN'S GROOMING CENTER, and other trademarks, service marks, trade names, logos, trade dresses, and other commercial symbols ("Proprietary Marks") that we may make available to you, for providing services and products under our system at the Center. Except as we permit in writing, you may not use any Proprietary Mark, any derivation or modified version of any Proprietary Mark, or any confusingly similar mark or name: as part of your corporate, partnership, firm or other formal business name, web site address, email address, domain name or other identification in any print, electronic or other medium; or with any prefix, suffix or other modifying word, term, symbol or design. You may not use our Proprietary Marks for the sale of unauthorized services or products or in any manner we have not authorized in writing. All rights in and good will from the use of our Proprietary Marks accrue solely to us.

Federal Registrations and Applications

We own the following Proprietary Marks on the Principal Register of the U.S. Patent and Trademark Office ("USPTO"):

Trademark	Class	Registration Number	Registration Date
Roosters (word mark)	44	2,695,919	March 11, 2003
	44	4,385,586	August 13, 2003
Roosters Men's Grooming Center (word mark)	44	4,349,836	June 11, 2003

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 Roosters 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 Roosters 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

Patents and Copyrights

We do not own any rights in, or licenses to, any patents or copyrights that are material to the franchise. We have not registered any copyrights with the United States Copyright Office (Library of Congress) and we have no pending patent applications that are material to the franchise; however we claim common law copyright protection for our printed literature and our Manuals. We will defend you against any claims arising from your use of patented or copyrighted items.

Confidential Operating Manuals

You must operate the Center according to the standards, methods, policies and procedures specified in the Manual, one copy of which you will receive on loan from us for the term of the franchise agreement upon completion by you and your manager of our initial training program to our satisfaction.

You must treat the Manual, any other manuals created for or approved for use in the operation of the Center, and the information contained in them, as confidential, and must use all reasonable efforts to maintain this information as secret and confidential. You must not copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make them available to any unauthorized person. The Manual will remain our sole property and must be kept in a secure place on the premises at the franchise location.

We may periodically revise the contents of the Manual and you must comply with each new or changed standard. You must ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by us at our home office will control. (See, generally, Section 8 of the Franchise Agreement).

Confidential Information

You will learn from the Manuals and from your operation of a Center trade secrets and other confidential information about our methods and techniques, the System and the methods of operation of the Centers (collectively, "Confidential Information") that is proprietary to us. You may divulge Confidential Information only to those employees who must have access to it in order to operate the Center and you must advise them of its confidential nature. Any information that we designate as confidential will be considered Confidential Information under the franchise agreement. (See, generally, Section 9 of the Franchise Agreement).

You must require your manager and any personnel having access to any Confidential Information to enter into covenants that they will maintain the confidentiality of information they receive during their employment at the Center. These covenants must be in a form we find satisfactory, and specifically identify us as a third-party beneficiary of these covenants with the independent right to enforce them.

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

During the term of the franchise agreement, except as we otherwise approve in writing, you or your manager, who has successfully completed the required initial training programs to our satisfaction, must devote full time and best efforts to the management and operation of the Center. Either you or your fully-trained manager must at all times provide supervision of the Center.

You, or your duly authorized representative, must provide supervision to all Centers within the territory, as needed, according to our requirements. Such supervision shall include, but not be limited to, on-site supervision during the period of time prior to the opening of a Center; general assistance, advice and consultation to franchisees with regard to entering into negotiations and agreements within the territory for franchisees' services; review of proposed leases and contracts; consultation and assistance with regard to the grand opening of a Center; providing supplemental training and assistance on all material aspects of the operation of a Center; periodic and regular

telephone calls or visits to monitor operations of Centers within the territory, continuous advisory services to franchisees, and ongoing training and updates for all Centers within the territory. You agree to perform such duties according to our requirements and according to the System, the Confidential Operations Manual, our then current form of Franchise Agreement for the territory, or otherwise in writing. You agree to be available during regular business hours to answer franchisee questions or concerns.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must keep the Center open and in normal operation for the minimum hours and days we specify in the Manual or otherwise in writing. You must operate the Center in strict conformity with the specifications contained in the Manual or otherwise in writing. You must not deviate from our specifications and procedures.

You must use the premises solely for the operation of the Center. You must not use or permit the use of the premises for any other purpose or activity at any time without first obtaining our written consent.

You must sell only those products and services that we have expressly approved in writing and which meet our current standards as established in the Manual or otherwise in writing. You must discontinue selling or offering for sale any services or products that we, in our sole discretion, disapprove in writing at any time. See Item 8 of this disclosure document for a description of your restrictions on some purchases. You must comply with all reasonable requirements if we modify the System, including offering and selling new or different services and products that we specify. We have the right to change the types of authorized goods and services, and there are no limits on our right to make changes.

We will recommend prices that you may charge for products and services to ensure consistency, realizing that you may have discretion as to the prices of all services you offer and sell to your customers for your particular market. You must obtain our approval, as specified in the Manual, before you offer any promotion, discount or coupon.

You are prohibited from soliciting other franchisees for any other business or investment activity. You may not solicit business for your Center outside of your Designated Marketing Area except when approved by us in writing or unless neighboring territories are not owned by another franchisee.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

A. THE FRANCHISE RELATIONSHIP UNDER THE FRANCHISE AGREEMENT

Provision	Section in Franchise Agreement	Summary
a. Length of the franchise term	2	10 years
b. Renewal or extension of the term	2	One 10-year term provided you are in good standing
c. Requirements for you to renew or extend	2	Notice, satisfaction of monetary obligations (franchise agreement only), compliance with franchise agreement, release, sign a new agreement, pay the renewal fee and others. If you seek to renew your agreement at the expiration of the initial term or any renewal term, you may be asked to sign a new agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements and territorial rights.
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	14	If you materially breach the Agreement or commit any one of several listed violations.
g. "Cause" defined –curable defaults	14(C)-(D)	15 days cure period for monetary obligations, failure to open and other acts listed under Section 14(C), and other curable defaults under the Agreement have a 30-day cure period as provided in Section 14(D)
h. "Cause" defined – non-curable defaults	14(A)-(C)	Bankruptcy, voluntary abandonment, unauthorized transfer, conviction of felony, insolvency, misuse of marks, fraud, failure to complete initial training, breach of other agreements with us or our affiliates, sale of offer of any unauthorized products or from an unauthorized supplier, violation of any restrictive covenant and others.
i. Your obligations on termination/nonrenewal	15	Obligations include ceasing operations, complete de-identification, cease to use

Provision	Section in Franchise Agreement	Summary
		proprietary marks, turn over all confidential information and materials, payment of amounts due, compliance with non-competition and non-disclosure covenants, transfer telephone and directory listings to us and, upon our request, assign any interest you have in the lease for the location of your Center
j. Assignment of contract by us	13(A)	There are no limits on our right to assign any part of our interest in your franchise agreement
k. "Transfer" by you –definition	13(B)	Includes transfer of interest in the Franchise Agreement, franchise business, franchise location, assets of the franchise business, or any interest in the corporation or other business entity owning the franchise.
l. Our approval of transfer by you	13(B)(1)(2)	We have the right to approve transfers
m. Conditions for our approval of transfer	13	We may require any or all of the following: payment of money owed, curing of any other curable defaults, execution of general release by you, execution of our then-current agreement by transferee, and payment of transfer fee by you, completion of all required training by transferee (and other obligations as stated in this Section)
n. Our right of first refusal to acquire your business	13.D	We can match any offer
o. Our option to purchase your business	13	We can match any offer to purchase
p. Your death or disability	13(E), 13(G)	Interest in franchised business or development will be transferred to a 3rd party we have approved We also have the right to step in and operate your franchised business in the event certain happening occur (death, illness, disability) for a period of up to ninety (90) days, at our option, to ensure that operation of the franchised business is not interrupted
q. Non-competition covenants during the term of the franchise	16(A)-(B)	You may not engage in type of business similar to the Franchised Business including selling approved hair care products via the internet.
r. Non-competition covenants after the franchise is terminated or expires	16(C)	For a period of two (2) years, you must not own, maintain, engage in, be employed by, or have any interest in any other business that offers grooming services similar to that

Provision	Section in Franchise Agreement	Summary
		provided by the Center: (i) at the Center; (ii) within the Designated Market Area; or (iii) within a radius of six (6) miles of the perimeter of (a) the Designated Market Area granted to you under the franchise agreement; or (b) any other Designated Market Area licensed by us as of the date of expiration or termination of your franchise agreement; or (c) any territory where a Roosters franchisee is under development as of the date of expiration or termination of the franchise agreement.
s. Modification of the agreement	17	Must be in writing signed by both parties.
t. Integration/merger clause	23	Only the terms of the franchise and 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	25(B)-(C)	Internal Dispute Resolution ("IDR") for all claims asserted by franchisee. In the event IDR does not resolve the matter, the Franchisor may, at its option, submit any dispute to mediation to take place in Minneapolis, Minnesota. (Subject to State Law.)
v. Choice of forum	25(D)	Any court of general jurisdiction in Minneapolis, Minnesota or the U.S. District Court for the District of Minnesota (subject to state law)
w. Choice of law	25(A)	Minnesota (subject to state law)

B. THE FRANCHISE RELATIONSHIP UNDER THE DEVELOPMENT AGREEMENT

Provision	Section in Development Agreement	Summary
a. Length of the development term	Article 2.1	Your right to establish the Additional Centers begins on the 12-month anniversary of your execution of your first franchise agreement (the "Anniversary Date"). Your second Roosters Center is required to be open eighteen (18) months from the date your first Roosters Center is required to be open. Your third Roosters Center is required to be open within eighteen (18) months from the date your second Roosters Center is required to be open.
b. Renewal or extension of the term	Not Applicable	Not Applicable
c. Requirements for you to renew or extend	Article 2	Accept Roosters' written proposal to develop the Geographic Area within 30 days.
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Article 6	We may terminate the Development Agreement with cause if you are in breach of the Development Agreement.
g. "Cause" defined – curable defaults	Article 6.1	You will have 30 days to cure if you: violate any material provision; fail to conform to the Business System; fail to pay any uncontested fee to anyone; are determined to be insolvent; make an assignment for the benefit of creditors; issue any check which is dishonored; have a Franchise Agreement terminated by Roosters or wrongfully terminated by you; are convicted of any law relating to your Roosters Center or a felony; or abandon the Geographic Area.
h. "Cause" defined – non-curable defaults	Article 6.5	You are convicted of any law relating to any of your Roosters Centers or a felony; you abandon the Geographic Area; or your conduct materially impairs Roosters' 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 Centers you have already entered into an agreement to open and operate. Your rights pursuant to the Development Agreement revert back to Roosters.
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

Provision	Section in Development Agreement	Summary
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 Roosters; complete a written agreement satisfactory to Roosters; transferee's shareholders agree to be personally bound to the Development Agreement; transferee meets Roosters' 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 Roosters' 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 Roosters.
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 Roosters.
q. Non-competition covenants during the term of the franchise	Article 8.2	You may not participate in any business that competes with Roosters Centers.
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 Roosters 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 you and Roosters.
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)

Provision	Section in Development Agreement	Summary
w. Choice of law	Article 17.1	Governing law will be the laws of the state where the Geographic Area is located (Subject to State Law)

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are 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 2021-2022							
	Total Salon Count	**Average Sales**	**Median Sales**	**Max**	**Min**	**Number of Salons Exceeding Average**	**Percentage of Salons Exceeding Avg**
Top	27	$648,128	$551,065	$1,213,214	$454,833	10	37.04%
Mid	28	$366,796	$362,855	$454,539	$301,594	11	39.29%
Bottom	28	$194,327	$201,564	$300,360	$72,976	15	53.57%
TOTALS	**83**	**$400,132(1)**	**$349,782**	**$1,213,214**	**$72,976**	**34**	**40.96%(1)**

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

The Average, Median, and High/Low Store Gross Sales Information for the Fiscal-Year Period from July 1, 2021 through June 30, 2022, for franchised Roosters Stores that were open during that period ("Fiscal Year 2021-2022") 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 Roosters Store. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

Please note that on March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic and associated government orders forced substantially all franchised and company-owned Stores to close temporarily or to operate on a significantly-limited basis from March 1, 2020, through June 30, 2020, and a somewhat-limited basis from July 1, 2020 through June 30, 2021. While substantially all of our franchised and company-owned Stores reopened in July 2020, most remained subject to temporary closures through June 30, 2021, limited numbers of customers allowed in a Store at one time, and limited operating hours.

Some Roosters 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 Roosters' 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 (Roosters' fiscal year end). All "Company-Owned" Stores listed in the tables below are owned and operated by Roosters Corporate Shops, Inc., a wholly-owned subsidiary of Roosters.

Table No. 1

System-wide Outlet Summary for Fiscal Years Ending June 30, 2020, June 30, 2021 and June 30, 2022

Outlet Type	Year	Outlets At Start Of Year	Outlets At End Of Year	Net Change
Franchised	2020	83	85	+2
	2021	85	89	+4
	2022	90	89	-1
Company-owned	2020	0	3	+3
	2021	3	1	-2
	2022	1	0	-1
Total Outlets	2020	83	88	+5
	2021	88	90	+2
	2022	91	89	-2

Table No. 2-A
Transfers of Outlets from Franchisees to New Owners (Other than Franchisor)
For Fiscal Years Ending June 30, 2020, June 30, 2021 and June 30, 2022

State	Year	Number of Transfers
Connecticut	2020	1
	2021	0
	2022	0
Florida	2020	1
	2021	1
	2022	0
Georgia	2020	0
	2021	0
	2022	1
New Jersey	2020	0
	2021	0
	2022	0
Ohio	2020	0
	2021	0
	2022	2
Tennessee	2020	0
	2021	1
	2022	1
Texas	2020	3
	2021	1
	2022	0

State	Year	Number of Transfers
Utah	2020	0
	2021	1
	2022	0
TOTAL	2020	5
	2021	4
	2022	4

Table No. 2-B
Transfer of Regional Developer Outlets from Franchisees to New Owners
(Other than Franchisor)
For Fiscal Years Ending June 30, 2020, June 30, 2021 and June 30, 2022

State	Year	Number Of Transfers
TOTAL	2020	0
	2021	0
	2022	0

Table No. 3-A
Status of Franchised Outlets
For Fiscal Years Ending June 30, 2020, June 30, 2021 and June 30, 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
AL	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CA	2020	6	0	0	0	0	1	5
	2021	5	1	0	0	0	1	5
	2022	5	0	0	0	0	0	5
CO	2020	10	0	0	0	0	0	10
	2021	10	0	0	0	0	0	10
	2022	10	0	0	0	0	2	8
CT	2020	3	1	0	0	0	1	3
	2021	3	1	0	0	0	0	4
	2022	4	0	0	0	0	0	4

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
FL	2020	5	0	0	0	0	0	5
	2021	5	1	0	0	0	0	6
	2022	6	1	0	0	0	0	7
GA	2020	4	1	0	0	0	0	5
	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
ID	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
IL	2020	2	0	0	0	0	1	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
LA	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
MD	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
MA	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	1	3
	2022	3	0	0	0	0	1	2
MI	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
MN	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
MO	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NV	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0

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
NJ	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	1	1
NC	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
NY	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
OH	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	1	8
	2022	9	0	0	0	0	0	9
PA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
RI	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TN	2020	4	0	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	1	3
TX	2020	11	0	0	0	0	0	11
	2021	11	2	0	0	0	0	13
	2022	13	0	0	0	0	0	13
UT	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
VA	2020	6	0	0	0	0	0	6
	2021	6	0	0	0	0	1	5
	2022	5	1	0	0	0	0	6

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
WA	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Total	2020	83	5	0	0	0	3	85
	2021	85	8	0	0	0	4	89
	2022	90	5	0	0	0	6	89

Table No. 3-B
Status of Franchised Regional Developers
For Fiscal Years Ending June 30, 2020, June 30, 2021 and June 30, 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Termina-tions	Non-Renewals	Re-Acquired By Us	Ceased Operations For Other Reasons	Outlets At End Of Year
TX	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

Table 4
Status of Company-Owned Outlets
For Fiscal Years Ending
June 30, 2020, June 30, 2021 and June 30, 2022

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Re-Acquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of Year
CT	2020	0	1	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
FL	2020	0	1	0	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	1	0
GA	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Re-Acquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of Year
ID	2020	0	1	0	0	0	1
	2021	1	0	0	0	1	0
	2022	0	0	0	0	0	0
TOTAL	2020	0	4	0	0	1	3
	2021	3	0	0	0	2	1
	2022	1	0	0	0	1	0

Table No. 5
Projected Outlet Openings as of July 1, 2022
For Fiscal Year Ended June 30, 2023

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets In The Next Fiscal Year
AZ	1	1	0
CA	0	0	0
CO	0	0	0
FL	1	0	0
GA	0	0	0
ID	0	0	0
IL	0	0	0
MD	0	0	0
MN	0	0	0
MO	0	0	0
MS	0	0	0
NC	0	0	0
NJ	0	0	0
OH	0	0	0
OK	0	0	0
PA	0	0	0
TX	0	0	0
VA	0	0	0
WA	0	0	0
Total	2	1	0

Exhibit G to this disclosure document contains the names, of all current franchisees and the addresses and telephone numbers of their centers as of June 30, 2022.

Exhibit G also contains the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of each franchisee who had a franchise grant terminated, cancelled, or not renewed-or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement or who had not communicated with us within ten (10)

weeks prior to the issuance date of this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are presently no trademark specific franchisee organizations associated with the franchised system being offered.

No current or former franchisees have signed confidentiality clauses with us during the last three (3) fiscal years which would restrict them from speaking openly with you about their experience with us.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit D-1 are the unaudited financial statements of Regis Corporation, the parent company of The Barbers, Hairstyling for Men & Women, Inc., for the quarter ended September 30, 2022, and the 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 D-2 for a copy of the guarantee.

ITEM 22
CONTRACTS

The following contracts are attached to this disclosure document:

Exhibit A	Franchise Agreement and Exhibits
Exhibit B	Development Agreement
Exhibit C	Sublease
Exhibit E	State Specific Addenda to FDD and Franchise Agreement
Exhibit F	General Release Agreement
Exhibit I	Franchisee Questionnaire
Exhibit L	Franchise Participation Agreement
Exhibit M	Assignment of the Franchise Agreement
Exhibit N	Agreement for Purchase and Sale of Assets
Exhibit O	Construction Management Service Agreements
Exhibit P	Gift Card Participation Agreement

ITEM 23
RECEIPTS

Exhibit R of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to: Roosters MGC International, LLC, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

EXHIBIT A

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

ROOSTERS MEN'S GROOMING CENTER

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ROOSTERS MEN'S GROOMING CENTER

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EXHIBITS:
A – Personal Guaranty
B – Map of Designated Market Area
C – Site Selection Addendum
D-1 – Collateral Assignment of Lease
D-2 – Lease Addendum
E – Transfer of Service Consent and Authorization
F - Authorization for Automatic Payment Form

FRANCHISE AGREEMENT

This FRANCHISE AGREEMENT ("Agreement") is made and entered into by and between Roosters MGC International, LLC, a limited liability company organized under the laws of the State of Michigan, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 ("Franchisor") and _____ with its address at _____ _____ ("Franchisee") this _____ day of _____, 20__.

WITNESSETH:

WHEREAS, Franchisor, as the result of significant expenditures of time, skill, effort and money, has developed and owns a system ("System") relating to the establishment, development and operation of a unique business which provides personal grooming services primarily for men, including haircuts, shaves, men's color, and the sale of retail products ("Franchised Business"), and the distinguishing characteristics of the System include, without limitation, unique programs and techniques; technical assistance and training in the operation, management and promotion of primarily men's grooming centers; specialized reporting, unique and proprietary operation systems, trade dress, bookkeeping and accounting methods and documents; and advertising and promotional programs, all of which may be changed, improved and further developed by Franchisor;

WHEREAS, Franchisor is the owner of certain rights, title and interest in and to the ROOSTERS MEN'S GROOMING CENTER trade name, trademarks, copyrights and service marks and such other trade names, trademarks, copyrights and service marks as are now designated and may from now on be designated by Franchisor ("Proprietary Marks"); and Franchisor continues to develop, expand, use, control and add to its Proprietary Marks for the benefit and exclusive use of itself and its franchisees in order to identify for the public the source of products and services marketed there under and to represent the System's high standards of quality and service;

WHEREAS, Franchisee desires to operate a ROOSTERS MEN'S GROOMING CENTER under the System and Proprietary Marks and has previously and accurately completed a Franchise Application and now wishes to obtain a license from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection with operation of a Center; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's uniformly high standards of quality and service and the necessity of operating the franchise granted according to this agreement in strict conformity with Franchisor's quality control standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other stated in this agreement, hereby mutually agree as follows:

I. GRANT OF FRANCHISE

A. Franchisor, by this agreement, grants to Franchisee the right and license, and Franchisee undertakes the obligation, to operate a single Franchised Business in strict conformance with the Franchisor's quality control standards and specifications that are a material part of the System, as it may be periodically changed, improved and further developed, on the terms and conditions contained in this agreement (the "Center").

B. Franchisor hereby grants Franchisee the right and license to use its "ROOSTERS MEN'S GROOMING CENTER" trademarks, service marks and logos in connection with the operation of its Center and the provision of services and products to its customers, on the terms and conditions contained in this agreement.

C. Franchisee agrees to locate the Franchised Business within the Designated Market Area described in Exhibit "B" to this Agreement.

D. The Center shall be operated only at the site specified on Exhibit "C" to this Agreement that has been selected by Franchisee after having the site and the lease (if any) approved by Franchisor before Franchisee shall have made any kind of commitment to secure such site (the "Approved Location").

Franchisor expressly reserves the right to:

1. own and operate, and license others the right to own and operate, Centers at any locations anywhere under the Proprietary Marks and System;

2. own and operate, and license others the right to own and operate, similar businesses under different marks at any locations anywhere;

3. use the Proprietary Marks and System to market and promote Franchisor's System, including the products and services offered as part of the System;

4. acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by Franchisee under the System and Proprietary Marks, anywhere;

5. sell to, solicit, or direct advertising or promotional materials to, customers anywhere; and

6. Franchisor or Franchisor's designee may distribute certain products and services, whether now existing or developed in the future, anywhere in such manner and through such alternate channels of distribution as Franchisor, in its sole discretion, determines. These alternate channels of distribution include, but are not limited to, the sale of Rooster's Proprietary Products and other items via the Internet, mail order catalog, through wholesale and resale stores, and direct marketing via television and radio. Nothing in this agreement grants the Franchisee any right to: (i) distribute such products or services in these alternative channels; or (ii) share in any of

the proceeds that Franchisor or its designee receives from the sale of such goods and services in these channels; and

7. Use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in this Agreement.

II. TERM AND RENEWAL

A. **Initial Term.** Except as otherwise provided, the term of this Agreement will commence on the date set forth at the top of Page 2 of this Agreement, and shall continue until the expiration of ten (10) years from the date Franchisee's Roosters Center 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 Franchisor and the Franchisee, and, if the Franchisee is a corporation or partnership, the personal guarantors; and (B) the fully executed Agreement has been delivered to the Franchisee.

B. **Renewal Term.** Franchisee may, at its option, continue the Franchised Business for an additional ten (10) years, subject to the following conditions which must be met prior to renewal, unless to the extent otherwise waived by Franchisor:

1. Franchisee shall give Franchisor written notice of such election to renew not less than six (6) months before the end of the initial term;

2. Franchisee shall make or agree to make all reasonable capital expenditures required by Franchisor to renovate, refurbish, remodel, redecorate and modernize the Center so as to reflect the then-current image of a Roosters Center, including modifications relating to advertising, marketing and promotional programs, techniques, maintenance, refurbishing, equipment upgrade and replacement, renovating and remodeling necessary to comply with the then current building, architecture and design standards. Franchisee shall complete to Franchisor's satisfaction all such required modifications, as well as adopt and implement any new programs and techniques required by Franchisor's within the first three (3) months of the Renewal Term.

3. Franchisee shall not be in default of any provision or amendment of this Agreement, or to a successor, or any other agreement between Franchisee and Franchisor, or its subsidiaries and affiliates, and shall have substantially complied with all the terms and conditions of such agreements during the initial term of the agreement;

4. Franchisee shall satisfy all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates and shall have timely met those obligations throughout the term of this Agreement;

5. Franchisee shall comply with Franchisor's then current qualification and training requirements;

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

7. Franchisee, its shareholders, directors and officers, shall execute Franchisor's then-current standard form of franchise agreement then being offered to new franchisees and such other ancillary agreements as Franchisor may require for the Franchised Business, including a written personal guarantee of performance of all obligations of Franchisee under the then-current franchise agreement, which agreements shall supersede this Agreement in all respects and the terms of which may differ from the terms of this Agreement;

8. Franchisee shall pay to Franchisor, within 30 days before the renewal date, a renewal fee of $2,500 to cover Franchisor's administrative expenses in connection with processing the renewal. If Franchisee owns multiple Centers, Franchisee shall pay to Franchisor a renewal fee of $2,500 per Center; and

9. Franchisee shall present evidence satisfactory to Franchisor that it has the right to remain in possession of the premises where the Center is located for the duration of the renewal term.

If any of the above conditions to renewal have not been met, Franchisor shall have no obligation to renew this Agreement and shall provide to Franchisee at least thirty (30) days prior written notice of its intent not to renew this Agreement, which notice shall state the reasons for such refusal to renew. Franchisor shall also be entitled to terminate any renewed Franchise Agreement for failure to satisfy the remodeling requirement described in paragraph 2 within the requisite time period.

III. DUTIES OF FRANCHISOR

A. **Site Selection Assistance and Lease Approval.** The Franchisee will be solely responsible for selecting a site that meets Franchisor's prior approval for the Franchised Business and for purchasing, leasing or otherwise acquiring possession of the site for the Franchised Business. Accordingly, no provision of this Agreement may be construed to impose any obligation or responsibility on Franchisor to locate or select a site for the Franchised Business. The Franchisee will not lease, purchase or otherwise acquire a site for the Franchised Business until the proposed site has been reviewed and approved in writing by Franchisor for Franchisee's Franchised Business, considering all factors Franchisor deems material in considering whether to approve such site for Franchisee's Franchised Business including accessibility, visibility, potential traffic flows, competition, other commercial, market, and demographic information and other factors Franchisor deems relevant. The review of the site conducted by Franchisor will not be deemed to be a warranty, representation or guaranty by Franchisor that the site will be approved for Franchisee's Franchised Business or if the Franchisee's Business is approved by Franchisor and is opened and operated at that site, that it will be a financial success.

If Franchisor has not approved a location for Franchisee to operate its Center as of the date Franchisee signs this Agreement, the parties shall enter into the Site Selection Addendum attached as Exhibit "C" to this Agreement, the terms of which shall govern the parties' site selection

obligations. Franchisor has the right to review, evaluate and approve Franchisee's proposed lease for the Approved Location ("Lease") prior to execution as stated more fully in Section 5(B) of this Agreement.

B. **Equipment Selection**. Franchisor will provide Franchisee with specifications and requirements for all equipment, fixtures, supplies and inventory that Franchisee must purchase in connection with the Center. Franchisee must purchase certain furniture, equipment and fixtures associated with the build-out of the Center from Franchisor's designated and/or approved supplier (the "Roosters Specific Equipment"). You must purchase certain other furniture, fixtures and equipment from an approved or designated supplier.

C. **Start-up and Ongoing Inventory and Supplies.** Franchisor will provide specifications for, and designate sources of, supply from which Franchisee shall purchase inventory, goods and supplies necessary for the start-up and ongoing operations of Franchisee's Center. Franchisee is required to purchase its opening inventory and supplies from Franchisor's designated and/or approved suppliers prior to opening (the "Opening Inventory Supply").

D. **Initial and Ongoing Training.** Franchisor shall provide a training program to Franchisee, its managers and up to two (2) employees at Franchisor's headquarters or at any location designated by Franchisor, including online, which may consist of both classroom, on-site, and/or online training (the "Initial Training Program"). Franchisor reserves the right to periodically update, extend and/or expand the Initial Training Program requirements, which may include on-the-job training to be held at a designated location as approved by Franchisor. Franchisee and others who attend initial training must complete the Initial Training Program to Franchisor's satisfaction (if Franchisee is a corporation, one of its principal shareholders who is or will be actively involved in the business of Franchisee must satisfactorily complete training). Franchisor shall be responsible for tuition and materials only. Franchisee, its manager and employees shall be responsible for all meal, travel, lodging or other expenses incurred in attending Franchisor's training program. Franchisor, at its sole discretion, shall make available such other mandatory ongoing training programs or seminars as Franchisor deems appropriate in its sole discretion. All additional training programs provided by Franchisor shall be subject to the terms and conditions stated in Section V (F) of this Agreement. Franchisee shall be responsible for training any new or replacement managers for its Center.

E. **Continuing Assistance.** Franchisor may provide such continuing general advisory assistance in the operation, advertising and promotion of the Franchised Business as Franchisor deems advisable, subject to the availability of Franchisor's staff.

F. **Operations Manual.** Franchisor shall loan to Franchisee one (1) copy of Franchisor's training, policy and operations manuals ("Manuals"), as more fully described in Section VII of this Agreement.

G. **Reporting Assistance.** Franchisor may provide Franchisee with general assistance in establishing its monthly reporting system, bookkeeping and accounting systems necessary to enable Franchisee to operate its Center and accurately report its revenues to Franchisor, in the event Franchisor deems such assistance is necessary in its sole discretion.

H. **Toll-Free Number.** Franchisor has the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of accepting and confirming customer orders nationwide, customer service, and customer follow-up and satisfaction surveys. If Franchisor establishes a toll free number, Franchisee must comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Operations Manual or otherwise in writing.

I. **Right to Inspect.** Franchisor shall continue its efforts to establish and maintain high standards of quality, cleanliness, safety, customer satisfaction and service of the System, and to that end shall:

1. Conduct inspections of the Franchised Business and its programs, methods, techniques and equipment, and the services rendered in the Franchised Business, as it deems advisable in its sole discretion; and

2. Disseminate Franchisor's standards and specifications for items not deemed to be trade secrets to Franchisee or its suppliers as Franchisor deems necessary in its sole discretion.

J. **Meetings and Additional Training.** Franchisor shall, as it deems necessary in its sole discretion, coordinate and conduct periodic meetings, field training and area meetings for its network of franchisees.

K. **Duties Specific to Franchisee Only.** All of the obligations of Franchisor hereunder are to Franchisee, and no other party is entitled to rely on, enforce or obtain relief for breach of such obligations either directly or by subrogation.

IV. FEES

A. In consideration of the right and license to operate the Center granted in this agreement, Franchisee shall pay to Franchisor the following fees, all in U.S. dollars:

1. Initial Franchise Fee. In consideration of the franchise granted to Franchisee by Franchisor, Franchisee must pay Franchisor an initial franchise fee of _____ Dollars ($_____) (the "Initial Franchise Fee"). The Initial Franchise Fee is non-refundable and is deemed fully earned upon payment in consideration of administrative and other expenses Franchisor incurs in granting the franchise and for Franchisor's lost or deferred opportunity to franchise others.

2. Royalty Fee. Franchisee shall pay a continuing, monthly fee equal to four percent (4%) of the Gross Sales of the Franchised Business until the first anniversary of the Center's open date. From the first anniversary of the Center's opening date through the balance of the remaining term of this Agreement, the Franchisee will pay Franchisor six percent (6%) of the Gross Sales of the Franchised Business from the preceding month (the "Royalty").

3. National Fund Fee. Franchisee shall pay one percent (1%) of Gross Sales of the Center from the preceding month to the National Fund described in Section XI(D) of this

Agreement. Franchisor shall have the right to increase this National Fund contribution up to two percent (2%).

B. **Gross Sales.** The fees stated in this Section IV are based on Franchisee's "Gross Sales, which includes all revenues Franchisee generates from all business conducted at or from Franchisee's Center during the preceding reporting period, including amounts received from the sale and delivery of services, products, merchandise, and tangible property of any nature whatsoever, whether in cash or for credit, and whether collected or uncollected. Gross Sales does not include the amount of any applicable sales tax imposed by any federal, state, municipal or other governmental authority if such taxes are stated separately when the customer is charged and Franchisee pays such amounts as and when due to the appropriate taxing authority. Also excluded from Gross Sales are the amount of any documented refunds, charge-backs, credits and allowances given to customers in good faith according to the Franchisor's standard procedures for issuing such refunds. All barter and exchange transactions for which Franchisee furnishes services or products in exchange for goods or services to be provided to Franchisee by a vendor, supplier or customer will be valued at the full retail value of the goods or services provided to Franchisee.

C. **Gross Sales Reports.** Franchisee must send Franchisor a signed Gross Sales report ("Gross Sales Reports") on the fifteenth of each month for Gross Sales generated during the immediately preceding month. The Gross Sales Reports must state Franchisee's Gross Sales generated during the previous month, Franchisee's calculation of the Royalty, National Fund contribution, and any other information Franchisor may require. Franchisor may change the form and content of the Gross Sales Reports from time to time. The Gross Sales Reports shall be submitted by Franchisee on or before the fifteenth (15th) of each month. If Franchisee fails to deliver to Franchisor its monthly sales reports by the fifteenth (15th) day of the month for the previous month, Franchisor may charge Franchisee $100 as a late fee.

D. **Payment Due Dates.** All monthly payments required by this Section IV shall be paid to Franchisor on the fifteenth (15th) day of each month. If any payments are due on a national holiday, payment shall be due on the first business day following such holiday.

E. **Manner of Payment.** Payment of all fees under this Section IV shall be made through a monthly electronic funds transfer program (the "EFT Program") under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor, from Franchisee's bank account. Franchisee shall deposit all revenues from operation of Franchisee's Salon into one bank account within two (2) days of receipt, including cash, checks, and credit card receipts. Before opening Franchisee's Center, Franchisee shall provide Franchisor with Franchisee's bank name, address and account number, a voided check from such bank account, and sign and give to Franchisor and Franchisee's bank, all documents, including the form attached as Exhibit "F" to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer.

Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this agreement by such other means as Franchisor may specify from time to time. If the Gross Sales Report has not been received within the time period

required by this Agreement, then Franchisor may process an EFT for the subject month based on the most recent Gross Sales Report provided by Franchisee to Franchisor, provided, that if a Gross Sales Report for the subject month is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

F. **Insufficient Funds.** As part of Franchisee's participation in the EFT Program, if the funds in Franchisee's bank account are insufficient to cover any amounts due under this Agreement on the date such funds are due, in addition to the overdue amount, Franchisor has the right to immediately debit from Franchisee's bank account interest on such amount from the date it was due until all past due amounts are paid, at a rate of the lesser of 18% per annum or the maximum rate permitted by law plus a $100 administrative fee. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that Franchisee shall be responsible for that payment and any service charge. If any payments are not received when due, Franchisee will be charged interest at a rate of the lesser of 18% per annum or the maximum rate permitted by law.

G. **Late Payment Charges.** Any payment not actually received by Franchisor on or before its due date shall be deemed overdue. If any payment is overdue, Franchisee shall pay to Franchisor in addition to the overdue amount, a late payment or finance charge on such amount from the date it was due until paid at 18%, on the date payment was due or the maximum rate permitted by state law, whichever is less plus a $100 administrative fee. Such late payment charge, which shall be calculated on a monthly basis, shall be in addition to any other remedies that Franchisor may have.

V. DUTIES OF FRANCHISEE

A. **Compliance with Franchisor's System.** Franchisee understands and acknowledges that compliance with the System and consistency with respect to every detail of the appearance and operation of the Center is critical to Franchisor, Franchisee and other franchisees in order to develop and maintain high and uniform operating standards; increase the demand for the services provided by franchisees; and protect the Proprietary Marks, the System and Franchisor's and its affiliates' trade secrets, reputation and goodwill.

B. **Site Selection.** Franchisee shall have received the prior written approval of the site selected by Franchisee for the operation of the Center (the "Approved Location"). The Approved Location shall be set forth on Exhibit C hereto. Franchisor has the right to review, evaluate and approve Franchisee's proposed lease for the Approved Location ("Lease") prior to execution and determine whether Franchisee will be required to sublease from Franchisor or an affiliate. Franchisor may condition Franchisor's approval of any proposed Lease on, among other things, the execution of a Lease Assignment in the form attached as Exhibit "D-1" to this Agreement or a Lease Addendum in the form attached as Exhibit "D-2" to this Agreement. Franchisee shall use its best efforts to obtain the landlord's consent to Exhibit "D-1" or "D-2" but shall at a minimum be required to obtain landlord's consent to any assignment provisions contained therein. Franchisor's approval of the Lease shall not be unreasonably withheld. Neither Franchisor's review of the Lease nor Franchisor's acceptance of the site Franchisee has selected constitutes a

representation or guarantee that Franchisee will succeed at the selected Approved Location or an expression of Franchisor's opinion regarding the terms of the Lease. Franchisor encourages Franchisee to seek independent counsel from a lawyer or business adviser to assist Franchisee in selecting a location and negotiating a lease for the Franchised Business premises. Franchisee shall provide Franchisor with a copy of the fully executed Lease for the Approved Location. If Franchisee requests and Franchisor agrees to guarantee Franchisee's lease obligations in any way (e.g., as tenant or guarantor), then Franchisor 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. Franchisor has no obligation to guarantee Franchisee's lease in any way, but if Franchisor does, Franchisee must pay such monthly lease guaranty fee.

C. **Center Construction.** The Center shall conform to Franchisor's standards and specifications for the appearance, layout, and design of a Center. Franchisor shall provide Franchisee with the architectural drawings and specifications necessary to build out the Center at the Approved Location to Franchisor's then current standards, at Franchisee's cost. Franchisee shall: (i) hire a contractor approved of in writing by Franchisor to make the necessary plumbing, electrical, and certain other improvements to the leasehold; (ii) purchase the Roosters Specific Equipment and other furniture, fixtures, and equipment from Franchisor's designated and/or approved vendor as stated more fully in Section III.B. of this Agreement; and (iii) hire the contractor designated and/or approved by Franchisor to install any cabinetry, shelving, lighting, wall and ceiling designs, tables and chairs, indoor and outdoor signage, and other furniture and fixtures as explained in the Operations Manual or as otherwise designated by Franchisor in its sole discretion. Franchisee shall obtain all federal, state and local business licenses, permits, certifications, bonds and health department registrations required for ongoing operation of the Center and shall certify in writing to Franchisor that all such licenses, permits, certifications, bonds and registrations have been obtained. Franchisee shall open the Center within thirty (30) days after the date of completion of construction. In connection with the opening of the Center, Franchisee shall conduct such promotional and advertising activities according to Franchisor's opening specifications, at Franchisee's expense, as Franchisor may prescribe.

D. **Time for Opening.** Franchisee shall open the Center for business within twelve (12) months from the date Franchisor signs this Agreement.

E. **Completion of Initial Training.** As described in the terms and conditions stated in Section III(D) of this Agreement, Franchisee and its employees and manager shall attend and successfully complete, to Franchisor's reasonable satisfaction, Franchisor's Initial Training Program at least thirty (30) days prior to opening the Center.

F. **Ongoing Training.** Franchisee shall cause its employees (including any person subsequently acting as the manager of the Franchised Business) to attend and successfully complete, to Franchisor's reasonable satisfaction, such additional continuing education and training programs as Franchisor may require in writing from time to time. Franchisee and/or its manager and employees shall pay Franchisor's then-current fee and be responsible for any and all expenses incurred in training, including, without limitation, training materials and supplies, the costs of meals, entertainment, lodging, travel and wages.

G. **Qualified Manager.** Franchisee must at all times employ a Manager (if someone other than Franchisee) who has successfully completed the prescribed Initial Training Program. If Franchisee hires a new Manager who has not successfully completed the Initial Training Program, then the new Manager must begin the Initial Training Program within thirty (30) days after being hired and must successfully complete said program within one hundred (100) days after the date of hire by Franchisee.

H. **Best Efforts.** Franchisee shall at all times actively promote the proprietary services offered at the Center, and will use its best efforts to cultivate, develop and expand the market for the services and products provided by the Center within its Designated Marketing Area.

I. **Management of the Center.** Franchisee or its designated manager shall devote its full time and best efforts to the management and operation of the Center.

J. **Proprietary Products.** Franchisees shall purchase from Franchisor's designated and approved suppliers (which may include Franchisor and its affiliates) certain proprietary products and copyrighted materials including, but not limited to, programs, brochures, Center literature, gift certificates and trademarked and logo items as designated by Franchisor and as they become available, including those proprietary products that become available for purchase after execution of this Agreement.

K. **Appearance of Center and Obligation to Remodel/Refurbish.** Franchisee shall continuously maintain the Center in the highest degree of sanitation, repair and condition as Franchisor may reasonably require, and in connection therewith shall make such additions, alterations, repairs and replacements to the Center (but not without Franchisor's prior written consent) as may be required for that purpose, including without limitation, such periodic redecorating, replacement of obsolete equipment, fixtures, materials or products as Franchisor may reasonably direct. At Franchisor's request, Franchisee shall remodel and/or refurbish the Franchised Business at its expense to conform to the then current design and decor, dress, color scheme and presentation of trademarks and service marks consistent with the design concepts then in effect for new Franchised Businesses licensed to operate under the System and as described in the Manuals, including, without limitation, such changes, remodeling and redecoration and such modifications to existing improvements as may be necessary.

L. **Compliance with Applicable Laws.** Franchisee shall comply with all federal, state, city, municipal and local laws, ordinances, rules and regulations in the geographic area pertaining to the operation of its Roosters Business, including all laws relating to employees and to the regulation of barbers and cosmetologists and all applicable federal and state discrimination and environmental laws. Franchisee will, at its expense, be absolutely and exclusively responsible for determining all licenses and permits required by law for the Franchisee's Roosters Business, for qualifying for and obtaining all such licenses and permits, and for maintaining all such licenses and permits in full force and effect. Franchisee shall meet and maintain the highest health, safety and hygiene standards and ratings applicable to the operation of the Center and the management of the personnel as Franchisor may reasonably require.

M. **Working Capital.** Franchisee shall meet and maintain sufficient levels of working capital for use in connection with the management and operation of the Franchised Business as Franchisor may reasonably require.

N. **Operating Hours.** Franchisee shall use the location of the Center solely for the operation of the Franchised Business, shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may periodically prescribe in the Manuals or otherwise, and shall refrain from using or permitting the use of the premises of the Franchised Business for any other purpose or activity at any time without first obtaining the written consent of Franchisor.

O. **Uniformity of Methods and Standards.** Franchisee shall operate the Center in conformity with such uniform methods, standards and specifications as Franchisor may from time to time prescribe to ensure that the highest degree of quality for the products and services offered is uniformly maintained. Franchisee shall conduct its business in a manner which reflects favorably at all times on the System and the Proprietary Marks. Franchisee shall at no time engage in deceptive, misleading or unethical practices or conduct any other act which may have a negative impact on the reputation and goodwill of Franchisor, its affiliates, or any other franchisee operating under the System. As part of Franchisee's ongoing responsibility, Franchisee agrees:

1. To sell or offer for sale only those products and services that meet Franchisor's uniform standards of quality and quantity, as have been expressly approved for sale in writing by Franchisor. All services must be approved and provided in compliance with Franchisor's methods and techniques. Franchisee must refrain from any deviation from Franchisor's methods, techniques, standards and specifications; and to discontinue such products or services as Franchisor may, in its discretion, disapprove in writing at any time.

2. To purchase and install, at Franchisee's expense, all fixtures, furnishings, signs and equipment as Franchisor may reasonably specify from time to time in the Manuals or otherwise in writing.

3. To employ such minimum number of employees as may be prescribed by Franchisor and to comply with all applicable federal, state, municipal and local laws, rules and regulations with respect to such employees.

4. To maintain a competent, conscientious staff and to take such steps as are necessary to ensure that its employees keep a neat and clean personal appearance and comply with such uniform attire, health, safety, and hygiene as Franchisor may prescribe in the Manuals and which may be periodically changed. Franchisor has the right to ensure that all employees are properly licensed by the State and to maintain any license requirements enabling them to operate.

P. **Approved Products and Supplies.** Franchisee shall purchase all inventory, equipment, supplies, services and other materials required for the operation of the Franchised Business from Franchisor's designated or approved suppliers (which may include Franchisor's affiliates). In the event Franchisee wishes to seek Franchisor's approval of a third-party supplier or product not previously approved by Franchisor, Franchisee may submit such a request in writing to Franchisor. Franchisor shall have thirty (30) days to approve or disapprove any such request,

and any request not expressly approved by Franchisor during this time period shall be deemed denied. Franchisee agrees to pay Franchisor a fee to cover Franchisor's reasonable costs related to the testing/inspection conducted by the Franchisor of the proposed supplier and/or product. If Franchisor approves a third party supplier of approved products, Franchisor has the right to revoke such approval.

Q. **Right to Inspect.** Franchisee shall permit Franchisor or its agents or representatives to enter upon the premises of the Center at any reasonable time for purposes of conducting inspections, taking photographs and interviewing employees and customers; shall cooperate fully with Franchisor's agents or representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents or representatives, and without limiting Franchisor's other rights under this Agreement, take such steps as may be necessary to immediately and diligently correct any deficiencies detected during such inspections, including, without limitation, immediately desisting from the further use of any methods, equipment, advertising materials, supplies, products or other items that do not conform to Franchisor's then current specifications, standards or requirements. If Franchisee fails or refuses to correct such deficiencies, Franchisor shall have the right to enter upon the premises of the Center, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such corrections as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

R. **Use of Franchisor's Methods.** Franchisee acknowledges and agrees that Franchisor and/or its affiliates have developed and shall continue to develop certain methods, services, operational systems, management techniques and may continue to develop products, services and proprietary methods and techniques for use in the operation of the Franchised Business which are all highly confidential and which are trade secrets of Franchisor and/or its affiliates. Because of the importance of quality control and uniformity of products and services and the significance of such proprietary methods in the System, it is to the mutual benefit of the parties that Franchisor closely controls the dissemination of this proprietary information. Accordingly, Franchisee agrees that if such information and techniques become a part of the System, Franchisee shall comply and strictly follow these techniques in the operation of its business and shall purchase from Franchisor or its suppliers any products, supplies or materials necessary to protect and implement such techniques.

Franchisee must use the then current computerized point of sale cash register system and franchise back office software system currently designated by Franchisor. The Franchisee will purchase the computerized point of sale cash register system and franchise back office system hardware and software from Franchisor or its designee. Franchisee agrees to provide Franchisor with independent electronic remote access to any and all information stored on the computerized point of sale cash register system and franchise back office software at such reasonable times as Franchisor may designate. All data and information, including, without limitation, operational, financial, revenue, expenses, profit, customer (e.g. names, addresses, email addresses, phone numbers), individual and collective transaction data, and marketing data and information for your Roosters Center, including all such data and information on your point of sale and back office computer system (but excluding employee and employment-related information) ("Data") are owned exclusively by us, and we, our parent and affiliates may access and use such Data at any time, including on a daily and other basis without restriction. There are no contractual restrictions

on our and our parent and affiliates rights to access and use Data for your Roosters Center. Franchisor 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. Any such changes, modifications or additions shall automatically be binding upon Franchisee upon the giving of notice of same to Franchisee by Franchisor and shall be done at Franchisee's sole cost and expense.

S. **Annual Convention.** Franchisor will, during the term of this Agreement, conduct an annual convention for all Roosters franchisees at such times and at such locations as Franchisor deems appropriate. The Franchisee will attend the annual convention conducted by Franchisor for Roosters 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 Franchisor will be paid for by the Franchisee. Franchisor 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.

T. **Use of Proprietary Marks.** Franchisee shall display the Proprietary Marks and logo at the Center in the manner prescribed by Franchisor. The color, design and location of signs used in connection with the Franchised Business shall be specified by Franchisor and may be periodically changed in the discretion of Franchisor. Franchisee shall also display any other sign or notice designated by Franchisor which will serve to notify and inform third parties that Franchisor is engaged in the business of franchising and which will provide sufficient information to enable third parties to contact Franchisor to inquire about prospective franchisees. Franchisee shall not display any signs or posters on the premises without the prior written consent of Franchisor.

U. **Reporting Obligations.** Franchisee must submit the required monthly reports stated in Section IV.C. of this Agreement to Franchisor, as well as the following: (i) annual financial reports and operating statements in the form Franchisor specifies, prepared by a certified public accountant or state licensed public accountant, within 90 days after the close of each fiscal year; (ii) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which the Center is operated, within 30 days after their timely completion; (iii) an unaudited quarterly profit and loss statement covering the Center by the 5th day of each quarter; (iv) an unaudited profit and loss statement covering the Center for each fiscal year end, within 90 days after the close of each fiscal year; and (v) such other reports as Franchisor may from time to time require, in the form and at the time Franchisor prescribes. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor may, at its option and sole discretion, specify the form in which Franchisee's business records are to be maintained, provide a uniform set of business records for Franchisee to use, and specify the type of equipment to be used in connection with the Center.

V. **Compliance with this Agreement.** Franchisee shall comply with all other requirements stated in this Agreement, in the Manuals or otherwise in writing by Franchisor.

W. **Approved Vendor**. Franchisee may use Franchisor's then-current approved vendor to coordinate the development, buildout, and fixturing (including remodels) of the Franchised Location. If Franchisee desires to use Franchisor's 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 Franchisor's 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 Franchisor's standards, Franchisee must pay Franchisor 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.

VI. PROPRIETARY MARKS

A. With respect to the Proprietary Marks, Franchisor represents that Franchisor has all right, title and interest in and to the Proprietary Marks and Franchisor shall take all steps which it deems reasonably necessary to preserve and protect the ownership and validity of such Proprietary Marks.

B. With respect to Franchisee's use of the Proprietary Marks in compliance with the license granted under this Agreement, Franchisee agrees that:

1. Franchisee shall use only the Proprietary Marks designated by Franchisor and shall use them only in the manner required or authorized and permitted by Franchisor.

2. Franchisee shall use the Proprietary Marks only in connection with the right and license to operate the Center granted hereunder.

3. During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as a licensee and not the owner of the Proprietary Marks and shall make any necessary filings under state law to reflect such status. In addition, Franchisee shall identify itself as a licensee of the Proprietary Marks on all invoices, order forms, receipts, business stationery and contracts, as well as the display of a notice in such form and content and at such conspicuous locations at the Center as Franchisor may designate in writing.

4. Franchisee's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor's rights and grounds for termination of this Agreement.

5. Franchisee shall not use the Proprietary Marks to incur or secure any obligation or indebtedness.

6. Franchisee shall not use the Proprietary Marks as part of its corporate or other legal entity name.

7. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any

documents deemed necessary by Franchisor or its counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

8. If litigation involving the Proprietary Marks is instituted or threatened against Franchisee, Franchisee shall promptly notify Franchisor and shall cooperate fully in defending or settling such litigation. Franchisor shall indemnify and hold Franchisee harmless from any suit involving Franchisor's rights and use of the proprietary licensed marks.

C. Franchisee expressly understands and acknowledges that:

1. Franchisor is the owner of all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

2. The Proprietary Marks are valid and serve to identify the System and those who are licensed to operate a Center according to the System.

3. Franchisee shall not directly or indirectly contest the validity or the ownership of the Proprietary Marks.

4. Franchisee's use of the Proprietary Marks under this Agreement does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the non-exclusive license granted in this agreement.

5. Any and all goodwill arising from Franchisee's use of the Proprietary Marks at the Center according to the System shall inure solely and exclusively to Franchisor's or its affiliate's benefit, and upon expiration or termination of this Agreement no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks.

6. The license and rights to use the Proprietary Marks granted hereunder to Franchisee are non-exclusive, and Franchisor thus may: (a) itself use, and grant franchises and licenses to others to use, the Proprietary Marks; (b) establish, develop and franchise other systems, different from the System licensed to Franchisee in this agreement, without offering or providing Franchisee any rights in, to or under such other systems; and (c) modify or change, in whole or in part, any aspect of the Proprietary Marks so long as Franchisee's rights to such Proprietary Marks are in no way materially harmed thereby.

7. Franchisor reserves the right to substitute different names and Proprietary Marks for use in identifying the System, the Centers and other Franchised Businesses operating thereunder. If it becomes advisable at any time in the discretion of Franchisor for Franchisee to modify or discontinue use of any of the Proprietary Marks or use one or more additional or substitute names or marks, Franchisee agrees to do so. In such event, Franchisee shall pay for all direct out-of-pocket costs incurred by Franchisee, including the cost of any replacement signage as required by Franchisor.

8. Franchisor shall have no liability to Franchisee for any senior users which may claim rights to the Franchisor's Proprietary Marks.

9. Franchisee shall not register or attempt to register the Proprietary Marks in Franchisee's name or that of any other person, firm, entity or corporation.

VII. QUALITY CONTROL, UNIFORMITY AND STANDARDS REQUIRED OF FRANCHISEE

A. Franchisor will periodically promulgate uniform standards of quality, cleanliness and service regarding the business operations of the Center so as to protect and maintain the distinction, valuable goodwill and uniformity represented and symbolized by the Proprietary Marks and the System. Accordingly, to ensure that all franchisees will maintain and adhere to the uniformity requirements and quality standards for the products and services associated with the Proprietary Marks and the System, Franchisee agrees to maintain the required uniformity and quality standards for all products, services associated with the Proprietary Marks and the System. This is to assure the public that all Centers will be uniform in nature and will sell and dispense quality products and services, at a reasonable price for a specific market demographic.

B. Franchisee will use the Proprietary Marks and the System in strict compliance with the moral and ethical standards, quality standards, health standards, operating procedures, specifications, requirements and instructions required by Franchisor, which may be periodically amended and supplemented.

VIII. CONFIDENTIAL MANUALS

A. In order to protect the reputation and goodwill of Franchisor, and to maintain uniform standards of operation under the Proprietary Marks, Franchisee shall conduct its business in strict compliance with the operational systems, procedures, policies, methods and requirements prescribed in the Manuals and any supplemental bulletins, notices, revisions, modifications, or amendments to them all of which shall be deemed a part thereof. One set of the Manuals shall be provided to Franchisee on loan from Franchisor during the training program and Franchisee shall sign a corresponding receipt therefore for the term of this Agreement.

B. Franchisee agrees to immediately adopt and use the programs, services, methods, standards, materials, policies, and procedures stated in the Manuals, as they may be periodically modified by Franchisor. Franchisee acknowledges that Franchisor is the owner of all proprietary rights in and to the System, the Manuals and any changes or supplements to them.

C. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Franchised Business, and all of the information contained in this agreement as proprietary and confidential, and shall use best efforts to maintain such information as confidential.

D. Franchisee acknowledges, knows and agrees that designated portions of the Manuals are "trade secrets" owned and treated as such by Franchisor.

E. The trade secrets must be accorded maximum security consistent with Franchisee's need to make frequent reference to them. Franchisee shall strictly limit access to the Manuals to employees who have a demonstrable and valid "need to know" the information contained in the

Manuals in order to perform their position at the Center and strictly follow any provisions in the Manuals regarding the care, storage and use of the Manuals and all related proprietary information.

F. Franchisee shall not at any time, without Franchisor's prior written consent, copy, duplicate, record or otherwise reproduce in any manner any part of the Manuals, updates, supplements or related materials, in whole or in part, or otherwise make the same available to any unauthorized person.

G. The Manuals shall at all times remain the sole property of Franchisor. Upon the expiration or termination, for any reason, of this Agreement, Franchisee shall return to Franchisor the Manuals and all supplements to them.

H. Franchisor retains the right to prescribe additions to, deletions from or revisions of the Manuals. Franchisee is responsible for ensuring that its Manual(s) are complete and contain all such additions, deletions or revisions. The parties acknowledge that Franchisor may make any such changes to the Manual(s) by mail, electronic mail, or by posting said changes on Franchisor's website or intranet. Any changes to these Manual(s) by Franchisor shall become binding upon Franchisee upon being mailed or otherwise delivered to Franchisee, as if originally stated in the Manual (s).

I. Franchisee shall at all times ensure that its copies of the Manuals are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms contained in the Master Set of the Manuals maintained by Franchisor at Franchisor's headquarters shall control.

IX. CONFIDENTIAL INFORMATION

A. The parties expressly understand and agree that the relationship established between Franchisor and Franchisee by this Agreement is one of confidence and trust, and that as a result thereof Franchisor will be disclosing and transmitting to Franchisee certain trade secrets and other confidential and proprietary information concerning various aspects of Franchisee's operation of the Center, its marketing techniques, and all proprietary and management products and materials relevant to them according to the System under this Agreement ("Confidential Information").

B. In order to preserve and protect the Confidential Information, which is disclosed to Franchisee during the term of this Agreement, Franchisee agrees that:

1. Franchisee shall treat and maintain Confidential Information as confidential both during the term of this Agreement and thereafter.

2. Franchisee shall use such Confidential Information only for its operation of the Center under this Agreement.

3. Franchisee shall disclose such Confidential Information only as necessary to its employees or agents and not to anyone else.

4. Franchisee shall restrict disclosure of such Confidential Information to only those of its employees or agents who are directly connected with the performance of work requiring knowledge thereof and shall disclose only so much of the Confidential Information as is required to enable those employees or agents to carry out their assigned duties.

5. Franchisee shall advise its employees or agents of the confidential nature of such information and the requirements of nondisclosure thereof.

6. Franchisee shall not disclose any such Confidential Information or provide access to the Manuals to any employee or agent until that person executes a nondisclosure agreement in a form prescribed by Franchisor, acknowledging the confidential and proprietary nature of such Confidential Information and agreeing not to disclose such Confidential Information during the course of employment or thereafter. Franchisor shall be designated a third-party beneficiary of this nondisclosure agreement with the right to enforce its provisions independently of Franchisee.

C. Any and all information, knowledge, know-how, methods of operation, and other methods and techniques which Franchisor designates as confidential shall be deemed Confidential Information for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor or which, at the time of disclosure by Franchisor to Franchisee, had become a part of the public domain, through publication or communication by others or which, after disclosure to Franchisee by Franchisor, becomes a part of the public domain through publication or communication by others. It is understood and agreed that information, improvements to the System or techniques prepared, compiled or developed by Franchisee, its employees or agents during the term of this Agreement and relating to the Franchised Business, whether it be developed separately or in conjunction with Franchisor, shall be considered as part of Franchisor's Confidential Information and Franchisee hereby grants to Franchisor an irrevocable, worldwide, exclusive, royalty-free license, with the right to sub-license, to such information, improvement or technique.

D. Franchisee acknowledges that it has knowledge of confidential matters, trade secrets, management and training techniques, operational, accounting, quality control procedures, and other methods developed by Franchisor or its affiliates through and in the System which, for purposes of this Agreement, are owned by Franchisor or its affiliates, and which are necessary and essential to the operation of the Center, without which information Franchisee could not efficiently, effectively and profitably operate the same. Franchisee shall take all steps necessary, at its own expense, to protect such Confidential Information and shall not divulge the same either during or upon the termination of this Agreement without the prior written consent of Franchisor.

E. Franchisee acknowledges that in addition to any remedies available to Franchisor under Section XIII. hereunder, Franchisee agrees to pay all court costs and reasonable legal fees incurred by Franchisor in obtaining specific performance of, a temporary restraining order and/or an injunction against violation of the requirements of this Section IX.

F. In order to maintain the high standards of quality control throughout the System, Franchisor reserves the right to periodically send test customers to Franchisee, without prior notification, in order to determine whether the Center is maintaining high standards of quality, integrity, safety, appearance and customer service.

X. ACCOUNTING, INSPECTIONS AND RECORDS

A. In addition to those records Franchisee is required to maintain and submit under Section V.U. of this Agreement, Franchisee shall maintain during the term of this Agreement, and shall preserve for not less than five (5) years from the date of preparation, full, complete and accurate books, records and accounts according to the System and in the form and manner periodically prescribed by Franchisor in the Manuals or otherwise in writing.

B. Franchisor or its designated agents shall have the right at all reasonable times to examine and copy, at its expense, the books, records, receipts and tax returns of Franchisee. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee.

XI. NATIONAL AND LOCAL ADVERTISING

Recognizing the value of national and local advertising, and the importance of the standardization of advertising programs to the furtherance and protection of the Proprietary Marks, goodwill and public image of the System, the parties agree as follows:

A. **Submission and Approval of Advertising.** All advertising by Franchisee in any medium shall be conducted in a dignified manner and shall conform to such standards and requirements as Franchisor may periodically specify in the Manuals or otherwise. Franchisee shall submit to Franchisor for its prior approval, samples of all advertising and promotional plans and materials in whatever form that Franchisee desires to use. Franchisor shall have the right to take and use photographs and/or films of the Franchised Business for publicity or advertising purposes, without charge therefore, and Franchisee shall cooperate in obtaining such films and photographs and the consents of any persons included is such photographs and/or films.

Prior to their use by Franchisee, samples of all advertising and/or promotional materials not prepared or previously approved by Franchisor shall be submitted to Franchisor for approval, which shall not be unreasonably withheld. Upon receipt of the proposed advertising and/or promotional materials, Franchisor shall provide its approval or disapproval of the submitted materials within twenty-one (21) days. If Franchisor does not approve of the submitted materials during that time, then said material shall be deemed denied and unavailable for use. Franchisee shall not use any advertising or promotional material that Franchisor has not approved or has disapproved.

B. **Minimum Local Advertising Expenditure and Grand Opening.** In addition to its monthly contribution to the National Fund specified in Section IV.A.3, Franchisee is required to spend at least $1,000 per month on local advertising ("Minimum Local Advertising Expenditure") according to Franchisor's specifications.

C. **Telephone Listings.** In additional to the Minimum Local Advertising Expenditure, Franchisee must maintain and pay for appropriate business listings in local telephone directories, as specified in the Manuals or otherwise in writing. Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole right to an interest in all telephone numbers and directory listings associated with any Proprietary Marks. If there is more than one Center in

the general area served by the specified directory, Franchisee must participate with such other Centers in a common or group advertisement that Franchisor approves, and pay a pro-rated share of the cost of the advertisement. Franchisee specifically acknowledges and agrees that this requirement regarding placement of a common advertisement by a group of Centers does not constitute an infringement of any territorial rights granted to Franchisee under this Agreement.

D. **National Fund.** Franchisor has established a national advertising fund (the "National Fund"). Franchisee agrees that Franchisor, in its sole discretion, shall have the right to establish, administer and control the National Fund for the development, production and distribution of national advertising, and in the creation of advertising materials and public relations which, in Franchisor's sole judgment, promote the products and services offered by System franchisees. Currently, Franchisee agrees to contribute 1% of its monthly Gross Sales (as defined in Section IV.B.) to the National Fund as described in Section IV.A.3 of this Agreement. We reserve the right to increase your National Fund contribution, but in no event will Franchisor require you to contribute more than 2% of the Gross Sales of your Center from the preceding month.

1. Franchisor's Right to Manage Fund Expenditures. Franchisor reserves the right to determine how contributions to the Fund are spent. Franchisor further reserves the right to use the contributions to promote the Roosters franchise system and individual and groups of franchised businesses by, among other things, purchasing advertisements in industry publications, engaging the services of public relations experts and an advertising agency or agencies to formulate, develop, produce and conduct advertising and promotional programs, undertake direct mail campaigns, create and operate a sales call center designed to facilitate appointments for franchisees, attend trade shows and conduct other activities to advertise and promote the Roosters brand. Franchisor shall choose and determine, in its sole discretion, the concepts, materials and media used in any advertising or promotional activity funded by the National Fund. Franchisor reserves the right to use a portion of the National Fund to explain the Roosters franchise offering and solicit potential franchisees, including adding notations to any advertisement that indicate "Franchises Available." Franchisor shall also have the right to reimbursement from the National Fund contributions for reasonable costs and overhead, if any, as Franchisor may incur in activities which are reasonably related to directing and implementing the Fund and advertising programs for franchisee and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs. Franchisor's corporate owned and affiliate-owned outlets may, but are not required to, contribute to the National Fund.

2. Remaining Fund Balance at Year's End. While Franchisor anticipates that all contributions to the National Fund will be spent in the fiscal year in which the contributions are made, any excess fund that remains at the end of the year will be held in the National Fund and be used the following year, if at all, after contributions for the then-current year are used.

3. Franchisee's Acknowledgement. Franchisee acknowledges that Franchisor undertakes no obligation in developing, implementing or administering these programs to ensure that expenditures which are proportionate or equivalent to Franchisee's contributions to the National Fund are made for the benefit of the Designated Market Area of the Center or that any franchised business will benefit directly or pro rata from the placement of advertising. Franchisee further acknowledges that nothing in this section creates a fiduciary relationship between the parties or between either of the parties, nor shall anything in this section be deemed

to create any trust duties between the parties. No covenant shall be implied to vary or interpret the terms of this provision.

4. Statements Regarding Fund Expenditures. Although separate accounting and bookkeeping will be maintained for the Fund, there is no requirement that the Fund be audited. Upon written request, Franchisor will provide Franchisee with an unaudited accounting of Fund expenditures as they are prepared and become available in the ordinary course of business.

5. Termination of the Fund. Franchisor shall have the right to terminate the National Fund upon thirty (30) days written notice to Franchisee for any reason in Franchisor's sole discretion. Upon notice of termination by Franchisor, however, the National Fund will continue until all amounts contributed to the National Fund have been expended for advertising and promotional purposes and such other purposes as are permitted under this Section XI(D).

6. Franchisor's Additional Rights. Franchisor shall have the right to require that an advertising cooperative and/or franchise advisory council be formed, changed, dissolved or merged to help advise on National Fund expenditures. Franchisor may also cause the National Fund to be incorporated or operated through a separate entity as Franchisor deems appropriate, with said entity then having all of Franchisor's rights and duties under this Section of the Franchise Agreement.

7. Non- Modification. The parties agree that no covenant shall be implied to vary or interpret the terms of this Section XI.D.

8. Advisory Council. Franchisor may, but is not under any obligation to, establish an advertising council. The council will be advisory and have no operational or decision-making power. Franchisor will have the right to determine the number of members of the council; determine how council members are elected or appointed; determine the mix of franchisee and franchisor representatives; and change or dissolve the council.

E. **Local Cooperative.** Franchisor may approve the establishment of local cooperative advertising associations consisting of certain franchised and company-owned Centers in a designated area of dominant influence ("Cooperative"). Upon receipt of written notice from Franchisor that a Cooperative has been formed, Franchisee shall participate as a member of such Cooperative and contribute the amount determined collectively by the members of such Cooperative; provided, however, that any required contribution exceeding $500 per month must be approved by the affirmative majority vote of Cooperative members, attending in person or voting by proxy, at a duly constituted meeting. If a local advertising Cooperative is formed, amounts spent by Franchisee for local advertising shall be offset against the $1,000 per month Minimum Local Advertising Expenditure you are required to spend as stated in Section 11.B. above.

F. **Grand Opening Advertising.** In addition to the other advertising expenditures stated in this Section XI, Franchisee agrees to spend at least $15,000 on advertising and promotion in connection with the grand opening of the Center.

G. **Scope of Advertising and Web Sites.** Franchisee may not advertise or promote the Center outside the Designated Market Area through any means without Franchisor's express prior written consent. Franchisee may not maintain a website, or otherwise advertise or promote the Center on the Internet, or any comparable electronic network without Franchisor's express prior written consent. Franchisor may maintain a web site on the Internet or any comparable electronic network of computers to advertise and promote the franchise system, and services and products marketed by Franchisor and the franchise system. Franchisor will permit Franchisee to maintain a standard listing on its web site and may allow Franchisee to customize a web page that may be subject to an additional fee periodically specified in the Confidential Operations Manuals. Any representations, warranties and conditions of any kind, express, implied, or collateral, regarding Franchisor's web site(s), including representations, warranties and conditions as to the operation, functionality, lack of interruption or resources of Franchisor's web site(s), are expressly excluded. Without limiting the foregoing, Franchisor disclaims any implied warranties and conditions of merchantability and fitness for a particular or general purpose as to its web site(s). As to any malfunctioning of Franchisor's web site(s), Franchisor will not be liable to Franchisee for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if Franchisee has advised Franchisor that such damages are possible as a result of any breach of warranty or malfunction.

XII. INSURANCE

A. Franchisee shall procure and thereafter maintain in full force and effect during the term of this Agreement, at Franchisee's expense, the following insurance policy or policies in connection with or by reason of the operation or occupancy of the Franchised Business, as well as such other insurance as Franchisor may reasonably require:

1. Comprehensive general liability insurance, with the following endorsements included: Broad Form Property Damage Liability coverage including products and completed operations, Advertising Offense Liability and product liability, completed operations and independent contractor's coverage in the amount of $2,000,000 per person/per occurrence for bodily injury and $500,000 per occurrence for property damage;

2. Worker's compensation and employer's liability insurance as well as such other insurance as may be required by law of the state in which the Franchised Business is located and operated;

3. Fire, vandalism and extended coverage insurance with primary and excess limits of at least 90% of the replacement value of the Franchised Business and its furniture, fixtures and equipment; and

4. In connection with any construction, leasehold improvements, renovation, refurbishment or remodeling of the premises of the Franchised Business, Franchisee shall cause the general contractor to maintain with a reputable insurer comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in at least the amount of $1,000,000, and worker's compensation and employer's liability insurance as required by law of the state in which the Franchised Business is located and operated.

B. All such policy or policies shall be written by an insurance company satisfactory to Franchisor as described in the standards and specifications stated in the Manuals or otherwise in writing, and shall include such policy limits as may reasonably be periodically specified by Franchisor in the Manuals or otherwise in writing. On request of Franchisee, Franchisor may accept the comparable coverage specified by Franchisee's landlord in lieu of the coverage specified by Franchisor.

C. Franchisee shall be obligated to procure such insurance and to submit evidence of insurance to Franchisor at least seven (7) days before the opening of the Center or as otherwise specified in the Manuals, and on each policy renewal date thereafter, Franchisee shall submit to Franchisor evidence of renewal of all policies and any policy amendments. Franchisee shall name Franchisor and its officers, directors, and employees as an additional insured under any such policy or policies as reasonably required by Franchisor.

D. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, as periodically revised for all franchisees by the Manuals or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation to do so) immediately to procure such insurance and to charge the same to Franchisee, which charges, together with a reasonable fee for Franchisor's expenses in so acting, including but not limited to legal fees, shall be payable by Franchisee immediately upon notice.

XIII. TRANSFER OF INTEREST; OPERATION BY FRANCHISOR

A. **Transfer by Franchisor.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion. In the event of any such transfer, Franchisor shall be released from any liability under this agreement for the obligations transferred, except to the extent that such obligations relate to periods prior to such transfer.

B. **Transfer by Franchisee:**

1. Franchisee understands and acknowledges that the rights and duties stated in this Agreement are personal to Franchisee, and that Franchisor has entered into this Agreement and granted the license hereunder in reliance on Franchisee's business skill and financial capacity. Accordingly, neither Franchisee, any immediate or remote successor to any part of Franchisee's interest in the Franchised Business, any individual, partnership, corporation or other legal entity which directly or indirectly controls Franchisee, if Franchisee is a corporation, shall sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in Franchisee, this Agreement, or in the Franchised Business without the prior written consent of Franchisor; provided, however, that Franchisor's prior written consent shall not be required for a transfer of less than a 5% interest in a publicly-held corporation. For such purposes, and under this Agreement in general, a publicly held corporation is a "Reporting Company" as that term is defined by the Securities Exchange Act of 1934. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of Franchisor shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may then terminate without opportunity to cure under Section XIII of this Agreement.

Within sixty (60) days from the date of this Agreement, the franchise and the assets and liabilities of the franchised business may be assigned to a newly organized corporation that conducts no business other than the franchised business, which is actively managed by Franchisee and in which Franchisee owns and controls all of the equity and voting power of all issued and outstanding capital stock. Such an assignment shall not relieve Franchisee of his obligations hereunder, and Franchisee shall remain jointly and severally liable for all obligations hereunder. The articles of incorporation, by-laws and other organizational documents of such corporation shall recite that the issuance and assignment of any interest therein is restricted by the terms of Section XIII of this Agreement and all issued and outstanding stock certificates of such corporation shall bear a legend reflecting or referring to the restrictions of said Section XIII(C)(3).

2. Franchisor shall not unreasonably withhold its consent to a transfer of any interest in Franchisee or in the Franchised Business or this Agreement to an existing Franchisee of Franchisor provided that all of the following shall be met as conditions of its approval:

a. The proposed transferee is an existing Roosters franchisee in good standing and not in breach of any agreement with Franchisor;

b. All of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates shall be up to date, fully paid and satisfied;

c. Franchisee shall not be in default of any provision of this Agreement, any amendment to this Agreement or successor to this Agreement, any other franchise agreement or other agreement between Franchisee and Franchisor, or its subsidiaries and affiliates;

d. The Franchisee and each of its shareholders, officers and directors shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, shareholders and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances;

e. The transferee shall enter into a written agreement, under seal and in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement; and, if the obligations of Franchisee were guaranteed by the transferor, the transferee shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

f. The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's educational, managerial, financial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business in this agreement (as may be evidenced by prior related experience or otherwise); has at least the same managerial and financial criteria required of new franchisees and shall have sufficient equity capital to result in a debt to equity ratio of 1:1, or such other debt to equity ratio as may be approved by Franchisor;

g. At Franchisor's option, the transferee shall execute (and/or, upon Franchisor's request, shall cause all interested parties to execute) for a term ending on the expiration date of this Agreement and with such renewal term as may be provided by this Agreement, the then-current standard form of franchise agreement then being offered to new franchisees and such other ancillary agreements, including any guarantees as Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects and the terms of which agreements may differ from the terms of this Agreement, including, without limitation, a higher percentage royalty fee, increase of the Minimum Local Advertising Expenditure and increase of the National Fund contribution;

h. The transferee shall upgrade, at the transferee's expense, the Franchised Business to conform to the design concepts then being used in new Centers, and shall complete the upgrading and other requirements within the time specified by Franchisor;

i. Franchisee shall remain liable for all direct and indirect obligations to Franchisor in connection with the Franchised Business before the effective date of the transfer and shall continue to remain responsible for its obligations of nondisclosure, noncompetition and indemnification as provided elsewhere in this Agreement and shall execute any and all instruments reasonably requested by Franchisor to further evidence such liability;

j. At the transferee's expense, the transferee and its manager and employees shall complete any training programs then in effect for current franchisees upon such terms and conditions as Franchisor may reasonably require;

k. The transferee shall have signed an Acknowledgement of Receipt of all required legal documents, such as the Franchise Disclosure Document and the then-current franchise agreement; and

l. Transferor shall pay to Franchisor a Transfer Fee of $5,000 to cover Franchisor's administrative expenses in connection with the proposed transfer of each Center. The Transfer Fee shall be paid thirty (30) days before the official transfer date.

3. Franchisee shall grant no security interest in the Franchised Business or in any of its assets unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee. Notwithstanding the foregoing, the Franchisor shall not be construed as a guarantor or surety for the Franchisee.

4. Franchisee acknowledges and agrees that each of the foregoing conditions of transfer which must be met by the Franchisee and the transferee are necessary and reasonable to assure such transferee's full performance of the obligations hereunder. Franchisee further acknowledges that if any of the foregoing conditions are not met, then Franchisor shall have no obligation to consent to such transfer.

C. **Additional Requirements – Legal Entity Franchisees**. The following requirements shall apply to Franchisee in addition to those stated in Sections V and XIII (B):

1. Franchisee shall be a newly organized corporation or other legal entity and its Articles of Incorporation or otherwise organizing documents shall at all times provide that its activities are confined exclusively to operating the Franchised Business in this agreement.

2. Copies of Franchisee's Articles of Incorporation and Bylaws, or other governing documents, and any amendments to those documents, including the resolutions of the Board of Directors authorizing entry into this Agreement, shall be promptly furnished to Franchisor.

3. Each stock certificate of the corporation issued to a shareholder, or any other evidence of ownership issued to a member or other owner, shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor, such as:

> "THE TRANSFER, PLEDGE OR ALIENATION OF THIS STOCK IS SUBJECT TO THE TERMS AND RESTRICTIONS CONTAINED IN THE FRANCHISE AGREEMENT BETWEEN ROOSTERS MEN'S GROOMING CENTER AND _____ _____."

4. Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and shall furnish the list to Franchisor upon request.

5. All shareholders of Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of this Agreement.

D. **Franchisor's Right of First Refusal.**

1. Any party who holds a controlling interest (as reasonably determined by Franchisor) in Franchisee or in the Franchised Business and who desires to accept any bona fide offer from a third party to purchase his or its controlling interest shall notify Franchisor in writing of each such offer and, except as otherwise provided in this agreement, Franchisor shall have the right and option, exercisable within 30 days after receipt of such written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. In the event that Franchisor elects to purchase the seller's interest, closing on such purchase must occur within 60 days from the date of notice to the seller of the election to purchase by Franchisor. Failure of Franchisor to exercise the option afforded by this Section XIII (D) shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section XIII (D), with respect to a proposed transfer. If the Franchisee is obtaining an SBA Loan from the United States Small Business Administration ("SBA"), then neither the Franchisor or its assignee will exercise its right of first refusal for any partial transfer of the Franchised Business. Once the SBA Loan is paid or the SBA no longer has any interest in the Loan, then the Franchisor or its assignee may exercise its rights of first refusal for any partial transfer of the Franchised Business.

2. If the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms

and/or conditions, then Franchisor may purchase the Franchised Business proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree, within a reasonable time, on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by a third party, an independent appraiser shall be designated by Franchisor, and Franchisor's determination shall be binding.

E. **Transfer upon Death or Mental Incapacity.** On the death, mental incapacity or disability of a shareholder or any other owner of evidence of ownership in a corporation or other legal entity which has been formed to operate the Franchised Business under the System, Franchisor shall consent to the transfer of said owner's interest in Franchisee, the Franchised Business and this Agreement to said owner's spouse, heirs or relative by blood or by marriage, whether such transfer is made by will or by operation of law, if, in Franchisor's sole discretion and judgment, such person or persons meet Franchisor's educational, managerial and business standards; possess a good moral character, business reputation and credit rating; have the aptitude and ability to conduct the Franchised Business in this agreement; have at least the same managerial and financial criteria required by new franchisees and shall have sufficient equity capital to result in a debt to equity ratio of 1:1, or such other debt to equity ratio as may be approved by Franchisor. If said transfer is not approved by Franchisor, the executor, administrator or personal representative of such person shall transfer his interest to a third party approved by Franchisor within 6 months after such death, mental incapacity or disability. Such transfer shall be subject to the right of first refusal and to the same conditions as any inter vivos transfer.

F. **Non-Waiver of Claims.** Franchisor's consent to a transfer of any interest in the Franchised Business shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

G. **Franchisor's Right to Step In and Operate Franchised Business.** In order to prevent any interruption of the business of the Center and any injury to the goodwill and reputation thereof which would cause harm to the Center and thereby depreciate the value thereof, Franchisee hereby authorizes Franchisor, and at the sole option of Franchisor, if: 1) any of Franchisee's principals, directors or counselors is absent or incapacitated by reason of illness or death and that Franchisee is not, therefore, in the sole judgment of Franchisor, able to do the business licensed hereunder, or 2) any verified allegation or claim is made against the Franchised Business, Franchisee or any principal, director, or employee of Franchisee, involving or relating to misrepresentations or any fraudulent or deceptive practice, to operate said Center for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. If Franchisor should operate the Franchised Business, Franchisor at its option shall not be obligated so to operate it for a period more than 90 days. All revenues from the operation of the Franchised Business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the Center, including reasonable compensation and expenses for Franchisor's representative, shall be charged to this account. If, as provided in this agreement, Franchisor elects to temporarily operate the Franchised Business on behalf of Franchisee, Franchisee hereby agrees to indemnify and hold harmless from any and all claims arising from the acts and omissions of Franchisor and its representatives, unless such claims arise from the negligent acts and/or omissions of the Franchisor.

XIV. DEFAULT AND TERMINATION

A. **Automatic Termination.** This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following occurrences:

1. Voluntary Bankruptcy. If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the franchised business;

2. Involuntary Bankruptcy. If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days; or

3. Unauthorized Transfer. Franchisee purports to sell, transfer or otherwise dispose of Franchisee's interest or any interest in the Business in violation of Paragraph XIII above.

B. **With Notice and Without Opportunity to Cure.** Franchisor has the right, at its option, to terminate this Agreement and all rights granted to Franchisee under this Agreement, without affording Franchisee any opportunity to cure, effective upon Franchisee's receipt of notice for any of the following breaches or defaults:

1. Unauthorized Disclosure. If Franchisee intentionally or negligently discloses to any unauthorized person any Confidential Information, including the contents of or any part of the Operations Manual;

2. Abandonment. If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue operation of the Franchised Business according to the terms of this Agreement and shall apply in any event if Franchisee fails to operate the Business as required under this Agreement for a period of five (5) or more consecutive days without Franchisor's prior written approval;

3. Insolvency. If Franchisee, or any of Franchisee's principals, becomes insolvent or makes an admission of its inability to pay its debt generally as they become due;

4. Liens. If a levy of writ of attachment or execution or any other lien is placed against Franchisee, any of the assets of the Business or any of Franchisee's principals or any of their assets, which is not released or bonded against within thirty (30) days;

5. Criminal Acts. If Franchisee or any of Franchisee's principals or the Manager is convicted of, or pleads guilty or no contest to, an indictable offense or any crime or offense that is reasonably likely, in Franchisor's opinion, to materially and unfavorably affect the System, Proprietary Marks, goodwill or reputation thereof, or takes part in any criminal misconduct relevant to the operation of Franchisee's Franchised Business;

6. Misuse of Proprietary Marks. If Franchisee materially violates any provision of this Agreement relating to the Proprietary Marks or if Franchisee misuses or fails to follow Franchisor's directions and guidelines concerning use of the Proprietary Marks;

7. Repeated Breaches. If Franchisee has received two (2) notices of default from Franchisor within any 12-month period, regardless of whether Franchisee cured the defaults;

8. Violation of Restrictive Covenants. If Franchisee, any related entity or any individual subject to the restrictive covenants described in this Agreement, intentionally or negligently violates one (1) or more of those covenants;

9. Fraud. If Franchisee, or Franchisee's principals, commits any fraud or misrepresentation in the operation of the Franchised Business;

10. Misrepresentation. If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to any financial misrepresentation;

11. Failure to Complete Training. If Franchisee fails to complete the Initial Training Program as stated in Section III(D) and IV(F) of this Agreement;

12. Breach of Other Agreements. If Franchisee or Franchisee's principals breach any other agreement with Franchisor or any of Franchisor's affiliates, or threaten any breach of any such agreement, and fails to cure such breach within any permitted period for cure;

13. Unauthorized Products or Services. If Franchisee offers any unauthorized and unapproved products or services; or

14. Unapproved Purchases. Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier.

C. Upon 15 Days' Notice to Cure. Franchisor shall have the right to terminate this Agreement effective upon fifteen (15) days written notice to Franchisee if any of the following defaults remain uncured after expiration of the 15-day cure period:

1. Nonpayment. If Franchisee fails to pay as and when due any sums owed to Franchisor, any of its affiliates, or any of our system suppliers, including but not limited to, the fees associated with the Roosters Specific Equipment and Initial Inventory Supply as stated in Section III.B. and III.C. of this Agreement;

2. Failure to Maintain Sufficient Inventory Levels. If Franchisee fails to maintain sufficient levels of inventory of consumables and supplies to adequately meet consumer demand;

3. Failure to Open. If Franchisee fails to commence operation of Franchisee's Center in the time prescribed under this Agreement;

4. Interruption of Service. If Franchisee fails to maintain the prescribed months, days or hours of operation of the Center;

5. Failure to Supervise Business Operations or Employ Adequate Personnel. If Franchisee or Franchisee's Manager fails, in Franchisor's discretion, to personally supervise day-to-day operation of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time;

6. Failure to Meet Standards. If Franchisee fails to maintain the then-current operating procedures and standards established by Franchisor as stated in this Agreement or in the Operations Manual or otherwise communicated to Franchisee, including, but not limited to, if Franchisee fails to provide follow up services on a timely basis according to Franchisor's timetable, which is a part of the System; or

7. Other Conduct Reflecting Adversely on System. Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, the Proprietary Marks, or the products and services offered through the System.

D. **Upon 30 Days' Notice to Cure.** With respect to all other failures to perform or comply with any one or more of the terms or conditions of this Agreement or any other ancillary agreements between Franchisee and Franchisor, Franchisor shall have the right to terminate this Agreement effective upon thirty (30) days written notice to Franchisee and Franchisee's failure to cure such default after the expiration of the thirty (30) day period.

E. **Cure.** If Franchisee fails to cure the alleged breach within the applicable period of time stated in this Section, then this Agreement must be considered terminated as of the date stated in the default notice, the last day of the cure period. For purposes of this Agreement, Franchisee's alleged breach of this Agreement must be deemed cured if both Franchisee and Franchisor agree in writing that the alleged breach has been corrected.

F. **Non-waiver.** Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

G. **Acknowledgment.** If this Agreement is terminated by Franchisor before the expiration of the Term under this Section XIV, Franchisee acknowledges and agrees that, in addition to all other available remedies, Franchisor shall have the right to recover lost future Royalties and National Fund contributions during any period in which Franchisee fails to pay such Royalties and/or National Fund contributions through and including the remainder of the then current term of this Agreement.

H. **Franchisor's Option to Purchase.** In the event of termination of this Agreement for any reason, including but not limited to a default under this Section XIV, Franchisor shall have the right and option to purchase Franchisee's interest in the tangible assets of the Franchised Business. If Franchisor elects to purchase Franchisee's interest, Franchisee shall also execute an assignment of the lease for the premises of the Franchised Business.

XV. OBLIGATIONS UPON TERMINATION

Upon termination, expiration or non-renewal, this Agreement and all rights granted hereunder to Franchisee shall forthwith terminate, and Franchisee shall observe and perform the following provisions:

A. **Cease Operations.** Franchisee shall immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

B. **Cease Use of Proprietary Marks.** Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any equipment, format, confidential methods, proprietary information, literature, procedures and techniques associated with the System, the service marks and trade names "ROOSTERS MEN'S GROOMING CENTER" or "ROOSTERS," and any other Proprietary Marks and distinctive trade dress, forms, slogans, signs, symbols or devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, fixtures, equipment, advertising materials or promotional displays, stationery, forms and any other materials that display the Proprietary Marks associated with the System.

C. **Business Names and Registrations.** Franchisee shall take such action as may be necessary to cancel any business name, trade name or equivalent registration which contains the Proprietary Marks or any other trademark, trade name or service mark of Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within 30 days after termination or expiration of this Agreement.

D. **Assignment of Lease.** Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Franchised Business. If Franchisor elects to exercise its option to acquire such lease or sublease, Franchisor shall pay the fair market value of any equipment or leasehold improvements acquired by the Franchisor as a result of such assignment, less any sums of money owed by Franchisee to Franchisor and less any sums of money necessary to repair or replace any equipment or leasehold improvements damaged beyond normal wear and tear and upgrade and renovate the premises to meet Franchisor's then-current standards for its Centers and less any sums necessary to acquire clear title to the lease or sublease interest. If Franchisor and Franchisee are unable to agree on the fair market value of said improvements, equipment, goods and supplies, an independent appraiser shall be appointed to determine the fair market value and the determination of said appraiser shall be binding upon the parties. The costs and expenses associated with the appointment of an independent appraiser shall be paid by Franchisee. If Franchisor does not elect to exercise its option to acquire such lease or sublease, Franchisee shall make such modifications or alterations to the premises of the Center immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Franchised Businesses under the System, and shall make such specific additional changes as Franchisor may reasonably request for that purpose. If Franchisee fails or refuses to comply with the requirements of this Section XV(D), Franchisor shall have the right to enter upon the premises of the Center without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

E. **Franchisor's Step-In Rights.** If this Agreement is terminated, Franchisor may, at its option, immediately enter the premises of the Center and continue to provide services to clients or customers and apply receipts therefrom to debts owed to Franchisor by Franchisee. Franchisor shall have no other obligations to Franchisee in connection with Franchisor's operation of the Center following said termination.

F. **De-Identification of Business and Affiliation with Franchisor.** Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake or deception, or which is likely to dilute Franchisor's exclusive rights in and to the Proprietary Marks, and agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor so as to constitute unfair competition.

G. **Payment of Outstanding Amounts**. Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries and affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs and expenses, including reasonable legal' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, fixtures, equipment and inventory owned by Franchisee and on the premises of the Franchised Business at the time of default.

H. **Legal Fees and Costs.** Franchisee shall pay to Franchisor all damages, costs and expenses, including reasonable legal fees, incurred by Franchisor after termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section XV.

I. **Return of Proprietary Materials.** Franchisee shall immediately return to Franchisor all copies of all materials in Franchisee's possession including the Manuals, all records, files, instructions, correspondence, brochures, and any and all other materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, excepting only Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law. All costs of delivering all materials required by this Section XV(I) shall be borne by Franchisee.

J. **Assignment of Telephone Numbers.** Franchisee shall promptly notify the appropriate telephone company and all telephone directories listing agencies of the termination or expiration of its right to use any telephone number and any regular, classified or other telephone directory listings associated with any Proprietary Marks and authorize transfer of same to or at the direction of Franchisor. Franchisee agrees to execute Exhibit "E" to this Agreement and any updated letters of direction to any telephone companies and telephone directory listing agencies directing termination and/or transfer of Franchisee's right to use any telephone number associated with the Proprietary Marks, which Franchisor may hold until termination or expiration hereof.

Franchisee authorizes Franchisor, and hereby appoints Franchisor and any officer of Franchisor as its attorney in fact, to direct the appropriate telephone company and all listing agencies to transfer all such listings to Franchisor upon termination of this Agreement.

K. **Other Proprietary or Confidential Information.** Notwithstanding the provisions of Section XV(I) above, Franchisee shall be obligated to immediately return any proprietary information of Franchisor.

L. **Proof of Compliance.** Franchisee shall execute any legal document that may be necessary to effectuate the termination hereunder and shall furnish to Franchisor, within 30 days after the effective date of termination, written evidence satisfactory to Franchisor of Franchisee's compliance with the foregoing obligations.

M. **Covenants Not to Compete.** Franchisee shall comply with all applicable covenants contained in Section XVI of this Agreement.

N. **No Interest in Franchised Business**. Other than as specifically stated above, Franchisee shall have no interest in the Franchised Business upon such termination, expiration or nonrenewal.

XVI. COVENANTS

A. **Full Time and Best Efforts.** Franchisee covenants that during the term of this Agreement, and subject to the post termination provisions contained in this agreement except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is a legal entity, one of Franchisee's owners) or Franchisee's manager shall devote full time, energy and best efforts to the efficient and effective management and operation of the Franchised Business.

B. **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 Franchisor pertaining to the Business System of a Roosters Franchised 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. Franchisor has advised the Franchisee that this provision is a material provision of this Agreement.

C. **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 Roosters Men's Grooming Center businesses operated by Franchisor's franchisees, except other salons franchised to Franchisee by Franchisor or its subsidiaries or affiliates.

D. **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 Roosters Men's Grooming Center businesses operated by Franchisor's franchisees, and is located within six (6) miles of the Center or any other Roosters Men's Grooming Center or within the Designated Market Area, over the Internet, or any other Designated Market Area granted by Franchisor to other Roosters Franchisees. The Franchisee, the Franchisee's shareholders, partners or members and the Personal Guarantors expressly agree that the foregoing time and geographic limits are the reasonable and necessary time and distances required to protect Franchisor and Franchisor's franchisees if this Agreement expires or is terminated for any reason, and that this covenant not to compete is necessary to permit Franchisor the opportunity to resell and/or develop a new Roosters Men's Grooming Center business at or in the area near the Center. This post-term non-compete shall not apply to other salons franchised to Franchisee by Franchisor, its subsidiaries or affiliates.

E. Franchisee acknowledges and agrees that the covenants not to compete stated above are fair and reasonable and will not impose any undue hardship on Franchisee, since Franchisee's shareholders have other considerable skills, experience and education which afford Franchisee's shareholders the opportunity to derive income from other endeavors.

F. Sections XVI(B)(3) and XVI(C) shall not apply to ownership by Franchisee of less than a 5% beneficial interest in the outstanding equity securities of any publicly-held corporation.

G. Franchisee acknowledges that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, the Franchisee hereby consents to the entry of an injunction prohibiting any conduct by Franchisee in violation of the terms of those covenants not to compete as stated in this Franchise Agreement. Franchisee expressly agrees that it may conclusively be presumed that any violation of the terms of said covenants not to compete was accomplished by and through Franchisee's unlawful utilization of Franchisor's Confidential Information, know-how, methods and procedures. Further, Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants not to compete as stated in this Agreement. Franchisee further agrees to pay all costs and expenses (including reasonable legal and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete as stated in this Agreement.

H. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If any or all portions of the covenants in this Section XVI is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant

that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section XVI.

I. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant stated in this Section XVI or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it shall forthwith comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section XXIII hereof.

XVII. CHANGES AND MODIFICATIONS

A. Franchisor may modify this Agreement only upon the execution of a written agreement by Franchisor and Franchisee. Franchisor reserves and shall have the sole right to make changes in the Manuals, the System and the Proprietary Marks at any time and without prior notice to Franchisee. Franchisee shall promptly alter any signs, products, business materials or related items, at its sole cost and expense, upon written receipt of notice of such change or modification in order to conform to the revised specifications. In the event that any improvement or addition to the Manuals, the System or the Proprietary Marks is developed by Franchisee, then Franchisee agrees to grant to Franchisor an irrevocable, worldwide, exclusive, royalty-free license, with the right to sublicense such improvement or addition.

B. Franchisee understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, the System must not remain static, in order that it best serve the interests of Franchisor, franchisees and the System. Accordingly, Franchisee expressly understands and agrees that Franchisor may periodically change the components of the System, including but not limited to, altering the services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Center is authorized to offer; and changing, improving or modifying the Proprietary Marks. Subject to the other provisions of this Agreement, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations, as specified in the manuals, and disseminated to Franchisee.

XVIII. TAXES AND INDEBTEDNESS

A. Franchisee shall promptly pay when due all taxes levied or assessed by any federal, state or local tax authority and any and all other indebtedness incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on Franchisor with respect to any payments to Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by Franchisor.

B. In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness according to procedures of the taxing authority or applicable law; provided, however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or

attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

C. Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, licenses and bonds necessary for the full and proper operation and management of the Franchised Business, including, without limitation, a license to do business and provide services, trade name or business name registration and sales tax permits. Copies of all subsequent inspection reports, warnings, certificates and ratings, issued by any governmental entity during the term of this Agreement in connection with the conduct of the Franchised Business which indicate Franchisee's failure to meet or maintain the highest governmental standards or less than full compliance by Franchisee with any applicable law, rule or regulation, shall be forwarded to Franchisor by Franchisee within three days of Franchisee's receipt thereof.

D. Franchisee shall notify Franchisor in writing within 3 days of the commencement of any action, suit, proceeding or investigation and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business or Franchisee.

XIX. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. It is understood and agreed by the parties that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to make either party an agent, trustee, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever. Franchisor shall not have the power to hire or fire Franchisee's employees, and except as expressly provided, Franchisor may not control or have access to Franchisee's funds or the expenditures thereof, or in any other way exercise dominion or control over the Center.

B. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for or be deemed liable hereunder as a result of any such action or by reason of any act or omission of Franchisee in Franchisee's conduct of the Franchised Business or any claim or judgment arising therefrom against Franchisor. Franchisee agrees at all times to defend at its own cost, and to indemnify and hold harmless to the fullest extent permitted by law, Franchisor, its corporate parent, and their respective corporate subsidiaries, affiliates, successors, assigns and designees of either entity, and the respective directors, officers, employees, agents, shareholders, designees and representatives of each (Franchisor and all other hereinafter referred to collectively as "Indemnitees") from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises out of or is based upon any of the following: Franchisee's alleged infringement or any other violation or any other alleged violation of any patent, trademark or copyright or other proprietary right owned or controlled by third parties; Franchisee's alleged violation or breach of any contract, federal, state or local law, regulation, ruling, standard or directive of any industry standard; libel, slander or any other form of defamation by Franchisee; Franchisee's alleged violation or breach of any warranty,

representation, agreement or obligation in this Agreement; any acts, errors or omissions of Franchisee or any of its agents, servants, employees, contractors, proprietors, affiliates or representatives; latent or other defects in the Center, whether or not discoverable by Franchisor or Franchisee; the inaccuracy of any information provided by the Franchisee to Franchisor; any services or products provided by Franchisee at, from or related to the operation at the Center; any services or products provided by any affiliated or nonaffiliated entity; any action by any customer of the Center; and, any damage to the property of Franchisee or Franchisor, their agents or employees, or any third person, firm or corporation.

C. Franchisee shall conspicuously identify itself and the Center and in all dealings with its clients, contractors, suppliers, public officials and others, as an independent Franchisee of Franchisor, and shall place such notice of independent ownership on all forms, business cards, stationery, advertising, signs and other materials and in such fashion as Franchisor may, in its sole and exclusive discretion, specify and require from time to time, in its Manuals (as same may be periodically amended) or otherwise.

D. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between franchisor and franchisee is other than that of Franchisor and Franchisee. Franchisor does not assume any liability and will not be deemed liable for any agreements, representations or warranties made by Franchisee which are not expressly authorized under this Agreement, nor will Franchisor be obligated for any damages to any person or property which directly or indirectly arise from or relate to the operation of the Center franchised hereby.

XX. APPROVALS AND WAIVERS

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

B. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms in this agreement. Waiver by Franchisor of any particular default by Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of Franchisor to exercise any power or right arising out of any breach or default by Franchisee of any of the terms, provisions or covenants hereof affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder or the right to declare any subsequent breach or default and to terminate this Franchise before the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

C. Franchisee hereby waives any right to a jury trial with respect to this Agreement and/or any matters arising hereunder.

XXI. NOTICES

All notices or communications required by this Agreement will be in writing. A notice will be deemed to have been delivered if: (a) faxed, on delivery during the recipient's normal business hours (effective the next business day if after the recipient's normal business hours); (b) hand-delivered, on delivery against receipt or on refusal to accept the notice; (c) delivered by overnight courier, the next business day after deposited with such courier, charges prepaid; or (d) sent by certified or other receipted mail, on receipt or on refusal to accept the notice. A party is not required to use more than one method and may choose any method of giving notice. Notices to Franchisor will be sent to its address as stated on the first page of this Agreement or to any other address that Franchisor may specify by written notice. Notices to Franchisee will be sent to the address of the Franchised Business as stated on Exhibit "C" or any other address that Franchisee may specify by written notice.

XXII. DISCLOSURE STATEMENT AND DISCLAIMER

A. Franchisee acknowledges, by its signature, that it received from Franchisor a Federal Trade Commission or Franchise Disclosure Document for the State in which the Franchised Business will be located, or Franchisee's place of residence, as appropriate, at least fourteen (14) calendar days before the execution of this Agreement.

B. Franchisee acknowledges that it received from Franchisor this Agreement with all blanks filled in at least five (5) business days before the execution of this Agreement, with the exception of the site selection addendum in the event the parties have not agreed upon an Approved Location for the Center upon execution of this Agreement.

C. Franchisee acknowledges and accepts the following:

THE SUCCESS OF FRANCHISEE IN OWNING AND OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTS INCLUDING, TO A LARGE EXTENT, FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH FRANCHISEE. FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY. NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY FRANCHISOR TO INDUCE FRANCHISEE TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED IN THIS AGREEMENT. FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO FRANCHISEE AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER FRANCHISEE'S BUSINESS. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY FRANCHISOR OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED IN THIS

AGREEMENT. FRANCHISEE ACKNOWLEDGES THAT THERE MAY BE APPLICABLE STATE AND LOCAL LAWS AND RESTRICTIONS THAT APPLY TO THE OPERATION OF THE FRANCHISED BUSINESS. IT IS FRANCHISEE'S SOLE RESPONSIBILITY TO CONSULT WITH AN ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONALS TO ENSURE FRANCHISEE'S COMPLIANCE WITH THESE STATE AND LOCAL LAWS AND RESTRICTIONS.

XXIII. ENTIRE AGREEMENT

This Agreement, the documents and Attachments referred to, if any, constitute the entire, full and complete Agreement between the parties concerning the subject matter of this agreement, and supersede all prior agreements and superseding all prior written or oral representations made to Franchisee, if any, except the representations made to you in the Franchise Disclosure Document. No amendment, change or variance from this Agreement shall be binding on the parties unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XXIV. SEVERABILITY AND CONSTRUCTION

A. Except as expressly provided to the contrary, each section, part, term and/or provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term and/or provision in this agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties to this agreement, and said invalid sections, parts, terms and/or provisions shall be deemed not to be a part of this Agreement; provided, however, that if Franchisor determines that such finding of invalidity or illegality adversely affects the basic consideration of this Agreement, Franchisor, at its option, may terminate this Agreement.

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

C. All references, in this agreement, to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgements, promises, covenants, agreements and obligations made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all the parties to this agreement on behalf of Franchisee. This Agreement may be executed in counterparts, and each counterpart when so executed and delivered shall be deemed an original, and such counterparts taken together shall constitute one and the same instrument.

XXV. APPLICABLE LAW

A. **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor. This Agreement shall be interpreted and construed under the laws of the state where the Center is located, which laws shall prevail in the event of any conflict of law, except to the

extent governed by the United States Trademark Act (Lanham Act, 15 U.S.C. Section 1051 *et. seq.*) or the Federal Arbitration Act.

B. **Internal Dispute Resolution.** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's President and/or Chief Executive Officer, after providing notice as stated in Section XXV (E) below. Franchisee must exhaust this internal dispute resolution procedure before it may bring its dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

C. **Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates, arising out of, or in any way relating to, this Agreement or any other agreement by and between you and us, or our affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section XXV(B) above, must be submitted first to mediation in Minneapolis, Minnesota under the auspices of the American Arbitration Association ("AAA"), according to the AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to us, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as stated in this agreement, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of this Agreement.

1. Caveat. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as stated in this Section XXV(D) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (a) Any federally projected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information; (b) any claims pertaining to or arising out of or pertaining to any customer service guaranty or warranty issued; or (c) any of the restrictive covenants contained in this agreement.

D. **Venue.** With respect to those actions that Franchisor elects not to exercise its right to mediate, as well as those actions not subject to mediation as stated in this Agreement, or not settled by mediation, the parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Minneapolis, Minnesota and the jurisdiction and venue of the United States District Court for the District of Minnesota. Franchisee acknowledges that this Agreement has been entered into in the State of Minnesota, and that you are to receive valuable and continuing services emanating from our headquarters in Minnesota, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their

origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Minnesota stated above.

E. **Prior Notice of Claims.** As a condition precedent to commencing an action against Franchisor for damages or for violation or breach of this Agreement, Franchisee must notify us within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

F. **Third Party Beneficiaries.** Our officers, directors, shareholders, agents and/or employees are intended third party beneficiaries of these dispute resolution provisions, each having authority to specifically enforce the right to arbitrate claims asserted against such person(s) by you.

G. **Non-exclusive Remedy.** No right or remedy conferred upon or reserved by Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this agreement or by law or equity provided or permitted but each shall be cumulative of every other right or remedy.

H. **Injunctive Relief.** Nothing contained in this agreement shall bar Franchisor's right to obtain injunctive relief, without posting a bond, against threatened conduct that will cause it loss or damage under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

I. **Waiver.** In no event shall Franchisee be entitled to make, nor shall Franchisee make, any claim, and Franchisee hereby waives any claim for money damages, nor shall Franchisee claim any money damages by way of set-off, counterclaim or defense, based upon any claim or assertion by Franchisee that Franchisor has unreasonably withheld or unreasonably delayed any consent or approval to a proposed act by Franchisee under any of the terms of this Franchise Agreement. Franchisee's sole remedy for any such claim shall be an action or proceeding to enforce any such provisions, or for specific performance or declaratory judgment.

XXVI. MISCELLANEOUS

A. **Modification.** This Agreement may be modified only upon execution of a written agreement between the parties. Franchisee acknowledges that Franchisor may modify its standards and specifications and operating techniques stated in the Operations Manual unilaterally under any conditions and to the extent to which Franchisor, in its sole discretion, deems necessary to protect, promote, or improve the Proprietary Marks and the quality of the System, but under no circumstances will such modifications be made arbitrarily without such determination.

B. **Remedies and Legal Fees.** If it becomes necessary for Franchisor to retain the services of legal counsel to enforce Franchisee's obligations under this Agreement, whether or not formal judicial proceedings are implemented, we shall be entitled to recover our reasonable costs and expenses, including reasonable legal fees, incurred in enforcing Franchisee's obligations under this Agreement.

C. **Interpretation.** All parties to this Agreement acknowledge that this Agreement has been fully negotiated and has been entered into freely. If any provision of this Agreement shall be held to be invalid by any court or tribunal, the terms of said invalid provision shall be modified to the least possible extent so as to make the provision valid. This Article shall not be interpreted against either party as drafter.

D. **Delegation by Franchisor**. From time to time, Franchisor will have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are its agents or independent contractors which Franchisor has contracted with to provide such services. Franchisee agrees in advance to any such delegation by Franchisor of any portion or all of its obligations and duties under this Agreement.

E. **Effective Date**. This Agreement will not be effective until accepted by Franchisor as evidenced by dating and signing by its designated officer.

F. **Franchisor's Consent**. Unless otherwise stated in this Agreement, where Franchisor's consent is required, said consent will not be unreasonably withheld, however, Franchisor's failure to respond within any designated time period shall not be deemed consent to Franchisee's proposed activity and it shall remain Franchisee's responsibility to attain written consent before proceeding with the contemplated activity.

G. **No Waiver.** No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by Franchisor will be considered to imply or constitute a further waiver by Franchisor of the same or any other condition, covenant, right, or remedy.

H. **No Right to Set Off.** Franchisee will not be allowed to set off amounts owed to Franchisor for Royalties, National Fund payments, product or supply payments or other amounts due under this Agreement, against any monies Franchisee alleges it is owed, which right of set off is hereby expressly waived by Franchisee.

I. **Payment of Taxes.** Franchisee shall reimburse Franchisor, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by Franchisor, or its affiliates or designees, on account of services or goods furnished by Franchisor, its affiliates or designees, to Franchisee through sale, lease or otherwise, or on account of collection by us, our affiliates or designees, of the initial franchise fee, Royalties or any other payments made by Franchisee to Franchisor required under the terms of this Agreement.

J. **Invalidity.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision will be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it must then be severed, and the remainder of that provision will continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to us or any of our affiliates or protection of the Marks, or the Confidential Information, including the Operations Manual and our trade secrets, is declared invalid or

unenforceable, then we at our option may terminate this Agreement immediately upon written notice to you.

K. **Limitation of Actions**. The parties further agree that no cause of action arising out of or under this Agreement may be maintained by either party against the other unless brought before the expiration of two (2) years after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the complaining party becomes aware of facts or circumstances reasonably indicating that such party may have a claim against the other party hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or setoff.

L. **Punitive Damages**. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim or any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee's recovery is limited to its actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

M. **Construction of Language**. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

N. **Successors**. References to "Franchisor" or "Franchisee" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 19 hereof.

O. **Additional Documentation**. Franchisee must from time to time, after the effective date of this Agreement, at our request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. If Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as its attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated in this agreement.

P. **Force Majeure**. Neither Franchisee, Franchisor nor their respective affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if such party's failure to perform its obligations is not the fault nor within the reasonable control of the person due to perform but results from, without limitation, fire, flood, natural disasters, terrorism, acts of God, governmental acts or orders, or civil disorders. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable.

Q. **Survival of Provisions**. Any provisions that by their terms extend beyond termination, expiration, or transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination, expiration, or transfer of this Agreement.

R. **Cumulative Rights**. Franchisor's rights and remedies under this Agreement are cumulative and no exercise or enforcement by Franchisor of any right or remedy hereunder shall preclude the exercise or enforcement by Franchisor of any other right or remedy hereunder which Franchisor is entitled by law to enforce.

S. **State Law**. If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which your Business is located, then the valid law or regulation of that state applicable to the Franchised Business will supersede any provision of this Agreement that is less favorable to you.

T. **Spousal Consent.** If Franchisee is an individual(s), or subsequent to execution of this Agreement, Franchisee assigns this Agreement to an individual(s), such individual's spouse hereby personally and unconditionally guarantees without notice, demand or presentment the payment of all of Franchisee's monetary obligations under this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such spouses must execute a spousal consent and guarantee in the form attached to this Agreement as Exhibit "A". In the event of divorce and re-marriage, or subsequent marriage, Franchisee covenants and agrees to provide Franchisor with a properly executed spousal consent, in the form Franchisor prescribes.

XXVII. ACKNOWLEDGMENTS

Franchisee acknowledges that Franchisee has conducted an independent investigation of all aspects relating to the Franchised Business and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the skills and ability of Franchisee as an independent businessperson. Franchisee acknowledges that it has received, read and understands this Agreement, the attachment(s) to this agreement and any other agreements relating to this agreement, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

The application submitted by Franchisee or its Principals, and all statements made by Franchisee or its Principals to Franchisor in connection with its request for a Franchise, are true and correct in all material respects.

Franchisee agrees and acknowledges that: (i) Regis Corporation, its subsidiaries and affiliates, including, without limitation, The Barbers, Hairstyling for Men & Women, Inc., parent of the Franchisor, RPC Acquisition Corp., Supercuts, Inc. and Franchisor (collectively, "Regis"), own, operate, and franchise hair care salons under names including, without limitation, Pro-Cuts, Supercuts, Cost Cutters, The Barbers, Cool Cuts 4 Kids, Hairmasters, SmartStyle, Holiday Hair, Haircrafters, Great Expectations, and others (the "Regis Businesses"); (ii) such Regis Businesses

are full service hair salons that may address similar markets and therefore may be competitive with Franchisee's Roosters business; and (iii) Regis has the absolute right, now and in the future, to own, operate, and franchise Regis Businesses at any location in the world and over the internet; and (iv) Franchisee hereby waives any and all rights and claims that it may have or allege against Regis resulting from the opening or presence of any Regis Businesses, including those Regis Businesses that may be near, adjacent, or contiguous with Franchisee's Roosters business.

Franchisee agrees and acknowledges that Regis will have the absolute right to acquire, merge with, develop, own, operate, manage, license, and/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 resulting from the opening or presence of any such hair care or product businesses, including those hair care or product businesses that may be near, adjacent, or contiguous with Franchisee's Roosters business.

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

FRANCHISOR:

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISEE:

By: _____

Print Name: _____

Title: _____

Date: _____

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISE AGREEMENT

EXHIBIT A

PERSONAL GUARANTY

EXHIBIT A

GUARANTY

In consideration of, and as an inducement to, the execution of that certain franchise agreement dated _____ and any revisions, modifications and amendments to that franchise agreement (collectively, the "Agreement") by and between Roosters MGC International, LLC, a limited liability company organized under the laws of the Michigan, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 ("Franchisor") and _____ _____ ("Franchisee"), each of the undersigned Guarantors agree as follows:

1. **Guaranty; Joint and Several Liability.** Guarantors do hereby jointly and severally unconditionally guaranty the full, prompt and complete performance of Franchisee under the terms, covenants and conditions of the Agreement, including without limitation the complete and prompt payment of all indebtedness to Franchisor under the Agreement. The word "indebtedness" is used in this Guaranty in its most comprehensive sense and includes without limitation any and all advances, debts, obligations, and liabilities of Franchisee, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. **Independent Obligations of Guarantors.** The obligations of Guarantors are independent of the obligations of Franchisee and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Franchisee or whether Franchisee is joined in any such action.

3. **Covenants Not to Compete.** Guarantors specifically guaranty Franchisee's in-term and post-termination covenant(s) not to compete as stated in the Franchise Agreement. Specifically, Guarantors have acknowledged that under this Agreement, Guarantors covenant that Guarantors will not, either directly or indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partners or corporation:

A. During the term of the Agreement, divert or attempt to divert any business or customer of Franchisee's franchised business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System;

B. During the term of the Agreement, employ or seek to employ any person who is at that time employed by Franchisor or by any other Franchisee or otherwise directly or indirectly induce such person to leave his or her employment;

D. During the term of the Agreement, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to or have any interest in any business which is the same as or substantially similar to the Franchised Business; or

E. For a continuous uninterrupted period commencing upon the expiration or termination of this Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business which is the same as or substantially similar to the Franchisee's franchised business (the "Center"): (i) at the location of the Center; (ii) within the designated market area ("Designated Market Area") granted under the Franchise Agreement; or (iii) within the geographic area comprised of the radius of six (6) miles from the perimeter of (a) the Center, (b) any other Roosters Men's Grooming Center, (c) over the Internet or in any other Designated Market Area granted by Franchisor to other Roosters franchisees, or (d) any territory that a Roosters franchisee has contracted to develop.

4. **Reasonableness of Covenants.** Guarantors acknowledge and agree that the covenants not to compete as stated in Section 3 of this Guaranty are fair and reasonable and will not impose any undue hardship on Guarantors.

5. **Authority of Franchisee and/or Guarantors.** If Franchisee is a legal entity, Franchisor shall not be obligated to inquire into the power or authority of Franchisee or the officers, directors, partners or agents acting or purporting to act on Franchisee's behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where Guarantors are legal entities, it shall be conclusively presumed Guarantors and the officers, directors, partners or agents acting on their behalf have the express authority to bind such corporations or partnerships and that such corporations or partnerships have the express power to act as Guarantors in compliance with this Guaranty and that such action directly promotes the business and is in the interest of such corporations or partnerships.

6. **Franchisor's Right(s).** Franchisor, its successors and assigns, may periodically, without notice to the undersigned:

(a) resort to the undersigned for payment of any of the liabilities, whether or not it or its successors have resorted to any property securing any of the liabilities or proceeded against any other of the undersigned or any party primarily or secondarily liable on any of the liabilities;

(b) Release or compromise any liability of any of the undersigned hereunder or any liability of any party or parties primarily or secondarily liable on any of the liabilities; and

(c) Extend, renew or credit any of the liabilities for any period (whether or not longer than the original period); alter, amend or exchange any of the liabilities; or give any other form of indulgence, whether under the Agreement or otherwise.

7. **Waiver.** Guarantors further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the foregoing Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Franchisee and Franchisor resulting from such Agreement or otherwise, and the settlement, compromise or adjustment thereof.

8. **Internal Dispute Resolution.** If any dispute between Franchisor and Guarantors cannot be settled amicably, Guarantors understand and agree that Guarantors must first bring any claim or dispute between Guarantors and Franchisor to Franchisor's President and/or Chief Executive Officer as stated more fully in Section XXV(B) of the Agreement after providing Franchisor with the notice required under Section XXV(E) of the Agreement.

9. **Mediation.** At Franchisor's option, all claims or disputes between Guarantors and Franchisor or its affiliates, arising out of, or in any way relating to, the Agreement or any other agreement by and between you and us, or our affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure as stated in Section 8 of this Guaranty, must be submitted first to mediation in Minneapolis, Minnesota under the auspices of the American Arbitration Association ("AAA"), according to the AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Guarantors must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. Franchisor's rights to mediation, as stated in this agreement, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share mediation costs equally. This agreement to mediate shall survive any termination or expiration of the Agreement and this Guaranty.

A. Caveat. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as stated in this Section 7 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (a) Any federally projected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information (as those terms are defined in the Agreement); (b) any claims pertaining to or arising out of or pertaining to any customer service guaranty or warranty issued; or (c) any of the restrictive covenants contained in the Agreement or this Guaranty.

10. **Venue.** With respect to those actions that Franchisor elects not to exercise its right to mediate, as well as those actions not subject to mediation as stated in this Guaranty or settled by mediation, the parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Minneapolis, Minnesota and the jurisdiction and venue of the United States District Court for the District of Minnesota. Franchisee acknowledges that both the Agreement and this Guaranty has been entered into in the State of Minnesota, and that Guarantors are to receive valuable and continuing services emanating from our headquarters in Minnesota, including but not limited to training, assistance, support and the development of the Franchisor's System. In recognition of such services and their origin, Guarantors hereby irrevocably consent to the personal jurisdiction of the state and federal courts of Minnesota stated above. Nothing contained in this Guaranty shall prevent Franchisor from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect us interests.

11. **Successors and Assigns.** This Guaranty shall be enforceable by and against the respective administrators, executors, successors and assigns of Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

12. **Joint and Several Liability.** If more than one person has executed this Guaranty, the term "the undersigned," as used in this Guaranty shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

13. **Remedies and Attorneys' Fees.** If it becomes necessary for us to retain the services of legal counsel to enforce your obligations under this Guaranty, whether or not formal judicial proceedings are implemented, we shall be entitled to recover our reasonable costs and expenses, including reasonable attorney's fees, incurred in enforcing your obligations under this Guaranty.

SIGNATURES APPEAR ON FOLLOWING PAGE

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty effective as of the ____ day of _____, 20____.

_____	_____
Signature	Signature
_____	_____
Printed Name	Printed Name
_____	_____
Signature of Spouse	Signature of Spouse
_____	_____
Printed Name of Spouse	Printed Name of Spouse
_____	_____
_____	_____
Home Address	Home Address
_____	_____
Home Telephone	Home Telephone
_____	_____
Business Telephone	Business Telephone
_____	_____
Date	Date

FRANCHISE AGREEMENT

EXHIBIT B

DESIGNATED MARKET AREA

FRANCHISE AGREEMENT

EXHIBIT C

SITE SELECTION ADDENDUM

EXHIBIT C

SITE SELECTION ADDENDUM

THIS SITE SELECTION ADDENDUM is entered into by and between Roosters MGC International, LLC, a limited liability company organized under the laws of the Michigan, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 ("Franchisor") and _____ _____ ("Franchisee") and is made a part of that franchise agreement dated _____ ("Agreement"), as of this ___ day of _____, 20___.

WHEREAS, Franchisor granted Franchisee the right and license to establish and operate a Center within the geographic boundaries of the Designated Market Area; and Franchisee has secured a specific site within the Designated Market Area for its Center; Franchisor has approved the site selected by Franchisee and the lease therefore; Franchisee is about to or has executed a lease for said site; and Franchisor and Franchisee now desire to amend the Agreement to reflect that the Franchisee's Center shall be located within the Designated Market Area at the address stated below.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Addendum, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties below agree as follows:

1. **APPROVED LOCATION**. Item I.C. of the Agreement is hereby amended to reflect that the Approved Location for the Center shall be _____ _____.

2. **DOCUMENT TO GOVERN**. The terms and conditions contained in this Addendum, modify and supplement the Agreement. Whenever any inconsistency or conflict exists between this Addendum and the Agreement, the terms of this Addendum shall prevail.

IN WITNESS WHEREOF, the parties below have executed this Addendum on the day and year first above written.

FRANCHISOR:	**FRANCHISEE:**
By: _____	By: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

FRANCHISE AGREEMENT

EXHIBIT D-1

COLLATERAL ASSIGNMENT OF LEASE

EXHIBIT D-1

LEASE ASSIGNMENT

The Landlord and Tenant acknowledge that the subject premises are being leased to operate a ROOSTERS MEN'S GROOMING CENTER. The Landlord agrees that in the event the Franchise Agreement between the Tenant and Roosters Men's Grooming Center, should terminate for any reason, that Roosters MGC International, LLC, of Minneapolis, Minnesota, shall have the right, but is not required to, assume the balance of this lease and exercise any renewal options contained in this lease by giving a minimum of thirty (30) days notice to Landlord. This assumption of lease shall apply to future lease obligations only and shall not relieve the Tenant from any obligations prior to this assumption between the Tenant and the Landlord. The Tenant hereby agrees that this assumption provision shall be exercisable by Roosters Men's Grooming Center, giving written notice to the Landlord of the assumption under this provision and the Tenant hereby releases Landlord from any liability or claims related to the exercise of this assumption by Roosters Men's Grooming Center.

The Landlord further agrees that any attempt by Tenant to sell, transfer, or assign their interest in the leasehold without the consent of Roosters Men's Grooming Center, will not be allowed. Landlord further agrees not to interfere with the obligations and restrictions imposed on the Franchisee by the Franchisor as it relates to the operation of the business, or which may be contrary to any provision in the Franchise Agreement.

Dated:_____ By:_____
Landlord

Roosters Men's Grooming
Center Location:

_____

_____

_____

Acknowledged:

_____
Franchisee

FRANCHISE AGREEMENT

EXHIBIT D-2

LEASE ADDENDUM

EXHIBIT D-2

LEASE ADDENDUM

ADDENDUM to that certain lease dated the _____ day of _____, 20___, (hereinafter "lease") by and between _____ (hereinafter "Landlord"), and _____ (hereinafter "Tenant"). For that certain premises referred to as _____ Shopping Center (hereinafter "Premises").

WHEREAS, the parties desire to amend and/or add to the terms of the Lease.

NOW THEREFORE, the parties agree as follows:

1. ADDENDUM PREVAILS.

The provisions of this Addendum shall be incorporated into the provisions of the Lease as if fully stated therein. Notwithstanding any provision in the Lease that may be inconsistent with or contradict any provision of this Addendum, the provisions of this Addendum shall prevail over any such provisions in the Lease.

2. COMMENCEMENT DATE.

The Commencement Date shall be the earlier of (a) or (b) below:

(a) _____(__) days after the latest of the following: (i) the Landlord notifies the Tenant in writing that the lease Premises are available for Tenant's occupancy; (ii) Landlord's approval of Tenant's working plans and drawings: and (iii) Landlord's delivery to Tenant of a full executed copy of this Lease: or

(b) The date on which Tenant opens it's Center in said Premises for business to the general public.

3. OPENING REQUIREMENT.

The Tenant shall not be required to open for business or pay rent or other charges unless _____ is open. If Tenant chooses to open before the above listed have opened, Tenant shall pay only Common Area Charges, and no minimum rent or other charges until the above listed are open.

4. POSSESSION DATE LIMITATION.

In the event Tenant has not been provided possession of the Premises by the ____ day of _____, 20____, Tenant may terminate this Lease.

5. USE.

The permitted use shall be as the operation of a Roosters Men's Grooming Center and the sale of products related to hair care.

6. RADIUS RESTRICTION.

In the event the Lease contains a restriction on the right of the Tenant to operate another hair salon within the proximity of the Premises, such clause shall be deleted from the lease.

7. HOURS.

Tenant's operating hours shall be _____ A. M. to _____ P. M. Monday through Friday, _____ A. M. to _____ P. M. Saturday. Tenant may elect to be open or closed on Holidays.

8. TENANT'S SIGNS.

Tenant shall be allowed to utilize signage as attached, including neon window sign and the periodic use of professionally prepared banners, a Grand Opening Banner and/or Balloon. Size of Tenant's primary sign shall be limited only by local ordinance.

9. COMMON AREA CHARGES.

Tenant will be liable for administrative charges in maintaining the Common Area only to the extent such administrative charges, whether entitled administrative charge or management charge, are not already included as "Operating Cost" of maintaining Common Areas. No cost of a capital nature shall be included in the Common Area Costs.

10. COMMON AREA CHARGES OFFSET.

Tenant shall be allowed to offset any amounts due to Tenant from Landlord against Tenant's share of Common Area Charges.

11. SPECIAL ASSESSMENTS.

In the event that during the Lease Term any governmental entity makes any improvement and assesses any portion of the Shopping Center therefore, Tenant shall be liable only for so much of its pro-rata share as the remainder of the Lease Term relates to the useful life of such improvement. In addition, if the special assessments may be paid in installments, Tenant shall have the option of paying its pro-rata share of the assessments in like installments.

12. IMPACT OR ACCESS FEES.

Tenant shall not be required to pay any hook-up, access or impact fees or any other charges in order to obtain any utility service to the Premises, including, but not limited to, any such fees or charges for plumbing, sewage or electrical service. Such fees shall be the sole obligation of Landlord.

13. DISRUPTION OF UTILITY SERVICE.

In the event the disruption of any utility service shall render the Premises untenantable for a period in excess of three (3) days, then the fixed minimum rent, all items of additional rent and any other charges payable in compliance with the Lease shall abate in full from the commencement of such three (3) day period until such time as the Premises are again tenantable.

14. ASSIGNMENT/NOTICE.

Landlord acknowledges that a material inducement to entering into this Lease is the operation of a Roosters Men's Grooming Center in the Premises; accordingly:

(a) Tenant shall be allowed to assign its interest in this Lease to Roosters MGC International, LLC (hereinafter "Roosters"), another Franchisee of Roosters, or the purchaser of the Tenant's entire business. In the event of such assignment, Tenant shall be released from any obligations accruing subsequent to the Lease Assignment.

(b) Landlord grants to Roosters the right, for a period of thirty (30) days, after receipt by Landlord of written notice of the termination, expiration or proposed transfer of Tenant's Roosters Franchise Agreement, to assume the rights and obligations of the Tenant under the Lease on the same terms and conditions, including options to extend. Roosters shall have no liability for defaults or obligations accruing prior to the date of notice. Tenant hereby consents to such assumption and agrees that the Landlord shall be entitled to rely on any such notice from Roosters and shall have no liability to Tenant related to such defaults or obligations accruing prior to the date of notice.

(c) All such notices required to be given to Tenant according to the Lease shall be given to Tenant, as provided in the Lease. Should Tenant have failed to cure a notice of default given by Landlord, Landlord agrees:

(i) If such failure to cure would give rise to a right to terminate this Lease, Landlord will provide notice of such default to Roosters, attention: Roosters MGC International, LLC, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416.

(ii) If the default is due to the bankruptcy of Tenant, Landlord shall not consent to an assignment or assumption of the Lease in bankruptcy or grant an extension of time to accept or reject the Lease under Section 365 of the Bankruptcy Code of 1978.

And in either case granting Roosters an additional twenty (20) days after receipt of notice to cure such default.

(d) Should the Tenant have the option to extend the term of the Lease, an assignment of the Lease to Roosters or a Franchisee of Roosters shall not terminate such right, and the assignee shall have the same right to extend the term as Tenant under the Lease.

(e) Notwithstanding the language in Section_____ of the Lease, Landlord shall have no right to terminate the Lease in the event of an assignment under this article 14, nor shall Tenant be obligated for any fees, as provided in Section _____ of the Lease.

15. HEATING, VENTILATION AND AIR CONDITIONING.

Landlord warrants that the heating, ventilation and air conditioning systems shall be free from defect in material and workmanship for a period of one (1) year from the Commencement Date.

16. CODE COMPLIANCE.

Landlord warrants that, at the time Landlord grants possession to Tenant, the Premises shall comply with all applicable codes.

17. COMPLIANCE WITH LAWS AND REGULATION.

Tenant shall in no event be obligated to make or pay the cost of any structural changes, repair, alteration or addition to its Premises if such is required generally of retail stores in shopping centers by governmental entity or insurance underwriter or similar entities. Tenant shall make and pay the cost of any non-structural change, repair, alteration or addition to its Premise required exclusively of hair salons in shopping centers by governmental entity, insurance underwriters or similar entities. Nothing contained in this lease shall negate Landlord's or Tenant's right to challenge any such requirement in administrative and/or judicial proceedings.

18. DEFAULT.

(a) Tenant shall not be deemed to be in default of any terms of the Lease until Tenant's receipt of advance written notice of such default from Landlord. Such notice period shall be ten (10) days in the event of a monetary default and thirty (30) days in the event of a non-monetary default.

(b) In the event of default, the Landlord warrants that it will use reasonable best efforts to release and mitigate all damages.

(c) In the event that the Landlord fails to comply with its obligations under the Lease, Tenant may upon thirty (30) days written notice, at its option, either cure Landlord's default and offset the reasonable and necessary cost thereof from Tenant's next succeeding rental payments, or exercise any other rights or remedies available to Tenant at law or in equity.

(d) No amounts due to Tenant according to the Lease, shall be accelerated prior to their due date; however, nothing contained in this lease shall be deemed to limit any other right or remedy of the Landlord in the event of default as stated in the Lease.

19. LANDLORD INDEMNITY OF TENANT.

The Landlord agrees to indemnify, defend and hold Tenant and its partners, officers and employees harmless from and against any claim, loss and expense arising out of injury, death or property loss or damage occurring in the common areas of the Shopping Center, except to the

extent caused by the negligent act or intentional misconduct of Tenant or its partners, officers or employees.

20. MUTUAL RELEASE.

Landlord and Tenant hereby release one another and their respective partners, officers and employees and property manager from any and all liability (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage covered by property insurance or coverable by a customary policy of insurance, even if such loss or damage shall have been caused by the fault or negligence of the other party, or by anyone for whom such party may be responsible.

21. CONDEMNATION.

In the event of condemnation of Premises, Tenant shall be entitled to claim, prove and receive in such condemnation proceedings, or other proceedings in the event of a conveyance in lieu of condemnation, damages for its relocation cost, improvements, fixtures and other equipment installed by Tenant, together with any award for loss of business and leasehold interest.

22. SUBORDINATION.

Landlord covenants and warrants that any mortgage, deed of trust, ground lease or other lien or lease now on Premises provides, that any mortgage, deed of trust, ground lease or other lien or lease placed thereon during the term of the Lease or thereafter, or any extension thereof, shall provide that in the event of the foregoing shall be foreclosed, or as a result of exercise of any rights there under the holder of the same shall acquire the Landlord's interest in and to the Premises, the holder shall recognize the validity and continuance of this Lease, provided that Tenant shall not be in default, so as to allow termination, beyond the period in which Tenant may cure default.

23. CENTER VACANCIES.

In the event that at any time during the period of this Lease or any extension of the Lease, 50% of more of the leaseable space in the center becomes vacant and remains vacant for a period of 90 days, then the Tenant shall have the right to terminate this Lease with 30 days notice.

24. CHANGES TO CENTER.

In no event shall Tenant's position or location within the Shopping Center, or its position or location in relation to the major anchor tenant's entrances, and/or ingress or egress, or it's access and/or accessibility, or the visibility of the Center, display window and/or signs be changed without the prior written consent of the Tenant.

25. CONSENT.

Landlord and Tenant covenant agree that whenever, under the terms of the Lease, the consent, satisfaction, determination or approval is required or permitted of Landlord or Tenant, such consent, satisfaction, determination or approval shall not be unreasonably determined, withheld or delayed.

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.

26. ATTORNEYS FEES.

In the event either party institutes legal action or proceedings arising out of or in any way connected with this Lease, the non-prevailing party shall reimburse the prevailing party for all reasonable attorney fees and costs incurred in connection therewith.

27. HAZARDOUS SUBSTANCES.

Landlord represents and warrants that there are no hazardous or potentially hazardous materials in or about the Premises and/or the building or Shopping Center of which the Premises are a part, including but not limited to radon, radiation, asbestos-containing materials, PCB's and PCB-containing materials and CFC's. Landlord agrees to indemnify and hold harmless Tenant from all loss, cost, expense and damage (including reasonable attorneys fees) incurred by Tenant as a result of Landlord's breach of the representations and warranties as stated in this Article.

28. FORCE MAJEURE.

In the event any party shall be delayed or hindered in, or prevented from, the performance of any work, service or other act required under this Lease to be performed by such party and such delay or hindrance is due to: (i) strikes, lockouts, or other labor disputes; (ii) acts of god, governmental restrictions, enemy act, civil commotion, unavoidable fire or other casualty, or other causes of a like nature beyond the control of the party so delayed or hindered, then performance of such work, service or other act shall be excused for the period of such delay and the period for the performance of such work, service or other act shall be extended by a period equivalent to the period of such delay.

29. SECURITY INTEREST.

Landlord hereby subordinates its position and rights under _____ of the Lease and under the statutes of the state in which the Premises are located to that of any creditor of the Tenant who has financed, or provides additional financing in the future, to enable Tenant to purchase and/or obtain additional furniture, fixtures and equipment and accessions for use upon Premises, and any proceeds therefrom. Upon request, Landlord agrees to execute a separate agreement with the creditor of Tenant to effectuate this provision.

30. EXCLUSIVE.

Tenant shall have the exclusive right to operate a hair salon in the Shopping Center. Landlord agrees that so long as Tenant is not in default under the Lease, beyond the applicable cure period, Landlord will not lease any other space in the Shopping Center to a tenant as a hair salon.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date of the Lease first noted above.

LANDLORD:

_____

BY _____
ITS _____

TENANT:

_____

BY _____
ITS _____

ROOSTERS MGC INTERNATIONAL, LLC

BY _____

ITS _____

FRANCHISE AGREEMENT

EXHIBIT E

TRANSFER OF SERVICE CONSENT AND AUTHORIZATION

EXHIBIT E

TRANSFER OF SERVICE CONSENT AND AUTHORIZATION

If my ROOSTERS MEN'S GROOMING CENTER Franchise is transferred, terminated, expires or is not renewed for any reason, I hereby irrevocably appoint and designate Roosters MGC International, LLC my attorney-in-fact to: (1) direct any telephone company to change, transfer and/or terminate any and all listed telephone numbers used in conjunction with the Franchised Business, and (2) direct any Internet service provider or comparable Internet authority to change, transfer and/or terminate any email addresses, domain names or other comparable electronic identities relating to the Franchise. I also hereby agree that ROOSTERS MGC International, LLC may execute any legal document on my behalf to carry out the intent of this consent and authorization.

FRANCHISEE:

_____

Printed Name: _____

Title (if any): _____

Date: _____

[FOR USE BY NEW CUSTOMER ONLY]

I hereby assume and agree to pay all charges outstanding on the following telephone number(s):

_____

or the following domain name(s):

_____

or the following email address(es):

_____

_____

New Customer's Signature

_____

Printed Name of New Customer

FRANCHISE AGREEMENT

EXHIBIT F

AUTHORIZATION FOR ELECTRONIC FUNDS TRANSFER ("EFT")

EXHIBIT F

REGIS CORPORATION
3701 Wayzata Boulevard, Suite 500
Minneapolis, MN 55416

Phone: (952) 947-7777 FAX: (952) 995-3080

AUTHORIZATION FOR DIRECT PAYMENT

I hereby authorize Regis Corporation to initiate Electronic Funds Transfer (EFT) or Automated Clearing House (ACH) transactions against my checking/savings account and I instruct the financial institution named below to honor said transactions. This authorization shall remain in force until revocation in writing.

	Salon Number	Salon Location
_____	_____	_____
Name of Franchisee (Please print)	_____	_____
	_____	_____
_____ _____	_____	_____
Signature of Franchisee Date		

_____
State Date (for internal use only)

_____
Name of Financial Institution

_____
Street Address of Financial Institution

_____
City/State/Zip of Financial Institution

ACH for:

Royalty/AD fund	_____
Training	_____
Product	_____
Miscellaneous	_____

Account Number:_____ Checking_____ Savings_____

Bank Routing Number (ABA):_____

STAPLE VOIDED CHECK HERE:

Note: Please submit one form per bank account. Make additional copies of this form if necessary.

EXHIBIT B

ROOSTERS MGC INTERNATIONAL, LLC'S FRANCHISE DISCLOSURE DOCUMENT

DEVELOPMENT AGREEMENT

ROOSTERS MEN'S GROOMING CENTER®

DEVELOPMENT AGREEMENT

BETWEEN

ROOSTERS MGC INTERNATIONAL, LLC
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:

_____, _____

ROOSTERS MEN'S GROOMING CENTER®

DEVELOPMENT AGREEMENT

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PERSONAL GUARANTY

ROOSTERS MEN'S GROOMING CENTER®

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement"), made, entered into and effective this _____ day of _____, _____, by and between Roosters MGC International, LLC, a Michigan limited liability company ("ROOSTERS"), and _____ _____ (the "FRANCHISEE");

WITNESSETH:

WHEREAS, ROOSTERS has developed and owns a distinctive business system for operating hairstyling businesses of a distinctive character with the name "Roosters Men's Grooming Center®" (the "Business System" or the "Roosters Business System") and has publicized the name "Roosters Men's Grooming Center®" and other trademarks, trade names, service marks and commercial symbols to the public as an organization of hairstyling businesses operating under the Roosters Business System; and

WHEREAS, ROOSTERS represents that it has the right and authority to license the use of the names "Roosters®", "Roosters Men's Grooming Center®" 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 ROOSTERS' uniformity requirements and quality standards; and

WHEREAS, the FRANCHISEE has entered into a Roosters Franchise Agreement contemporaneously with this Agreement for the right to open a single Roosters Business and desires to operate additional Roosters Men's Grooming Center 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 ROOSTERS; and

WHEREAS, ROOSTERS is willing to provide the FRANCHISEE with marketing, advertising, technology, operational and other business information, experience and "know how" about the Roosters business that has been developed over time by ROOSTERS 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 Roosters 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 Roosters Men's Grooming Center businesses subject to and under the terms and conditions set forth in this Agreement; and

WHEREAS, the FRANCHISEE acknowledges that ROOSTERS would not provide the FRANCHISEE with any business information or "know how" about the Roosters 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 Roosters Business System, the financial investment requirements, and the business risks associated with owning and operating Roosters 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. ROOSTERS hereby grants to the FRANCHISEE, for the term of this Agreement, the nonexclusive right to enter into Franchise Agreements with ROOSTERS for the operation of Roosters hairstyling businesses (the "Roosters Businesses" or the "Businesses"), to be located only within the following area _____

_____

_____

_____

_____ (the "Geographic Area"). The Geographic Area may be further described and delineated in Exhibit A, if any, attached hereto and signed by both the FRANCHISEE and ROOSTERS.

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 ROOSTERS and its parent, affiliates, and subsidiaries to acquire, merge with, develop, own, operate, license or franchise anywhere including within the Geographic Area (a) other Roosters Businesses; and (b) any other hair care or hair product businesses, including as described in Article 15.6 of this Agreement.

1.3 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 Roosters Businesses only in the Geographic Area. The rights, privileges and franchise granted and conveyed to the FRANCHISEE in this Agreement will be strictly for the Geographic 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 _____ (___) Roosters Businesses owned by the FRANCHISEE are open and operating for business in the Geographic 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 ROOSTERS 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 Geographic 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 Geographic Area following the end of the term of this Agreement, then the FRANCHISEE must so notify ROOSTERS 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, ROOSTERS will have the right to reevaluate the prospects for the establishment of Roosters businesses in the Geographic Area, and ROOSTERS may determine that the Geographic Area

may, at this time, be further developed by opening additional Roosters businesses in the Geographic Area. In the event ROOSTERS determines that the Geographic Area may not, at this time, be further developed, or that the FRANCHISEE does not comply with the then-current requirements of ROOSTERS for area developers, then ROOSTERS will so notify the FRANCHISEE and all rights of the FRANCHISEE under this Article 2.2 shall terminate. In the event ROOSTERS determines that the Geographic Area may, at this time, be further developed, and if the FRANCHISEE meets all of the then-current requirements of ROOSTERS for area developers, then ROOSTERS will give the FRANCHISEE written notice of its proposal to develop additional Roosters businesses in the Geographic Area and the FRANCHISEE will have thirty (30) days to (A) accept in writing ROOSTERS' proposal to own and operate further Roosters Businesses in the Geographic Area and (B) sign the then-current form of ROOSTERS development agreement incorporating the terms of such proposal. If so accepted, the FRANCHISEE will have the right to own and operate Roosters Businesses in the Geographic 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 ROOSTERS' written proposal and to sign such development agreement within thirty (30) days from the date the written notice of ROOSTERS' 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 ROOSTERS later determines that the Geographic 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 ROOSTERS a nonrefundable development fee equal to _____ Dollars ($_____) (the "Development Fee").

3.2 INITIAL FEES. In addition to the Development Fee, the FRANCHISEE will pay ROOSTERS an Initial Fee, as defined in ROOSTERS' 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 ROOSTERS for each Roosters Business opened in the Geographic 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 for such Roosters Business specifies an Initial Fee that is greater than or different from the Initial Fee specified herein. Each such Initial Fee will be payable to ROOSTERS pursuant to the terms of this Agreement.

3.3 PAYMENT OF INITIAL FEES. The FRANCHISEE must pay ROOSTERS the Initial Fee set forth in Article 3.2 of this Agreement, if any, on or before the date the FRANCHISEE executes the then-current standard Franchise Agreement for each Roosters Business required to be owned and operated in the Geographic Area pursuant to this Agreement. A then-current standard Roosters Franchise Agreement must be executed by the FRANCHISEE for each Roosters Business owned and operated by the FRANCHISEE in the Geographic Area at least ten (10) days prior to the date the FRANCHISEE commences initial business operations at each of its Roosters Businesses in the Geographic Area.

3.4 DEVELOPMENT SCHEDULE. The FRANCHISEE acknowledges and agrees that a material provision of this Agreement is that the following number of Roosters Businesses must be opened and continuously operating in the Geographic Area during the term of this Agreement in accordance with the following development schedule:

Period	Number of Roosters Businesses Required to be Opened and Continuously Operating for Business in the Geographic Area During the Period	Cumulative Number of Roosters Businesses Required to be Open and Continuously Operating for Business in the Geographic 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 Roosters Businesses actually open and continuously operating for business in the Geographic Area as of the end of a given period will be counted toward the number of Roosters Businesses required to be open and continuously operating for business. FRANCHISEE'S first Roosters Business under this Development Agreement must be open and operating within eighteen (18) months after the Roosters Business under the Franchise Agreement executed contemporaneously with this Agreement is required to be open. FRANCHISEE'S second Roosters Business under this Development Agreement must be open and operating within eighteen (18) months after the date the first required Roosters Business under this Development Agreement is required to 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 Roosters Businesses within the Geographic 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, ROOSTERS 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 Roosters Businesses opened and operated in the Geographic Area pursuant to this Agreement prior to termination; however, upon termination of this Agreement, all rights to open and operate additional Roosters Businesses in the Geographic 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 ROOSTERS because of the FRANCHISEE'S failure to meet the development schedule set forth above, the rights and duties of ROOSTERS and the FRANCHISEE will be as follows: (A) the FRANCHISEE will have no further rights to open and operate additional Roosters Businesses within the Geographic Area; and (B) the FRANCHISEE will continue to pay all required fees and to operate its Roosters Businesses opened and operated in the Geographic 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 ROOSTERS' RIGHT TO SUSPEND DEVELOPMENT. ROOSTERS 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 ROOSTERS 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 Roosters salon to the specifications of ROOSTERS; or e) is not using the ROOSTERS 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 Geographic Area pertaining to the operation of its Roosters Businesses, including all laws relating to employees and to the regulation of barbers and cosmetologists and all applicable federal and state discrimination and 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 Roosters 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. ROOSTERS encourages the FRANCHISEE to employ at least one (1) full-time person (a "District Manager") for each six (6) Roosters Businesses opened and operated in the Geographic Area pursuant to this Agreement to supervise the FRANCHISEE'S Roosters Businesses in the Geographic Area. Each District Manager will be responsible for the operation and administration of up to six (6) Roosters Businesses under his or her supervision and control in the Geographic 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 Roosters Businesses in the Geographic Area. All District Managers of the FRANCHISEE'S Roosters Businesses must attend and successfully complete the training program required by ROOSTERS, and be certified and approved by ROOSTERS in writing.

4.3 EXECUTION OF FRANCHISE AGREEMENTS. For each Roosters Business opened, owned, and operated for business by the FRANCHISEE in the Geographic Area, the FRANCHISEE (and, if applicable, the FRANCHISEE'S shareholders, partners or members and Personal Guarantors) must execute ROOSTERS' then-current standard Franchise Agreement (the "Franchise Agreement") in substantially the same form as Exhibit B attached hereto. If the FRANCHISEE fails to provide ROOSTERS with an executed Franchise Agreement at least ten (10) days prior to the date the FRANCHISEE commences business at each of its Roosters Businesses in the Geographic Areas required

by the terms of this Agreement, it will be deemed a material breach of this Agreement and ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 Roosters Franchise Agreements signed by the FRANCHISEE, conduct its Roosters Businesses in accordance with ROOSTERS' 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 Roosters 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 ROOSTERS. ROOSTERS may from time to time revise the Manual and the FRANCHISEE expressly agrees to operate its Roosters 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 ROOSTERS will be controlling in all respects.

5.4 OTHER CONFIDENTIAL INFORMATION. The FRANCHISEE expressly acknowledges and agrees that ROOSTERS 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 Roosters 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 Roosters 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 ROOSTERS 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 ROOSTERS, where the employees agree to maintain the confidentiality, during the

course of their employment and thereafter, of all information designated by ROOSTERS as confidential. Copies of all executed agreements will be submitted to ROOSTERS upon request.

5.6 REMEDIES. The FRANCHISEE recognizes that the provisions contained in this Article are necessary for the protection of ROOSTERS and all of the franchisees who own Roosters 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 ROOSTERS 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 ROOSTERS under common law, in equity, and pursuant to any federal and state statutes in an action or lawsuit against the FRANCHISEE.

ARTICLE 6
ROOSTERS' RIGHT OF TERMINATION

6.1 GROUNDS FOR TERMINATION. In addition to the other rights of termination contained in this Agreement, ROOSTERS 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 ROOSTERS 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 ROOSTERS, 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 Roosters Franchise Agreement executed by the FRANCHISEE is (1) terminated by ROOSTERS 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 ROOSTERS; (I) the FRANCHISEE voluntarily or otherwise abandons, as defined herein, the Geographic 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 Roosters Businesses, or any felony.

6.2 NOTICE OF BREACH. Except as provided for in Article 6.5 and Article 6.6 of this Agreement, ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS 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, ROOSTERS may terminate this Agreement as provided for herein.

6.4 NOTICE OF TERMINATION. If ROOSTERS 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 ROOSTERS 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. ROOSTERS 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 Roosters Businesses, or any felony; (B) the FRANCHISEE voluntarily or otherwise abandons, as defined herein, the Geographic Area; or (C) the FRANCHISEE is involved in any act or conduct which materially impairs the goodwill associated with ROOSTERS' 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 ROOSTERS.

6.6 NOTICE OF IMMEDIATE TERMINATION. If this Agreement is terminated by ROOSTERS pursuant to Article 6.5 above, ROOSTERS 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 ROOSTERS pursuant to this Article, or if the FRANCHISEE breaches this Agreement by a wrongful termination of this Agreement, then ROOSTERS will be entitled to seek recovery from the FRANCHISEE for all of the damages that ROOSTERS 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, Royalty Fees, National Advertising Fund 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 ROOSTERS 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 ROOSTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to ROOSTERS; 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 Roosters Businesses owned and operated by the FRANCHISEE in the Geographic Area pursuant to the terms of the applicable Franchise Agreements signed by the FRANCHISEE and ROOSTERS prior to the termination of this Agreement, and the rights and obligations of the FRANCHISEE and ROOSTERS with respect to the FRANCHISEE'S Roosters Businesses in the Geographic 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 ROOSTERS pertaining to the Business System and the operation of a Roosters 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. ROOSTERS 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 Roosters businesses conducted by ROOSTERS or ROOSTERS' franchisees (including, but not limited to, the FRANCHISEE), except other salons franchised to FRANCHISEE by ROOSTERS 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 Roosters businesses conducted by ROOSTERS or ROOSTERS' franchisees which is located either within the Geographic Area, conducted on the Internet or located within six (6) miles of any Roosters business operated by ROOSTERS or any of ROOSTERS' franchisees, or which is located within any development area granted by ROOSTERS or any affiliate or area developer of ROOSTERS 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 Geographic Area, the Internet and the six (6) mile limit are the reasonable and necessary time and geographical limitations required to protect ROOSTERS and ROOSTERS' franchisees if this Agreement expires or is terminated for any reason, and that this covenant not to compete is necessary to permit ROOSTERS the opportunity to further develop new Roosters businesses in the Geographic Area. This post-term non-compete shall not apply to other salons franchised to FRANCHISEE by ROOSTERS, 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 ROOSTERS and ROOSTERS' 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 ROOSTERS and ROOSTERS' franchisees, protection of ROOSTERS' trade secrets, the Business System and the integrity of ROOSTERS' 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 ROOSTERS if there is a violation of this Article by the FRANCHISEE and that injunctive relief against the FRANCHISEE is essential for the protection of ROOSTERS and ROOSTERS' franchisees. The FRANCHISEE, the FRANCHISEE'S shareholders, partners or members and the Personal Guarantors agree therefore, that if ROOSTERS alleges that the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors have breached or violated this Article, then ROOSTERS 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 ROOSTERS at law or in equity. Unless provided to the contrary by applicable law, ROOSTERS will not be required to post a bond or other security in any action where ROOSTERS is seeking to enjoin the FRANCHISEE, the FRANCHISEE'S shareholders, partners or members or the Personal Guarantors from violating this Article. In cases where ROOSTERS 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. ROOSTERS and the FRANCHISEE are each independent contractors and, as a consequence, there is no employer-employee or principal-agent relationship between ROOSTERS 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 ROOSTERS or represent that their relationship is other than that of franchisor and franchisee. Neither ROOSTERS 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. ROOSTERS 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 Roosters Businesses that are conducted by the FRANCHISEE pursuant to this Agreement. The FRANCHISEE will defend, indemnify and hold harmless ROOSTERS, 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 ROOSTERS, 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 Roosters 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 ROOSTERS or any affiliate of ROOSTERS. Further, the FRANCHISEE will indemnify and reimburse ROOSTERS, its parent, subsidiaries and affiliates and their respective officers, directors, employees and agents for all such obligations and damages for which ROOSTERS is held liable and for all costs reasonably incurred by ROOSTERS 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 Roosters 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. ROOSTERS will have the absolute right to defend and settle any claim made against it that results from the FRANCHISEE'S Roosters Businesses and FRANCHISEE shall indemnify and reimburse ROOSTERS 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 ROOSTERS 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 ROOSTERS without the FRANCHISEE'S approval or consent, and will inure to the benefit of ROOSTERS' successors and assigns. ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 Roosters business. The FRANCHISEE will give ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS. ROOSTERS will not unreasonably withhold its consent to any transfer of this Agreement to an existing Roosters franchisee, 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 ROOSTERS 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 ROOSTERS in which the FRANCHISEE agrees to observe all applicable obligations and covenants contained in this Agreement; (D) the proposed transferee is an existing Roosters franchisee in good standing and not in breach of any agreement with ROOSTERS; (E) 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 ROOSTERS assuming and agreeing to discharge all of the FRANCHISEE'S obligations and covenants under this Agreement; (F) the transferee Franchisee will have demonstrated to ROOSTERS' satisfaction that he, she or it meets ROOSTERS' 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); (G) the FRANCHISEE has paid the transfer fee required under Article 10.6; (H) 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 Roosters business other than such transferee franchisee's other existing Roosters Business(es) or other business(es) franchised to that transferee franchisee by ROOSTERS' affiliates; and (I) if the transferee Franchisee does not meet ROOSTERS' net worth requirements for operation of the Roosters 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 ROOSTERS agreeing to remain liable to ROOSTERS for the obligations of the Roosters Businesses. If the transferee franchisee is not a current Roosters franchisee, then ROOSTERS has the absolute right to withhold approval of the proposed transfer.

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 Roosters Business System and the Marks, as well as ROOSTERS' reputation and image, and are for the protection of ROOSTERS, the FRANCHISEE and all other franchisees who own and operate Roosters businesses. Any assignment or transfer permitted by this Article 10 will not be effective until ROOSTERS receives a completely executed copy of all transfer documents and ROOSTERS 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 ROOSTERS a transfer fee of Two Thousand Five Hundred Dollars ($2,500). This fee is to cover the costs incurred by ROOSTERS 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
ROOSTERS' 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 ROOSTERS 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 ROOSTERS of the FRANCHISEE'S written offer specifying the proposed price and terms of the proposed sale, ROOSTERS 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 ROOSTERS 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 ROOSTERS and the FRANCHISEE agree in writing that the negotiations have terminated, whichever comes earlier. If ROOSTERS 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 ROOSTERS; 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

ROOSTERS 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 ROOSTERS, then the modified offer must be recommunicated or made to ROOSTERS by the FRANCHISEE. ROOSTERS 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 Royalty Fees, the National Advertising Fund Fees and to operate the Roosters Businesses under the applicable Franchise Agreements, will in no way be affected or changed because of ROOSTERS' 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. ROOSTERS' 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS (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 Roosters Businesses has successfully completed ROOSTERS' training program and has been certified by ROOSTERS and is, in ROOSTERS' reasonable judgment, qualified from a managerial and financial standpoint to operate the Roosters Businesses in an economic and businesslike manner. The FRANCHISEE and the holders of Ownership Interests must provide ROOSTERS 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 Roosters MGC International, LLC, 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 Roosters MGC International, LLC, 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 Roosters Business System and the Marks, as well as ROOSTERS' reputation and image, and are for the protection of ROOSTERS, the FRANCHISEE and all other Franchisees who own and operate Roosters businesses. Any assignment or transfer permitted by Article 11 will not be effective until ROOSTERS receives a completely executed copy of all transfer documents and ROOSTERS 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 ROOSTERS TO PURCHASE FRANCHISE ASSETS. If this Agreement expires or is terminated by either ROOSTERS 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 Roosters Businesses, then ROOSTERS 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 ROOSTERS for a standard Roosters business and owned by the FRANCHISEE but are not presently being used in any of the FRANCHISEE'S existing Roosters Businesses (the "Franchise Assets"). ROOSTERS will not purchase any assets from the FRANCHISEE that are not part of the standard Roosters business. The FRANCHISEE must give ROOSTERS 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 Roosters 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 ROOSTERS written notice of the asking price of the Franchise Assets, or if ROOSTERS 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 Roosters® or Roosters Men's Grooming Center® or for going concern value in determining the fair market value of the Franchise Assets since the right of purchase granted to ROOSTERS 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). ROOSTERS 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 ROOSTERS 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 Geographic Area or the FRANCHISEE'S Roosters 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. ROOSTERS 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 ROOSTERS 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 ROOSTERS or the FRANCHISEE or their officers, directors, shareholders or partners and Personal Guarantors, and ROOSTERS 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 ROOSTERS 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 ROOSTERS and the FRANCHISEE which are set forth in Article 13.1 and the following disputes between ROOSTERS 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS, 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 ROOSTERS 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 ROOSTERS 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 ROOSTERS and the FRANCHISEE.

12.9 CONFIDENTIALITY. All evidence, testimony, records, documents, findings, decisions, judgments and awards pertaining to any arbitration hearing between ROOSTERS and the FRANCHISEE will be secret and confidential in all respects. ROOSTERS 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, ROOSTERS 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 Geographic 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 Roosters Businesses or other Roosters businesses, (3) constitutes a danger to the employees, public or customers of the FRANCHISEE'S Roosters Businesses, or (4) may impair the goodwill associated with the Marks and the Business System. In any action brought under this provision where ROOSTERS prevails against the FRANCHISEE, the FRANCHISEE will indemnify ROOSTERS 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 ROOSTERS. Unless provided to the contrary by applicable law, ROOSTERS 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 ROOSTERS 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**. ROOSTERS and the FRANCHISEE may, by written instrument signed by ROOSTERS and the FRANCHISEE, waive any obligation of or restriction upon the other under this Agreement. Acceptance by ROOSTERS of any payment by the FRANCHISEE and the failure, refusal or neglect of ROOSTERS 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 ROOSTERS of any provision of this Agreement. ROOSTERS 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, ROOSTERS will have the right to negotiate terms and conditions, grant concessions and waive obligations for other area franchisees of

ROOSTERS 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 ROOSTERS of any of its obligations under this Agreement, any other contract between ROOSTERS and the FRANCHISEE, or for any other reason, withhold payment of any amounts due ROOSTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to ROOSTERS. The FRANCHISEE will not have the right to "offset" any liquidated or unliquidated amounts allegedly due to the FRANCHISEE from ROOSTERS against any payments due to ROOSTERS under this Agreement or any other contract, promissory note or other obligation payable by the FRANCHISEE to ROOSTERS.

13.5 ROOSTERS' RIGHTS CUMULATIVE. The rights of ROOSTERS hereunder are cumulative and no exercise or enforcement by ROOSTERS of any right or remedy hereunder will preclude the exercise or enforcement by ROOSTERS of any other right or remedy hereunder or which ROOSTERS 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, 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 Geographic Area or the FRANCHISEE'S Roosters 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 ROOSTERS and the FRANCHISEE will not be enforceable. This Agreement will not supersede or terminate any written Development Agreement relating to another Geographic Area or Franchise Agreement(s) executed prior to the date of this Agreement relating to other Roosters 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 ROOSTERS 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 ROOSTERS with respect to the operation of each Roosters Business opened in the Geographic Area by the FRANCHISEE will be governed by the terms and conditions of each Roosters Franchise Agreement executed by the FRANCHISEE. In the event there is a conflict between the terms of this Agreement and the terms of any Roosters 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 ROOSTERS. ROOSTERS 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 ROOSTERS will be in writing and will be made by personal service upon an officer or director of ROOSTERS or sent by prepaid registered or certified United States mail addressed to ROOSTERS 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 a recognized overnight delivery service (such as FedEx or UPS) addressed to the FRANCHISEE at the first Roosters Business opened by the FRANCHISEE in the Geographic 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 Roosters Businesses within the Geographic 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. ROOSTERS 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 Roosters Businesses, except as expressly set forth in writing in ROOSTERS' Franchise Disclosure Document, receipt of which is acknowledged by the FRANCHISEE.

15.2 NO INCOME OR REFUND WARRANTIES. The FRANCHISEE acknowledges that ROOSTERS does not warrant or guarantee to the FRANCHISEE that the FRANCHISEE will derive income or profit from the FRANCHISEE'S Roosters Businesses or that ROOSTERS will refund all or part of the Development Fee or the price paid for the FRANCHISEE'S Roosters Businesses or repurchase any of the products, merchandise, furniture, fixtures, equipment, supplies or chattels supplied by ROOSTERS or an approved supplier if the FRANCHISEE is unsatisfied with its Roosters Businesses.

15.3 TERMS OF OTHER DEVELOPMENT AGREEMENTS MAY DIFFER. The FRANCHISEE acknowledges that other area franchisees of ROOSTERS 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 Roosters 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 Roosters 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 ROOSTERS' Franchise Disclosure Document are subject to increase over time, and that future Roosters 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 ROOSTERS, 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 Roosters 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, Cost Cutters, Mastercuts, Hairmasters, and SmartStyle. FRANCHISEE hereby acknowledges that such businesses may be competitive with the Roosters Businesses developed hereunder and FRANCHISEE hereby waives any and all rights that it may have or allege against ROOSTERS, 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 Roosters Businesses hereunder.

ARTICLE 16
DISCLAIMER; FRANCHISEE'S LEGAL COUNSEL

16.1 DISCLAIMER BY FRANCHISOR. ROOSTERS 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 Roosters 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 Roosters Businesses from ROOSTERS or any of ROOSTERS' 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 ROOSTERS' Franchise Disclosure Document, it would not have executed this Agreement, and the FRANCHISEE would have: (A) promptly notified the President of ROOSTERS in writing of the person or persons making such representations or warranties; and (B) provided to ROOSTERS 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 ROOSTERS to consult an attorney or other advisor prior to the execution of this Agreement to review ROOSTERS' Franchise Disclosure Document, to review this Agreement in detail, to review the economics, operations and other business aspects of the Roosters 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 Roosters 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 ROOSTERS and the FRANCHISEE will be governed by the laws of the state in which the Geographic Area is located. If the Geographic 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 ROOSTERS.

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 ROOSTERS 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 Roosters Businesses in the Geographic 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, ROOSTERS, 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"
Roosters MGC International, LLC

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 ROOSTERS, 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 ROOSTERS all monies due and payable to ROOSTERS 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 ROOSTERS or any subsidiary or affiliate of ROOSTERS, whether for merchandise, products, supplies, furniture, fixtures, equipment or other goods purchased by the FRANCHISEE from ROOSTERS or any subsidiary or affiliate of ROOSTERS or for any other indebtedness of the FRANCHISEE to ROOSTERS or any subsidiary or affiliate of ROOSTERS, 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 ROOSTERS or any subsidiary or affiliate of ROOSTERS.

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 ROOSTERS. 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

EXHIBIT C

ROOSTERS MGC INTERNATIONAL, LLC'S FRANCHISE DISCLOSURE DOCUMENT

SUBLEASE

ROOSTERS SUBLEASE

THIS SUBLEASE, dated this _____ by and between REGIS CORP., a Minnesota corporate, or its affiliate, 3701 Wayzata Boulevard, Suite 500, Minneapolis, Minnesota 55416 ("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's affiliate, Roosters MGC International, LLC, a Michigan limited liability company, pursuant to the terms and conditions of the Roosters® Franchise Agreement dated _____, ("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 Franchise Agreement. This statement shall be provided to Sublessor by the fifteenth (15th) day of each and every month, for the proceeding month, during the primary term of the lease and any extensions thereto.

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

If Subtenant is purchasing a company-owned salon located at the Leased Premises, then the term of this Sublease shall commence on the Closing Date as described in the Agreement for Purchase and Sale of Assets dated _____ as amended, and shall end one (1) minute before the expiration of the term of the Prime Lease or any applicable extension thereof, unless sooner terminated as herein expressly provided.

-Or-

If Subtenant is developing a new salon at the Leased Premises, the term of 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.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Sublease effective as of the date and year first above written.

Sublessor:

REGIS CORP.
or its affiliate

By_____

Its

Subtenant:

_____

By_____

Its_____

By_____

Its_____

GUARANTY AND ASSUMPTION OF OBLIGATIONS

SUBLEASE

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS given _____,
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 REGIS CORP., a Minnesota corporation, or its affiliate (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 _____)	_____%

EXHIBIT D

ROOSTERS MGC INTERNATIONAL, LLC'S
FRANCHISE DISCLOSURE DOCUMENT

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 Roosters MCG International, LLC, a Michigan limited liability company, formed under the laws of Michigan, 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

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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)

EXHIBIT E
ROOSTERS MGC INTERNATIONAL, LLC'S
FRANCHISE DISCLOSURE DOCUMENT

STATE ADDENDA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC. ("NASAA")
ADDENDA TO ROOSTERS® 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:

ROOSTERS:

By:_____

FRANCHISEE:

By: _____

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC. ("NASAA")
ADDENDA TO ROOSTERS® 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:

ROOSTERS:

By:_____

FRANCHISEE:

By: _____

ADDENDUM TO FDD REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT THE FRANCHISOR GIVE THE FRANCHISEE A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF CORPORATIONS PRIOR TO A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Neither we nor any person or franchise broker identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in that association or exchange.

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination and non-renewal of a franchise. If the franchise agreement contains a provision that in inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

The state of California requires all hair stylists to have a barbers or cosmetology license and requires the franchisee or shop owner to have an establishment or shop license.

The maximum interest rate that can be charged to you in California is ten percent (10%) annually.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The limitation of actions which is in the franchise agreement may not be enforceable under California law.

You are waiving punitive, exemplary, incidental, indirect, special or consequential damages in the franchise agreement which may not be enforceable under California law.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

THE FRANCHISE AGREEMENT REQUIRES NON-BINDING MEDIATION. THE MEDIATION WILL OCCUR IN MINNEAPOLIS, MINNESOTA. THE FRANCHISE

AGREEMENT REQUIRES APPLICATION OF THE LAW OF MINNESOTA AND A FORUM OF MINNEAPOLIS, MINNESOTA. PROSPECTIVE FRANCHISEES ARE ENCOURAGED TO CONSULT PRIVATE LEGAL COUNSEL TO DETERMINE THE APPLICABILITY OF CALIFORNIA AND FEDERAL LAWS (SUCH AS THE BUSINESS AND PROFESSIONS CODE SECTION 20040.5, CODE OF CIVIL PROCEDURE SECTION 1281, AND THE FEDERAL ARBITRATION ACT) TO ANY PROVISION OF A FRANCHISE AGREEMENT RESTRICTING VENUE TO A FORUM OUTSIDE THE STATE OF CALIFORNIA. EACH PARTY SHALL BEAR ITS OWN COST OF MEDIATION AND THE PARTIES SHALL SHARE MEDIATION COSTS EQUALLY. THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAWS OF MINNESOTA. THIS PROVISION MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

Regarding our website, www.roostersmgc.com, please note the following:

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

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination and non-renewal of a franchise. If the franchise agreement contains a provision that in inconsistent with the law, the law will control.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The limitation of actions which is in the franchise agreement may not be enforceable under California law.

You are waiving punitive, exemplary, incidental, indirect, special or consequential damages in the franchise agreement which may not be enforceable under California law.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires non-binding mediation. The mediation will occur in Minneapolis, Minnesota. THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAW OF MINNESOTA AND A FORUM OF MINNEAPOLIS, MINNESOTA. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Mediation Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California. Each party shall bear its own cost of mediation and the parties shall share mediation costs equally. The Franchise Agreement requires application of the laws of Minnesota. This provision may not be enforceable under California law.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

ADDENDUM TO DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA

The Development Agreement requires disputes and controversies between the parties to be resolved and determined by arbitration. The arbitration will occur in Minneapolis, Minnesota. THE DEVELOPMENT AGREEMENT REQUIRES APPLICATION OF THE LAW OF MINNESOTA AND A FORUM OF MINNEAPOLIS, MINNESOTA. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a development agreement restricting venue to a forum outside the State of California. The Development Agreement requires application of the laws of Minnesota. This provision may not be enforceable under California law.

The Development Agreement requires a waiver of the right to bring a class action.

ADDENDUM TO FDD REQUIRED BY THE STATE OF ILLINOIS

The conditions under which the Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, Illinois law governs.

Although the Franchise Agreement requires litigation to be instituted in a court in Minnesota, all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois, subject to the mediation provision of the Franchise Agreement. Furthermore, Section XXV(D) is hereby amended such that the parties agree that, to the extent any legal action or proceeding arising out of or relating to the Franchise Agreement is initiated and not subject to mediation under Section XXV(C) thereof, all such actions or proceedings shall be brought in Illinois courts.

ADDENDUM TO FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT AS REQUIRED BY THE STATE OF ILLINOIS

Section XXII of the Franchise Agreement is hereby supplemented by the following sections:

XXII(D). Receipt. Franchisee acknowledges that Franchisor is relying upon any acknowledgments of receipt for Franchisor's Franchise Disclosure Document for the State of Illinois and for the completed original of this Agreement executed by Franchisee as to the actual dates and fact of receipt for such documents. Franchisee acknowledges that it has had ample opportunity to consult with its counsel and representatives regarding the content of this Agreement and the Franchisor's Franchise Disclosure Document.

XXII(E). DOCUMENTATION. FRANCHISEE HAS ATTACHED TO THIS AGREEMENT ANY WRITTEN STATEMENT, REPRESENTATION, WARRANTY OR INFORMATION, FURNISHED BY FRANCHISOR, OTHER THAN THAT INCLUDED IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, IF ANY, REGARDING THE POTENTIAL VOLUME, PROFITS OR EXPENSES OF A ROOSTERS FRANCHISE AUTHORIZED UNDER THIS AGREEMENT UPON WHICH FRANCHISEE IS RELYING IN MAKING ITS DECISION TO ENTER INTO THIS AGREEMENT.

Notwithstanding Section XIV of the Franchise Agreement and Section 3 of the Development Agreement, the conditions under which the Franchise Agreement can be terminated and the parties' rights upon non-renewal may be affected by Illinois law, (815 ILCS 705/19 and 705/20).

Section XXIII of the Franchise Agreement and Section 17.2 of the Development Agreement is hereby modified by adding the following text as the last sentence:

The parties expressly confirm that there are no other oral or written agreements, "side-deals", arrangements or understandings between them except as stated herein and in Franchisor's applicable Franchise Disclosure Document.

Notwithstanding anything to the contrary in Sections XXV(A) and XXV(D) of the Franchise Agreement or Section 17.1 and Article 13.6 of the Development Agreement, Illinois law shall govern this Agreement and the parties agree that, to the extent any legal action or proceeding arising out of or relating to the Franchise Agreement is initiated and not subject to mediation under Section XXV(C) thereof, all such actions or proceedings shall be brought in Illinois courts.

Nothing in the Franchise Agreement or Development Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

Any condition, stipulation or provision of the Franchise Agreement or Development Agreement purporting to bind Franchisee to a waiver of compliance with the Illinois Franchise Disclosure Act of 1987, as amended, is void.

ADDENDUM TO FDD REQUIRED BY THE STATE OF INDIANA

Neither Franchisor nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF INDIANA

Section XVI(F) of the Franchise Agreement is hereby modified by deleting the words ". . . would result in…" in the first sentence thereof and replacing them with "may result in".

Section XIV of the Franchise Agreement is hereby modified by adding a new Section XIV(J) as follows:

> XIV(J) Indiana Law. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section XXV(C) of the Franchise Agreement is hereby modified such that Franchisor agrees to select as the place for mediation a location within the State of Indiana and the laws of the State of Indiana shall apply to the mediation proceedings.

Section XXVI(K) of the Franchise Agreement is hereby modified by deleting everything in the first sentence thereof after the words "brought before expiration of" and replacing the deleted portion with "two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee of the facts constituting the violation."

Any covenant not to compete in the Franchise Agreement which extends beyond the termination of the Franchise Agreement may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section XXV(A) of the Franchise Agreement, the laws of the State of Indiana shall govern the construction and enforcement of the Franchise Agreement.

Section XXV(I) of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

> This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

ADDENDUM TO FDD REQUIRED BY THE STATE OF MARYLAND

With respect to 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.

With respect to Item 17, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise. Additionally, any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

The representations you make in the Statement of Prospective Franchisees (Exhibit H in this Disclosure Document) will not act as a release, estoppel or waiver of any liability incurred by us under the Maryland Franchise Registration and Disclosure Law.

With respect to Item 17, under certain circumstances, the Franchise Agreement requires you to submit to a court proceeding in the State of Minnesota. These provisions may run contrary to the Maryland Franchise Registration and Disclosure Law. Therefore, nothing will preclude you from being able to enter into litigation with us in Maryland, as long as the nature of the litigation is not the type of dispute, controversy, claim, action, or proceeding which would be subject to arbitration under the Franchise Agreement.

With respect to Item 17's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.).

To the extent that any provisions of the Franchise Agreement or Statement of Prospective Franchisees require you to assent to any release, estoppel or waiver of liability as a condition to your purchasing a Roosters franchise, such provisions are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM TO DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF MARYLAND

All development fees and initial fee payments by area developers shall be deferred until the first franchise under the development agreement opens.

Dated:_____

Signatures:

ROOSTERS:

By:_____

FRANCHISEE:

By: _____

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

Section XXVI(K) of the Franchise Agreement is hereby modified by adding the following at the end of the first sentence thereof: ". . . , provided, however, that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise."

With respect to franchisor's right to terminate you upon your bankruptcy as stated in Section XIV(A) of the Franchise Agreement, termination of the Franchise Agreement for this reason may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.).

All representations in the Franchise Agreement requiring prospective franchisees to assent to a release, estoppels or waiver of liability are not intended to, nor shall the act as, a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Notwithstanding anything to the contrary in Section XXV(A) of the Franchise Agreement, the Maryland Franchise Registration and Disclosure Law prohibits the Franchisor from precluding the Franchisee from initiating litigation against the Franchisor in Maryland. Accordingly, Section XXV(A) is hereby modified to provide that the Franchisee may initiate litigation or sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

No representation or disclaimer by the Franchisee in the Franchise Agreement is intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Attached to this Addendum as Schedule 1 is the form of the general release that you and your owners will sign, as, and if, required by Sections II(B)(6) and XIII(B)(2)(d) of the Franchise Agreement.

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:

ROOSTERS

By:: _____

FRANCHISEE:

By: _____

ADDENDUM TO FDD REQUIRED BY THE STATE OF MINNESOTA

In an Addendum to the Franchise Agreement, we agree to indemnify you against losses and liabilities for which you are held liable in any proceeding arising out of your use of the mark "ROOSTER'S MENS GROOMING CENTER" or any other trademark, service mark or logotype that you are authorized by us to use with the franchised business. This indemnification is contingent upon you using the marks or logotypes according to the provisions of the Franchise Agreement.

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

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) 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 and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief according to Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Minn. Rule Part 2869.4400(d) prohibits us from requiring that you assent to a general release as stated in Item 17 of this Disclosure Document.

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MINNESOTA

Sections II(B)(6) and XIII(B)(2)(d) regarding your obligation to execution of a general release upon assignment or renewal are deleted in their entirety according to Minnesota Rule Part 2860.4400(D).

Section VI of the Franchise Agreement is hereby modified by adding a new Section VI(D) as follows:

> (D) Franchisor agrees to indemnify Franchisee from and against any losses, liabilities and damages for which Franchisee is held liable by a court of competent jurisdiction in any proceeding arising out of Franchisee's use of the marks "ROOSTERS MEN'S GROOMING CENTER" and all other trademarks, service marks and associated marks and symbols utilized by Franchisee under this Agreement, provided such use is complies with and is authorized by the provisions of this Agreement. The foregoing indemnification is conditioned upon the following: Franchisee must (i) provide written notice to Franchisor of any claims subject to indemnification hereunder within twenty (20) days of Franchisee's receipt of any written information pertaining to such claims, (ii) tender the defense of the claims to Franchisor if Franchisor so desires, and (iii) permit Franchisor to have sole control of the defense and settlement of any such claim.

Section XIV of the Franchise Agreement is hereby modified by adding a new Section XIV(J) as follows:

> XIV(J) Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

Section XXV(D) of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

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

Notwithstanding anything contained in Section XVI(F) of the Franchise Agreement, the Franchisee cannot consent to the Franchisor obtaining injunctive relief according to Minn. Rules

2860.4400J. The Franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

Notwithstanding anything contained in Section XXVI(K) of the Franchise Agreement, the Limitations of Claims section of the Franchise Agreement must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

Nothing in the Franchise Agreement is intended to abrogate or reduce any rights of the Franchisee as provided in for Minnesota Statutes, Chapter 80C.

ADDENDUM TO FDD REQUIRED BY THE STATE OF NEW YORK

All references to "Disclosure Document" shall be deemed to include the term "Disclosure Document" as used under New York law.

The State Cover Page is amended to include the following additional Risk Factors:

6. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE STATED IN THE PROSPECTUS.

Item 3 of this Disclosure Document is supplemented with the following: "Neither Franchisor, nor any person identified in Item 2 of this Disclosure Document has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of a misdemeanor or pleaded *nolo contendere* to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations."

Item 4 of this Disclosure Document is supplemented with the following: "During the ten (10) year period immediately preceding the date of this Disclosure Document, neither Franchisor, the Predecessor nor any officer or general partner of Franchisor has been adjudged bankrupt or reorganized due to insolvency or been a principal officer of any company or general partner in any partnership that was adjudged bankrupt or reorganized due to insolvency during or within one year after the period that such officer or general partner of Franchisor held such position in such company or partnership, or is subject to any pending bankruptcy or reorganization proceeding."

Item 17, Provision (d), of this Disclosure Document is amended to state that the franchisee may terminate the agreement on any grounds available under state law.

Modifications that we make to the Manual as permitted by the Franchise Agreement will not impose an unreasonable economic burden on you.

Provisions of general releases are mentioned in the Disclosure Document and specified in the Franchise Agreement. These releases are limited by the following: all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under this law shall remain in force, it being the intent that the non-waiver provisions of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

No assignment of the Franchise Agreement by us will be made except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Franchise Agreement.

The choice of law of the Franchise Agreement should not be considered a waiver of any right conferred upon either you or us by the General Business Law of the State of New York, Article 33.

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF NEW YORK

Notwithstanding any provision of the Franchise Agreement, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

Section XIX(B) of the Franchise Agreement is hereby modified by adding the following sentence after the second sentence thereof: "However, the Franchisee shall not be required to indemnify for any claims arising out of a breach of the Agreement or other civil wrong of the Franchisor."

No new or different requirements imposed on Franchisee as a result of any changes made by Franchisor to its Manual under Section VIII(H) of the Franchise Agreement or otherwise shall place an unreasonable economic burden on Franchisee.

Notwithstanding any provision of the Franchise Agreement to the contrary, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to Article 33 of the General Business Law of the State of New York.

Notwithstanding Sections XXV(A) and XXV(D) of the Franchise Agreement, the choice of law and venue provisions should not be construed as a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

ADDENDUM TO FDD REQUIRED BY THE STATE OF RHODE ISLAND

Even though our Franchise Agreement says the laws of Minnesota apply, the Rhode Island Franchise Investment Law may supersede the Franchise Agreement because the Rhode Island Franchise Investment Law provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of laws of another state is void with respect to a claim otherwise enforceable under the Act."

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF RHODE ISLAND

Notwithstanding Section XXV(D) of the Franchise Agreement, Section 19-28.1-14 of the Rhode Island Franchise Investment Act (the "Act") provides that a provision in the Franchise Agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Act.

ADDENDUM TO FDD REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Roosters MGC International, LLC for use in the Commonwealth of Virginia shall be amended as follows:

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

> Under 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 ground for default or termination stated in the franchise agreement does 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 FRANCHISE AGREEMENT REQUIRED BY 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 XIV 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.

ADDENDUM TO FDD REQUIRED BY THE STATE OF WASHINGTON

An Addendum to the Franchise Agreement provides that we shall not terminate the Franchise Agreement before expiration of its initial term or any renewal term except for good cause. Good cause shall include, without limitation, your failure to comply with lawful material provisions of the Franchise Agreement or any other agreement between us, and to cure the default after being given written notice of the default and a reasonable opportunity, which need be more than thirty days, to cure such default, or if the default cannot reasonably be cured within thirty days, your failure to initiate within thirty days substantial and continuing action to cure the default. After three (3) willful and material breaches of the same term of the Franchise Agreement occurring within a twelve (12) month period, for you have been given notice and an opportunity to cure as provided in the Addendum, we may terminate the Franchise Agreement upon any subsequent willful and material breach of the same term within the twelve (12) month period without providing notice or opportunity to cure. We may terminate the Franchise Agreement without giving prior notice or opportunity to cure a default if you (i) are adjudicated a bankrupt or insolvent; (ii) make an assignment for the benefit of creditors or similar disposition of the assets of the franchised business; (iii) voluntarily abandon the franchised business; or (iv) are convicted of or plead guilty or no contest to a charge of violating any law relating to the franchised business. Upon termination for good cause, the Addendum to the Franchise Agreement provides that we shall purchase from you at fair market value at the time of termination, your inventory and supplies, exclusive of (i) personalized materials which have no value to us; (ii) inventory and supplies not reasonably required in the conduct of the Franchised Business; and (iii) if you are to retain control of the premises of the Franchised Business, any inventory and supplies not purchased from us or upon our express requirement: Provided, that we may offset against amounts owed to Franchisee under this provision any amounts owed by you to us.

If any of the provisions in the franchise Disclosure Document or Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail over the inconsistent provisions of the franchise Disclosure Document and Franchise Agreement with regard to any Franchise sold in Washington.

The Securities Administrator has concluded that mediation between a franchisor and franchisee must take place either in the State of Washington or as may be mutually agreed upon by the parties or as may be determined by the arbitrator.

Transfer fees are collectible to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer.

A release or waiver of rights signed by you will not include rights under the Act except when signed under a negotiated settlement after the agreement is in effect and where you are represented by independent counsel. Provisions like those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, like a right to jury trial, may not be enforceable.

ADDENDUM TO FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON

Notwithstanding any other provision of the Franchise Agreement to the contrary, the Franchisor shall not terminate the Franchise Agreement prior to expiration of its initial Term or any renewal Term except for good cause. Good cause shall include, without limitation, the failure of Franchisee to comply with lawful material provisions of the Franchise Agreement or any other agreement between Franchisor and Franchisee, and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such default, or if such default cannot reasonably be cured within thirty days, the failure of Franchisee to initiate within thirty days substantial and continuing action to cure such default. After three (3) willful and material breaches of the same term of the Franchise Agreement occurring within a twelve (12) month period, for which Franchisee has been given notice and an opportunity to cure as provided in this subsection, Franchisor may terminate the Franchise Agreement upon any subsequent willful and material breach of the same term within the twelve (12) month period without providing notice or opportunity to cure. Franchisor may terminate the Franchise Agreement without giving prior notice or opportunity to cure a default if Franchisee (i) is adjudicated a bankrupt or insolvent; (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchised business; (iii) voluntarily abandons the franchised business; or (iv) is convicted of or pleads guilty or no contest to a charge of violating any law relating to the franchised business. Upon termination for good cause, Franchisor shall purchase from Franchisee at fair market value at the time of termination, Franchisee's inventory and supplies, exclusive of (i) personalized materials which have no value to Franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchised business; and (iii), if Franchisee is to retain control of the premises of the franchised business, any inventory and supplies not purchased from Franchisor or upon Franchisor's express requirement: Provided, that Franchisor may offset against amounts owed to Franchisee under this paragraph any amounts owed by Franchisee to Franchisor.

In any mediation involving a franchise purchased in Washington, the mediation site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the mediation, or as determined by the arbitrator.

If any provision of the Franchise Agreement is inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act (the "Act"), the provisions of the Act will prevail.

Notwithstanding Section VIII(B)(2)(k) of the Franchise Agreement, transfer fees are collectible to the extent that they reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

A release or waiver of rights executed by the Franchisee shall not include rights under the Act except when executed as part of a negotiated settlement after the Franchise Agreement is in effect and where the parties are represented by independent counsel. Provisions which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act, such as a right to trial by jury, may not be enforceable.

ADDENDUM TO DEVELOPMENT AGREEMENT REQUIRED BY THE STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the development 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 development 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 or 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.

Dated this _____ day of _____, 20_____.

_____
Franchisor

_____
Franchisee

FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM

Notwithstanding Section XXIII of the Franchise Agreement to the contrary, the applicable Addendum to the Franchise Agreement above shall not be merged with or into, or superseded by, the Franchise Agreement. In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly stated in the Franchise Agreement, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

Applicable State: _____ Date: _____

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

FRANCHISEE:

_____

_____

[OR]

_____
Corporate Name, Partnership or
Limited Liability Company

By:_____

Title:_____

FRANCHISOR:

ROOSTERS MGC INTERNATIONAL, LLC

By:_____

Title:_____

OWNERS (SHAREHOLDERS/PARTNERS/ MEMBERS):

_____

_____

EXHIBIT F

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

GENERAL RELEASE

EXHIBIT F

GENERAL RELEASE

This General Release is made effective this ____ day of _____, 20__. In consideration for the grant by Roosters MGC International, LLC a Michigan limited liability company ("Roosters"), to the undersigned of certain rights in connection with the operation of a Roosters Men's Grooming Center franchise and/or the transfer or renewal thereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, individually and collectively, hereby unconditionally release, discharge, and acquit Roosters, its past and present subsidiaries and affiliates, and its and their shareholders, owners, directors, officers, managers, members, partners, employees, agents, representatives, successors and assigns, from any and all liabilities, damages, claims, demands, costs, expenses, debts, indemnities, suits, disputes, controversies, actions and causes of action of any kind whatsoever, whether known or unknown, fixed or contingent, regarding or arising out of any prior or existing franchise relationship, development agreement, franchise agreement or any other agreement executed by any of the undersigned and Roosters (or any subsidiary or affiliate of Roosters), any Roosters franchise (whether currently or previously owned or operated by the undersigned or any of them), or any other prior or existing business relationship between any of the undersigned and Roosters (or any subsidiary or affiliate of Roosters), which the undersigned or any of them individually or collectively has asserted, may have asserted or could have asserted against Roosters (or any of the aforementioned related parties) at any time up to the date of this General Release, including specifically, without limitation, claims arising from contract, written or oral communications, alleged misrepresentations, and acts of negligence, whether active or passive. This General Release shall survive the assignment or termination of any of the franchise agreements or other documents entered into by and between Roosters and any of the undersigned. This General Release is not intended as a waiver of those rights of the undersigned which cannot be waived under applicable state franchise laws nor is it intended to relieve Roosters or any other person, directly or indirectly, from liability imposed by law. This General Release shall be governed by and construed according to the laws of the State of Minnesota without regard to its conflicts of law provisions.

WITNESS:

_____

_____

_____

By:_____
Name:_____
Title:_____

_____
_____, Individually

_____
_____, Individually

EXHIBIT G

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13101	ROOSTERS	THE VILLAGE OF PROVIDENCE	475 PROVIDENCE MAIN ST STE 103	HUNTSVILLE	AL	35806	US	256-489-0886	RANDALL BOLL
13168	ROOSTERS	THE SHOPPES AT VALLEY BEND	2710 CARL T JONES DR STE B	HUNTSVILLE	AL	35802	US	256-270-7197	RANDALL BOLL
13227	ROOSTERS	RANCHO DEL MAR	28 RANCHO DEL MAR	APTOS	CA	95003	US	831-612-6938	DAVID WAHL
13212	ROOSTERS	PALOMAR COMMONS SHOPPING CTR	2521 PALOMAR AIRPORT RD # 106	CARLSBAD	CA	92011	US	760-929-0959	DAVID GRAVES III & DAVID GRAVES JR
13197	ROOSTERS	PALLADIO AT BROADSTONE	380 PALLADIO PKWY STE 309	FOLSOM	CA	95630	US	916-294-7392	MICHAEL STAJER
13166	ROOSTERS	NUGGET PLAZA	781 PLEASANT GROVE BLVD # 190	ROSEVILLE	CA	95678	US	916-788-2600	MICHAEL STAJER
13214	ROOSTERS		1350 MARKET ST STE 111	SAN DIEGO	CA	92101	US	619-795-9880	DAVID GRAVES III & DAVID GRAVES JR
13122	ROOSTERS	ARBOR VILLAGE SHOPPING CENTER	8770 WADSWORTH BLVD UNIT Q	ARVADA	CO	80003	US	303-568-9511	SEAN & TINA BEST
13123	ROOSTERS	SHENANDOAH SHOPPING CENTER	15420 E SMOKY HILL RD	AURORA	CO	80015	US	303-993-8197	MIKE SHERMAN
13148	ROOSTERS	EAGLES NEST	24300 E SMOKY HILL RD UNIT 107	AURORA	CO	80016	US	303-955-4183	MIKE SHERMAN
13124	ROOSTERS		1466 GARDEN OF THE GODS RD	COLORADO SPRINGS	CO	80907	US	719-531-6367	MIKE SHERMAN
13203	ROOSTERS		1705 HIGHWAY 7 UNIT 120	ERIE	CO	80516	US	720-890-2828	JAY & GAYLE CLEARY
13102	ROOSTERS	WESTLAKE SHOPPING CENTER	2000 35TH AVE	GREELEY	CO	80634	US	970-356-5750	JAY & GAYLE CLEARY

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13161	ROOSTERS	THE PROMENADE AT DENVER WEST	14710 W COLFAX AVE #140 BLDG A	LAKEWOOD	CO	80401	US	303-278-1599	TROY & ROBERTA HERGENRETER
13169	ROOSTERS	BELMAR MALL	455 S VANCE ST	LAKEWOOD	CO	80226	US	303-936-5341	RUTH & RAUL GARCIA
13259	ROOSTERS	SHOP RITE PLAZA	143 FEDERAL RD STE 50	BROOKFIELD	CT	06804	US	203-740-2039	LAURA M. & BRETT E. TANNONE
13127	ROOSTERS		120 HEBRON AVE	GLASTONBURY	CT	06033	US	860-430-9600	AARON & DONNA CRAMER
13128	ROOSTERS		926 HOPMEADOW ST	SIMSBURY	CT	06070	US	860-217-1621	AARON & DONNA CRAMER
13240	ROOSTERS		1 BUCKLAND RD	SOUTH WINDSOR	CT	06074	US	860-791-8500	AARON & DONNA CRAMER
13261	ROOSTERS	LAKESIDE CENTRE	8212 GLADES RD	BOCA RATON	FL	33434	US	561-558-2849	MICHAEL FONSECA
13218	ROOSTERS	SAN MARCO	2000 HENDRICKS AVE	JACKSONVILLE	FL	32207	US	904-503-2051	PETER HELOW
13184	ROOSTERS	GALLERIA SHOPPES AT VANDERBILT	2355 VANDERBILT BEACH RD #132	NAPLES	FL	34109	US	239-260-5761	BRADFORD HYDE
13246	ROOSTERS	NAPLES PLAZA	2099 TAMIAMI TRAIL N	NAPLES	FL	34102	US	239-260-7970	BRADFORD HYDE
13221	ROOSTERS	DONALD ROSS VILLAGE	4550 DONALD ROSS RD STE 102	PALM BEACH GARDENS	FL	33418	US	561-513-6138	ROBERT ROURKE
13146	ROOSTERS	THE SHOPS ON SOUTH HOWARD	533 S HOWARD AVE STE 4A	TAMPA	FL	33606	US	813-253-3200	CHRISTOPHER OLSON
13207	ROOSTERS	PLAZA AT WELLINGTON GREEN	2335 STATE ROAD 7 STE 800	WELLINGTON	FL	33414	US	561-798-0606	ROBERT ROURKE

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13120	ROOSTERS		2022 POWERS FERRY RD SE STE250	ATLANTA	GA	30339	US	770-303-0069	TINA TRAN AND KEVIN NGUYEN
13198	ROOSTERS	BELLE ISLE SQUARE BUCKHEAD	4969 ROSWELL RD NE STE 225	ATLANTA	GA	30342	US	404-963-1953	ROSS CHRISTEN
13252	ROOSTERS	THE SHOPS OF BUCKHEAD	2221 PEACHTREE RD STE F	ATLANTA	GA	30309	US	404-351-9431	CHRISTOPHER PIRRUNG
13158	ROOSTERS		11600 MEDLOCK BRIDGE RD # 140	JOHNS CREEK	GA	30097	US	770-623-4004	TINA TRAN AND KEVIN NGUYEN
13171	ROOSTERS	PEACHTREE MARKET PLACE	229 MARKET PLACE CONNECTOR	PEACHTREE CITY	GA	30269	US	770-703-4014	JON AND MICHELLE POLK
13251	ROOSTERS	MERIDIAN VILLAGE	2126 N EAGLE RD STE 130	MERIDIAN	ID	83646	US	208-288-2032	DAVID & MCKELL KANE
13188	ROOSTERS	CITY PARK II	275 PARKWAY DR STE 411	LINCOLNSHIRE	IL	60069	US	847-243-4114	ANDREW & RACHEL HELAL
13137	ROOSTERS	HIGHLAND PARK MARKETPLACE	18143 PERKINS RD EAST STE B	BATON ROUGE	LA	70810	US	225-478-9955	CHRIS NELSON
13216	ROOSTERS	TOWNE CENTER AT CEDAR LODGE	7539 CORPORATE BLVD	BATON ROUGE	LA	70809	US	225-960-7363	CHRIS NELSON
13163	ROOSTERS	MARKET STREET	330 MARKET ST	LYNNFIELD	MA	01940	US	781-334-4995	MICHAEL LANE
13159	ROOSTERS	LINDEN SQUARE	180 LINDEN ST STE 103	WELLESLEY	MA	02482	US	781-772-1068	JOHN SANTENELLA
13205	ROOSTERS	BETHESDA ROW	7135 ARLINGTON RD	BETHESDA	MD	20814	US	301-951-4247	KEVIN & KAREN CLARK
13243	ROOSTERS	RIO WASHINGTONIAN	20 GRAND CORNER AVE	GAITHERSBURG	MD	20878	US	301-296-2122	KEVIN & KAREN CLARK

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13260	ROOSTERS	THE SHOPS AT KENILWORTH	800 KENILWORTH DR	TOWSON	MD	21204	US	443-377-1974	CHRISTOPHER ANCONA & CHRISTOPHER RABBU
13106	ROOSTERS		158 S WASHINGTON ST	OXFORD	MI	48371	US	248-628-8940	ADAM GRONDIN
13176	ROOSTERS	MINNETONKA CROSSING	6001 SHADY OAK RD STE 160	MINNETONKA	MN	55343	US	952-935-0505	STEVEN RUSHER
13241	ROOSTERS	SHOPS AT PLYMOUTH CREEK	3235 VICKSBURG LN STE D	PLYMOUTH	MN	55447	US	763-273-4839	DANIEL AND SARAH MURTHA
13175	ROOSTERS	THE WEST END	1683 WEST END BLVD	SAINT LOUIS PARK	MN	55416	US	952-856-2721	STEVEN RUSHER
13177	ROOSTERS	WOODBURY CITY CENTER	1960 DONEGAL DR	WOODBURY	MN	55125	US	651-348-6676	STEVEN RUSHER
13258	ROOSTERS	APEX CENTER	9008 NW 64TH ST	PARKVILLE	MO	64152	US	816-673-1091	STAN COLE
13107	ROOSTERS	BALLANTYNE QUAD SHOPPING CTR	14021 CONLAN CIR STE B7	CHARLOTTE	NC	28277	US	704-542-0098	STEVEN RUSHER
13144	ROOSTERS	REA FARMS	9905 SANDYROCK PLACE STE F	CHARLOTTE	NC	28277	US	980-262-4583	STEVEN RUSHER
13179	ROOSTERS	MAGNOLIA PLAZA	8321 MAGNOLIA ESTATES DR	CORNELIUS	NC	28031	US	704-896-5999	STEVEN RUSHER
13194	ROOSTERS	TORRENCE VILLAGE	9818B GILEAD RD STE 105	HUNTERSVILLE	NC	28078	US	704-727-0386	JACK & SUSAN LONGWORTH
13255	ROOSTERS	THE VIEW AT MARLTON	1041 ROUTE 73	MARLTON	NJ	08053	US	856-866-6109	STEPHEN LEINS
62906	ROOSTERS	SHOPPES AT GALWAY	42 DANNY DRIVE UNIT B3.7	ST JOHNS	NL	A1H 0N4	CA	709-364-4247	BRENDA & JAMES WOODMAN

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13211	ROOSTERS	QUEEN CITY SQUARE	301 E 4TH ST STE 150	CINCINNATI	OH	45202	US	513-421-7642	DUB & LISA NELSON
13182	ROOSTERS	AVERY SQUARE SHOPPING CENTER	6455 PERIMETER DR UNIT H	DUBLIN	OH	43016	US	614-766-4247	THOMAS QUICK & LISA GROOME
13190	ROOSTERS		3912 MIAMI RD	MARIEMONT	OH	45227	US	513-561-7642	DUB & LISA NELSON
13129	ROOSTERS		5025 DEERFIELD BLVD	MASON	OH	45040	US	513-234-7856	DUB & LISA NELSON
13164	ROOSTERS	NEW ALBANY MARKET	5531 NEW ALBANY RD	NEW ALBANY	OH	43054	US	614-245-8525	SUMEET & MONICA PAHOUJA
13153	ROOSTERS	LIBERTY CROSSING	9733 SAWMILL PKWY	POWELL	OH	43065	US	614-336-3666	SUMEET & MONICA PAHOUJA
13228	ROOSTERS	LEWIS CENTER	8711 OWENFIELD DR	POWELL	OH	43065	US	740-549-4247	THOMAS QUICK & LISA GROOME
13130	ROOSTERS	BOARDWALK PLAZA	5300 MONROE ST	TOLEDO	OH	43623	US	419-843-4030	GREGORY BALLMER
13185	ROOSTERS	SHOPS AT WESTAR	534 POLARIS PKWY	WESTERVILLE	OH	43082	US	614-901-4247	THOMAS QUICK & LISA GROOME
13229	ROOSTERS	THE CROSSINGS	1200 GILBERT WAY STE 109	LANCASTER	PA	17601	US	717-467-1632	WILLIAM JORDAN AND KEVIN HAKE
13173	ROOSTERS	EAST GREENWICH SQUARE	1000 DIVISION ST #50	EAST GREENWICH	RI	02818	US	401-398-7497	TAMMY CLARK
13172	ROOSTERS	PLAZA ON PELHAM	3935 PELHAM RD	GREENVILLE	SC	29615	US	864-884-8920	JACK & SUSAN LONGWORTH
13131	ROOSTERS	LIBERTY PLACE RETAIL CENTER	1800 CAROTHERS PKWY STE 4	BRENTWOOD	TN	37027	US	615-507-7004	RANDALL BOLL

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13152	ROOSTERS		11679 PARKSIDE DR	KNOXVILLE	TN	37934	US	865-288-7272	STEVEN RUSHER
13180	ROOSTERS	OAKS VILLAGE RETAIL CONDO	451 N THOMPSON LN STE B	MURFREESBORO	TN	37129	US	615-663-5943	EDWARD(NED) & LAURA TWERDAHL
13253	ROOSTERS	CENTER AT FOUR POINTS	7710 N FM 620 UNIT 730	AUSTIN	TX	78726	US	512-599-4778	ERNEST AND SUSAN TEVES
13111	ROOSTERS		2011 LITTLE ELM TRL STE 104	CEDAR PARK	TX	78613	US	512-258-3300	JOSEPH & JONATHAN GRONDIN
13174	ROOSTERS		1400 E WHITESTONE BLVD STE 300	CEDAR PARK	TX	78613	US	512-528-0520	MIKE MCHENRY
13132	ROOSTERS	TOWNE CENTER COLLEYVILLE	5615 COLLEYVILLE BLVD	COLLEYVILLE	TX	76034	US	817-281-0225	MICHAEL & MARGARET FARMER
13193	ROOSTERS	RIVERWALK MARKET	2500 CROSS TIMBERS RD STE 140	FLOWER MOUND	TX	75028	US	972-874-2000	JAMES PATRICK LAWSON
13113	ROOSTERS		4001 BELLAIRE BLVD STE F	HOUSTON	TX	77025	US	713-661-6700	DIANE FINCH
13134	ROOSTERS		1661 S VOSS RD	HOUSTON	TX	77057	US	713-977-6100	DIANE FINCH
13114	ROOSTERS		23701 CINCO RANCH BLVD STE 110	KATY	TX	77494	US	281-395-8202	DIANE FINCH
13115	ROOSTERS		5867 FAIRMONT PKWY	PASADENA	TX	77505	US	281-991-4300	MARTHA NELSON

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13116	ROOSTERS		2810 BUSINESS CENTER DR # 106	PEARLAND	TX	77584	US	713-436-5712	DIANE FINCH
13145	ROOSTERS	GLENEAGLES PLAZA	5930 W PARK BLVD STE 1300	PLANO	TX	75093	US	972-248-8585	JOHN & MARIA ROURKE
13151	ROOSTERS		455 UNIVERSITY BLVD STE 200	ROUND ROCK	TX	78665	US	512-238-8600	MIKE MCHENRY
13245	ROOSTERS	KROGER MARKETPLACE	809 WOODBRIDGE PKWY STE 300	WYLIE	TX	75098	US	972-212-4488	DAVID AND MARCELLA LAMB
13239	ROOSTERS	OLD MILL VILLAGE UNIT 600	6556 S BIG COTTONWOOD CYN RD	HOLLADAY	UT	84121	US	385-342-0069	RICHARD & DIANN BLEDSOE
13215	ROOSTERS	ACADIA PENTAGON CITY	554 12TH ST S	ARLINGTON	VA	22202	US	571-312-5408	SACHIN & NIVEDITA GOKHALE
13181	ROOSTERS	FRANKLIN FARM VILLAGE CENTER	13346B FRANKLIN FARM RD	HERNDON	VA	20171	US	703-689-8900	SACHIN & NIVEDITA GOKHALE
13206	ROOSTERS	LEESBURG	545 E MARKET ST	LEESBURG	VA	20176	US	571-442-8846	AMY & LARRY HALL
13242	ROOSTERS	THE BORO	8303 A GREENSBORO DR	MCLEAN	VA	22102	US	571-378-1175	SACHIN & NIVEDITA GOKHALE
13210	ROOSTERS	MIDTOWN AT RESTON	11990 MARKET ST	RESTON	VA	20190	US	571-325-2888	AMY & LARRY HALL
13191	ROOSTERS	DUNN LORING-MERRIFIELD	2672-H AVENIR PLACE	VIENNA	VA	22180	US	703-560-5688	STEVE TERRILLION & MICHAEL VALMONT

Salon	Address 1	Address 2	Address 3	City	ST	Zip	Country	Phone	Owner/VP
13170	ROOSTERS	AVALON TOWERS	10311 NE 10TH ST	BELLEVUE	WA	98004	US	425-467-7000	ELTON SOTELLO
13213	ROOSTERS	GREEN LAKE VILLAGE	7150 WOODLAWN AVE NE	SEATTLE	WA	98115	US	206-588-1071	ELTON SOTELLO
13217	ROOSTERS	THE DEXTER SOUTH LAKE UNION	1211 DEXTER AVE N	SEATTLE	WA	98109	US	206-453-4286	ELTON SOTELLO

Franchisees who had a franchise grant terminated, cancelled, or not renewed or who otherwise voluntarily or involuntarily ceased to do business under a franchise agreement or who had not communicated with us within ten (10) weeks prior to the issuance date of this Franchise Disclosure Document.

Salon Number	Franchisee	Address1	Address2	Address3	Address4	Legal Entity	Phone number
13126	Jesse & Brandi Shapiro	9700 S PARKER RD STE 300	PARKER	CO	80138	JB SHARP, INC	303-8411770
13141	Steve Milam	6300 POPLAR AVE STE 109	MEMPHIS	TN	38119	SPM ENTERPRISES INC	901-3473983
13142	Justin Murphy	545 MORRIS AVE	SUMMIT	NJ	7901	JERSEY BARBER LLC	908-5162974
13140	Jay & Gayle Clary	14805 W 64TH AVE UNIT B	ARVADA	CO	80007	2ND GENERATION BARBERSHOP IMP LLC	303-4310656
13186	Tyson White	518 TREMONT ST UNIT 1-B	BOSTON	MA	2116	TAW HOLDINGS 1, LLC	857-3053106
13156	Amir Shahnazary	37619 W TWELVE MILE RD	FARMINGTON HILLS	MI	48331	URBEN MENS GROOMING ONE, INC.	248-9874844
62904	Stuart Walker	8610 WOODBINE AVE UNIT B-2	MARKHAM	ON	0	STUART WALKER ENTERPRISES LTD.	905-4774744
13136	Amy & Larry Hall	21040 SYCOLIN RD STE 110	ASHBURN	VA	20147	AVLH, INC	571-2913413

EXHIBIT H

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT H

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

EXHIBIT I

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

ROOSTERS MEN'S GROOMING CENTER
FRANCHISEE QUESTIONNAIRE

ROOSTERS MEN'S GROOMING CENTER
FRANCHISEE QUESTIONNAIRE

As you know, Roosters MGC International, LLC (the "Franchisor") and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the operation of multiple Roosters Men's Grooming Center® franchised businesses (the "Franchise"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

QUESTION		YES	NO
1.	Have you received and personally reviewed the Franchisor's Disclosure Document (the "FDD") provided to you?		
2.	Did you sign a receipt for the FDD indicating the date you received it?		
3.	Do you understand the information contained in the FDD?		
4.	Do you understand the terms of and your obligations under the Franchise Agreement and/or Development Agreement (if you are signing a Development Agreement)?		
5.	Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor?		
6.	Have you discussed the benefits and risks of operating the Franchise with any existing franchisees?		
7.	Do you understand the risks associated with operating the Franchise?		
8.	Do you understand that the success or failure of the Franchise will depend in large part upon your skills and abilities, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
9.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchise that is contrary to, or different from, the information contained in the FDD?		
10.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchise will generate that is contrary to, or different from, the information contained in the FDD?		
11.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs involved in operating the Franchise that is contrary to, or different from, the information contained in the FDD?		

QUESTION		YES	NO
12.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual, average or projected profits or earnings or the likelihood of success that you should or might expect to achieve from operating the Franchise that is contrary to, or different from, the information contained in the FDD?		
13.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding breaking even or any estimated time frame for breaking even in your Franchised Business?		
14.	Has any employee or other person speaking on behalf of the Franchisor made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement, concerning advertising, marketing, media support, market penetration, training, support service or assistance relating to the Franchise that is contrary to, or different from, the information contained in the FDD?		
15.	Do you understand that it is your responsibility to research and comply with your state's barber and cosmetology laws?		
16.	Do you understand that the amount of time that it takes to locate a suitable site we approve for your Roosters Center varies from market to market and may take anywhere from 6-12 months (or longer)?		
17.	Do you understand that the Initial Franchise Fee and Development Fee that you will pay to Franchisor are fully earned and are non-refundable?		
18.	Do you understand that if you have chosen the single store program, you cannot "convert" your single-store agreement to the 3-store program?		

If you answered "Yes" to any of questions nine (9) through fourteen (14) or "No" to questions fifteen (15) through eighteen (18), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.)

_____

_____

_____

_____

You understand that your answers are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

_____

Print Name:_____
FRANCHISE APPLICANT

Date:_____, _____

_____

Print Name:_____
FRANCHISE APPLICANT

Date:_____, _____

EXHIBIT J

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

PROSPECTIVE FRANCHISEE QUALIFYING APPLICATION

EXHIBIT J

PROSPECTIVE FRANCHISEE QUALIFYING APPLICATION

Date:

Applicant's Name: Spouse:

Partner (if applicable):

Present Address:

City: County: State: Zip:

Home Phone: Cell Phone:

Business Phone: Fax Number:

Email: Date of Birth:

1. Marital Status ☐ Married ☐ Single

If married, will your spouse participate in the business? ☐ Yes ☐ No

2. Are you retired? ☐ Yes ☐ No

3. Where are you currently employed?

4. What is your current position?

5. Do you have business management experience? ☐ Yes ☐ No
   If yes, explain

6. Do you plan to personally manage the business? ☐ Yes ☐ No
   If not, who will be responsible for the daily operation of the business?

7. In which cities or areas would you like to open your first Roosters Men's Grooming Center?
   - Preference 1.
   - Preference 2.

- Preference 3.

*Please note these areas may not be available. Confirm availability with your Franchise Consultant.

8. If you are awarded a franchise, when would you like to start your business?

_____

9. Please tell us how you plan to pay for your business **including working capital** *(check all that apply)*

☐ Cash-on-hand ☐ Savings ☐ Stocks ☐ Home Equity

☐ Family/Friends ☐ Commercial Bank Loan ☐ Partner

☐ Sale of Property ☐ SBA Loan ☐ 401K

☐ Other (*Explain)*

_____

10. How much money do you have immediately available to you to invest in the business.

☐ $25,000 - $50,000

☐ $50,000 - $100,000

☐ $100,000 - $150,000

☐ $150,000 - $200,000

☐ Above $200,000

_____

APPLICATION DECLARATION:

I/we promise that all information stated in this application is true and accurate, to the best of my/our knowledge. I hereby authorize Roosters© to make inquiries as necessary to determine the accuracy of the statements made above and to determine my creditworthiness. I release Roosters©, its Affiliates, agents and employees from any liability arising either from the receipt or use of any information obtained through these sources. In addition, I understand that submission of this application does not, in any way, obligate Roosters© to sign a franchise agreement, that this application is for internal qualification of prospective Roosters Franchise only and will not be used for the purpose of obtaining a loan or loan guarantee.

PRINT NAME: _____ PRINT NAME: _____

SIGNATURE: _____ SIGNATURE: _____

DATE: _____ DATE: _____

Please fax this form back to corporate office main fax line at

EXHIBIT K

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

OPERATIONS/TRAINING MANUAL
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EXHIBIT L

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

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:_____ _____

EXHIBIT M

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

ASSIGNMENT OF THE FRANCHISE AGREEMENT

EXHIBIT M

ASSIGNMENT OF THE FRANCHISE AGREEMENT

THIS ASSIGNMENT OF FRANCHISE AGREEMENT ("Agreement") is made as of this _____ day of _____, 20__, by and between _____, a _____, with an address of _____ ("Assignor"), _____, a _____, with an address of _____ ("Assignee"), and _____, individuals ("Guarantor").

WHEREAS, Franchisor and Assignor entered into a Franchise Agreement dated _____ ("Franchise Agreement"), which Franchise Agreement is incorporated herein by reference hereto;

WHEREAS, Assignor desires to assign the Franchise Agreement to Assignee in accordance with the terms and provisions hereinafter set forth.

NOW THEREFORE, in consideration of the mutual covenants herein contained, each act to be performed hereunder, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Commencing as of _____, 20__ (the "Effective Date"), Assignor hereby assigns, transfers and conveys to Assignee all of its right, title and interest, as Franchisee, in, to and under the Franchise Agreement.

2. Commencing on the Effective Date, Assignee and Guarantor hereby accept said assignment and agree to assume all obligations, responsibilities and liabilities of Assignor under the Franchise Agreement, and agree to fully and finally perform, discharge and satisfy each and every term, covenant and condition of said Franchise Agreement.

3. Assignor, Assignee and Guarantor hereby acknowledge and agree that the assignment of the Franchise Agreement shall be in accordance with the terms and provisions of Article 10 of the Franchise Agreement entitled Assignment, and therefore, Assignee or Assignor acknowledge and agree to pay to Franchisor, the assignment fee of Two Thousand Five Hundred and No/100 Dollars ($2,500.00) pursuant to Section 10.03 of the Franchise Agreement contemporaneously with Assignee's or Assignor's execution of the Agreement.

4. Upon execution of this Agreement, Assignee's Notice Address and Assignee's Billing Address shall be as set forth hereinabove.

5. Assignee agrees to conduct its business in the Premises under the trade name Roosters and in accordance with the permitted use and all other terms and provisions as provided for in the Master Lease.

6. Assignor agrees that it shall not be discharged from its obligations, responsibilities and liabilities under the Franchise Agreement and shall remain liable as Franchisee perform said Franchise Agreement in accordance with its terms, covenants and conditions and will continue to be liable thereon with the same force and effect as though no assignment has been made only until the Effective Date. However, any post-term covenants contained in the Franchise Agreement shall remain in full force and effect.

7. Assignor, on behalf of itself, its successors and assigns, hereby forever releases and discharges Franchisor and any and all of its partners, affiliates, subsidiaries, directors, officers, employees, agents, successors and assigns from any and all manner of actions, causes of action, suits, damages, claims and demands whatsoever in law or in equity which it or they ever had, now have, or may have arising from any matters from the beginning of time to the Effective Date. This is a full and final release applying to all unknown and unanticipated liabilities or damages arising out of the relationship between Franchisor and Assignor, Franchisor and Franchisee under the Franchise Agreement and as Landlord or Sublandlord and SubFranchisor under any Lease or Sublease Agreement, as well as those now known or disclosed.

8. Assignor hereby covenants that said Franchise Agreement are valid and existing and Franchisor is not in default of the Franchise Agreement as of the date of this Agreement.

9. This Agreement shall be binding upon and shall inure to the benefit of the respective parties, their successors and assigns.

10. Except as assigned, all terms, provisions, and covenants contained in said Franchise Agreement are in all respects hereby ratified and confirmed in their entirety.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment of Franchise Agreement as of the date first above written.

ASSIGNOR:	**ASSIGNEE:**
_____	_____
a _____	**a** _____
By: _____	**By:** _____
Name: _____	**Name:** _____
By: _____	**By:** _____
Name: _____	**Name:** _____

FRANCHISOR'S CONSENT

Roosters MGC International, LLC., the Franchisor under the Franchise Agreement described in the foregoing Assignment of Franchise Agreement (hereinafter referred to as Agreement), hereby consents to the Agreement, conditioned upon the occurrence of the following: (i) _____, a _____, shall be liable jointly and severally, for the prompt payment of the rent and the performance of all the Franchisee's and SubFranchisor's respective obligations under the Franchise Agreement, and (ii) the Guarantor shall execute the attached Guaranty and Assumption of Obligation Agreement contemporaneously with the execution of the Agreement, (iii) Assignor and Assignee pay pursuant to Paragraph 10.03 hereinabove the assignment fee of $2,500.00; and (iv) there shall be no further assignment of the Franchise Agreement without the prior written consent of Franchisor.

Roosters MGC International, LLC acknowledges and agrees that in the event the Franchise Agreement provides for the release of Assignor if Assignee satisfies the conditions stated therein, and Assignee satisfies said conditions, Roosters MGC International, LLC will release Assignor from further obligations under the Franchise Agreement.

Dated as of this _____ day of _____, 20___.

FRANCHISOR:

ROOSTERS MGC INTERNATIONAL, LLC

By: _____
Scott Sullivan

Its: Vice President, Law

GUARANTY AND ASSUMPTION OF OBLIGATIONS AGREEMENT

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS AGREEMENT is given as of this _____ day of _____, 20___, by **_____,** individuals (collectively, the "Guarantor").

In consideration of, and as an inducement to, the consent to that certain Assignment of Franchise Agreement of even date herewith (hereinafter referred to as "Agreement") by Roosters MGC International, LLC, (hereinafter referred to as "Franchisor"), the undersigned hereby personally 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 _____, a _____ (hereinafter referred to as "Assignee"), 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, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. 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 they may have to require that an action be brought against Assignee or any other person as a condition of liability; and (5) any and all other notices and legal or equitable defenses to which they may be entitled.

The undersigned consents and agrees that: (1) their direct and immediate liability under this guaranty shall be joint and several; (2) they shall render any payment or performance required under the Agreement upon demand if Assignee fails or refuses punctually to do so; (3) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Assignee 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 Assignee 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 his guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, the undersigned has hereunto affixed her signature on the same day and year as the Agreement was executed.

GUARANTOR:	**PERCENTAGE OF OWNERSHIP IN FRANCHISEE**
_____ **_____, an Individual**	50%
_____ **_____, an Individual**	50%

EXHIBIT N

ROOSTERS MGC INTERNATIONAL, LLC'S
FRANCHISE DISCLOSURE DOCUMENT

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 ROOSTERS MGC INTERNATIONAL, LLC, a Michigan limited liability company ("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 Roosters Development Agreement (the "Development Agreement") and standard Roosters 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 Roosters 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 Roosters store, Buyer shall convert such Store to the then-current design for Roosters stores, by engaging Seller's designated vendor to provide construction management services and furniture, fixture, and equipment coordination services pursuant to such 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 limited liability company duly organized and validly existing under the laws of the State of Michigan, 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 Roosters store, Buyer will prior to Closing, enter into Seller's designated vendor's current standard Construction Management Services Agreement.

(c) Buyer agrees to execute and deliver the Development Agreement contemporaneously with the execution and delivery of this Agreement and pay the Development Fees due under the Development Agreement. Buyer acknowledges that the Roosters 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 Roosters Franchise Agreement for each Store acquired hereunder and New Store developed under the Development Agreement.

(d) Buyer agrees that the standard form of Roosters 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 include 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 include 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 include 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:
Roosters MGC International, LLC
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:

ROOSTERS MGC INTERNATIONAL, LLC

By:_____
Scott Sullivan, Vice President

BUYER:
on its own behalf and on behalf of all of its Affiliates
By:_____
Print Name:
Title:

By:_____
Print Name:
Title:

EXHIBIT A
The Stores

EXHIBIT O

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

CONSTRUCTION MANAGEMENT SERVICES AGREEMENT

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

EXHIBIT P

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

GIFT CARD PARTICIPATION AGREEMENT

PARTICIPATION AGREEMENT

This Participation Agreement (the "Agreement") is made by and between Regis Corporation ("Regis") and the following franchisee (the "Participant"):

Individual Name(s): _____

Entity Name (if any): _____

WHEREAS, Participant owns and operates the hair salon(s) set forth on Exhibit A hereto (the "Store(s)") pursuant to a franchise agreement(s) ("Franchise Agreement") with Regis, or one of its subsidiaries or affiliates ("Franchisor").

WHEREAS, Regis and SVS have entered into that certain Services Agreement (the "Services Agreement") dated April 1, 2005, for SVS to provide services in connection with Franchisor's Cash Card Program whereby Cash Cards are issued to customers for use as gift certificates, promotional cards and store credit; and

WHEREAS, the Services Agreement provides that Participant may participate in the Cash Card Program by executing this Participation Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Participant hereby covenants and agrees as follows:

1. Participation in Cash Card Program. By entering into this Agreement, Participant elects and agrees to participate in the Cash Card Program and agrees to be bound by the terms and provisions of the Services Agreement applicable to Participant, as the same may be amended from time to time, including without limitation, its obligation to make payment of all amounts owed by Participant in connection with the Cash Card Program. If Participant elects to supply its own terminal device, then there will be a) a per terminal fee of $45.00 for each software application download and b) an annual fee of $15.00 per terminal for software maintenance.

2. ACH Authorization. Participant understands and agrees that amounts due and owing from Participant to SVS and Regis as set forth on the attached Exhibit B in connection with the Cash Card Program will be automatically debited from Participant's designated bank account(s) by ACH. Participant understands and agrees that SVS is acting as settlement agent for Participant and other participants in the Cash Card Program for the settlement of Cash Card redemptions between Cash Card Program participants. Accordingly, SVS will initiate ACH debits from and credits to Participant's designated bank account(s) for amounts due to/from Participant for redemptions of Cash Cards. In order to set up the ACH settlement process, Participant will complete and transmit electronically to SVS an information spreadsheet in the form provided by SVS. Participant also will complete and sign an ACH Authorization Form, in the form provided by SVS, and will send the original to Participant's bank and a copy to SVS. While the Cash Card Program is in effect, Participant will promptly provide updated information and forms to SVS and Regis, including new contact information and such information and forms as needed for any new stores opened by Participant.

3. Funding. Participant acknowledges, agrees and understands that proper funding of its designated bank account(s) for the Cash Card Program is necessary to ensure fair and efficient administration of the Cash Card Program. Participant agrees to ensure that its bank accounts are properly funded for the ACH settlement process and for ACH debits of settlement fees owed to SVS. On the first of each month Participant will have access to the Funds Movement ACH Report, which will delineate ACH debit amounts, and on the sixth of each month SVS will debit each account accordingly.

4. Insufficient Funds Recovery Account. Franchisor shall designate an account to cover failed ACH transactions associated with the Cash Card Program (the "Account"). The Account shall be funded by the applicable fees set forth on Exhibit B. If Participant's designated bank account does not have enough funds to cover a timely ACH transaction by SVS, then SVS may make withdrawals from the Account, including withdrawals to cover penalties for returned ACH transactions.

5. Penalties. Participant agrees that it shall be solely responsible for any and all amounts assessed as penalties and fees for Participant's returned ACH transactions and for any funding discrepancies caused by Participant.

6. Closed Stores. In the event that Participant closes a store or Participant's participation terminates for any reason whatsoever, Participant acknowledges that its obligations under this Agreement, including without limitation its liability for unfunded obligations, penalties, and fees, survive and in any event survive termination of this Agreement, the Services Agreement, and any Franchise Agreement.

7. Deficit Position. If Participant is in a deficit position with respect to its financial obligations under this Agreement, the Franchise Agreement, the Cash Card Program, or the Account, Franchisor may: (a) terminate this Agreement; (b) place a hold on any credits due to Participant and may apply such credits in Franchisor's discretion to satisfy Participant's indebtedness or any portion thereof; (c) prevent Participant from activating additional Cash Cards; (d) refuse to ship additional Cash Cards and Cash Card Carriers to Participant; and/or (e) repossess any Cash Cards and Cash Card Carriers in Participant's possession or control.

8. Franchise Agreement. If Participant fails to perform its obligations under the terms of this Agreement, then Franchisor may, in addition to the remedies set forth herein, exercise any and all remedies available pursuant to the terms of each of Participant's Franchise Agreements.

9. Cash Cards and Carriers. Participant shall purchase Cash Cards and Cash Card Carriers exclusively through Regis. Participant shall submit such request to Regis. Regis will ship Cash Cards and Cash Card Carriers and invoice Participant with payment terms net 15 days from receipt of invoice.

10. Confidentiality. Participant acknowledges that the Services Agreement is confidential and that Participant may be provided access to other Confidential Information of SVS. Participant agrees to maintain the confidentiality of all SVS Confidential Information in accordance with the confidentiality provisions in the Services Agreement. SVS agrees to maintain the confidentiality of all Participant Confidential Information in accordance with the confidentiality provisions of the Services Agreement.

11. No Assignment. This Participation Agreement is not assignable, in whole or in part, without the prior written approval of Franchisor and SVS.

12. Miscellaneous All capitalized terms not defined herein shall have the meaning attributable thereto in the Services Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Participation Agreement as of the ____ day of _____, 20__.

FRANCHISEE:_____ Address:_____

By:_____ _____

Printed Name:_____ _____

Title:_____ _____

REGIS CORPORATION

By: _____
Its: _____

EXHIBIT A

STORES

1. Brand:

_____

2. Store Nos.:

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

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_____

_____

_____

_____

_____

_____

EXHIBIT B

FEES

Franchise Gift Card Fee Schedule

Description	Cost
Non-sufficient Funds Recovery	$.05 per card
Transaction Fee	$.07 per transaction
Communication Fee	$.0225 per transaction
Franchisee Fee	$0.05 per transaction
Software download fee, if applicable	$45 per download
Annual software maintenance fee, if applicable	$15 per terminal

EXHIBIT Q
ROOSTERS MGC INTERNATIONAL, LLC'S
FRANCHISE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

ROOSTERS MEN'S GROOMING CENTER
STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Illinois	
Indiana	
Maryland	
Michigan	November 11, 2022
Minnesota	
New York	
Rhode Island	
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.

EXHIBIT R

ROOSTERS MGC INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Roosters MGC International, LLC offers you a franchise it must provide this disclosure document to you within 14 calendar days before you sign a binding agreement with, or make a payment to Roosters MGC International, LLC, or an affiliate in connection with the proposed franchise sale.

New York, and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan, Oregon, and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Roosters MGC International, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit E of this disclosure document.

The franchisor is Roosters MGC International, LLC, 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.

A. FRANCHISE AGREEMENT AND EXHIBITS
Exhibit A: Personal Guaranty
Exhibit B: Designated Market Area ("DMA")
Exhibit C: Site Selection Addendum
Exhibit D-1: Collateral Assignment of Lease
Exhibit D-2: Lease Addendum
Exhibit E: Transfer of Service Consent and Authorization
Exhibit F: Authorization for Electronic Funds Transfer ("EFT")

B. DEVELOPMENT AGREEMENT

C. SUBLEASE

D. FINANCIAL STATEMENTS (including Guarantee of Regis Corporation)

E. STATE SPECIFIC ADDENDA

F. GENERAL RELEASE AGREEMENT

G. LIST OF FRANCHISEES

H. AGENCIES/AGENTS FOR SERVICE OF PROCESS

I. FRANCHISEE QUESTIONNAIRE

L FRANCHISEE PARTICIPATION AGREEMENT

M. ASSIGNMENT OF THE FRANCHISE AGREEMENT

N. AGREEMENT FOR PURCHASE AND SALE OF ASSETS

O. CONSTRUCTION MANAGEMENT SERVICE AGREEMENTS

P. GIFT CARD PARTICIPATION AGREEMENT

Q. STATE EFFECTIVE DATES

R. RECEIPTS

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

Signed: _____
Print Name: _____
Address: _____
City: _____ State/Zip: _____
Telephone: (_____) _____
Dated: _____

RECEIPT

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