



FRANCHISE DISCLOSURE DOCUMENT

AREA REPRESENTATIVE



FRANCHISE DISCLOSURE DOCUMENT

Scissors & Scotch Franchising, LLC

A Kansas Limited Liability Company

1908 Main Street

Kansas City, Missouri 64108

Telephone: (913) 981-8004

Consumer website: www.scissorsscotch.com

Franchise website: www.franchise.scissorsscotch.com

Email: franchise@scissorsscotch.com

Under a separate franchise disclosure document, we grant franchises the right to independently own and operate franchised barbershops and lounges under our brand Scissors & Scotch® (each, a “*Barbershop*”).

The franchise described in this disclosure document is for an area representative business (“*AR Business*”) in which you will be responsible for promoting, establishing and supporting Barbershops within your AR Territory using our business operating system to provide certain services to the franchisees who operate those Barbershops.

The total investment necessary to begin operation of an AR Business is \$181,800 to \$498,500. This includes the payment to us of \$15,000 for each unit with a minimum of 10 units and a maximum of 20 units. that you are scheduled to develop in a designated area.

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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Sean Finley, Managing Member, 1908 Main Street, Kansas City, Missouri 64108 , (913) 981-8004, franchise@scissorsscotch.com.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, such as a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. Information on franchising, such as a “*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 (the “*FTC*”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C., 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

FTC Issuance date: April 30, 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.
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 A 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 Scissors & Scotch Barbershop 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 Scissors & Scotch Franchisee?	Item 20 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 C.

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Kansas. Out-of-state mediation 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 Kansas than in your own state.

2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

MICHIGAN

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.
- (c) A provision that permits us to terminate a Franchise prior to the expiration of its term except for good cause. Good cause shall include your failure 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 us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the Franchise business are not subject to compensation. This subsection applies only if: (i) the term of the Franchise is less than five (5) years; and (ii) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.
- (e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits us to refuse to permit a transfer of ownership of a Franchise, except for good cause. This subdivision does not prevent us 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 transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

(iii) the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	2
ITEM 2 BUSINESS EXPERIENCE	7
ITEM 3 LITIGATION	9
ITEM 4 BANKRUPTCY	9
ITEM 5 INITIAL FEES	9
ITEM 6 OTHER FEES	9
ITEM 7 ESTIMATED INITIAL INVESTMENT	12
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES	14
ITEM 9 FRANCHISEE'S OBLIGATIONS	17
ITEM 10 FINANCING	18
ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING	18
ITEM 12 TERRITORY	22
ITEM 13 TRADEMARKS	23
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION	25
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	26
ITEM 16 RESTRICTIONS ON WHAT AN AREA REPRESENTATIVE MAY SELL	26
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	26
ITEM 18 PUBLIC FIGURES	30
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	30
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	30
ITEM 21 FINANCIAL STATEMENTS	33
ITEM 22 CONTRACTS	33
ITEM 23 RECEIPTS	33

Exhibits:

A	Financial Statements
B	Area Development Agreement
C	State Administrators
D	Agents for Service of Process
E	Table of Contents of Manual
F	Disclosure Acknowledgement Agreement
G	General Release
H	State Addenda
I	Receipts

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Franchisor

The franchisor is Scissors & Scotch Franchising, LLC, referred to in this Franchise Disclosure Document as “**S&S**,” “**we**,” “**us**” or “**our**.” We refer to the person interested in buying a franchise as “**you**” or “**your**”. If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These are addressed in this disclosure document where appropriate.

We were organized on July 7, 2017, as a limited liability company in the State of Kansas. Our principal business address is 5400 Johnson Drive, Suite 150, Mission, Kansas 66205. We conduct business under our corporate name and under the trade name and trademark, Scissors & Scotch®.

Our agents for service of process in the states that require franchise registration are listed in Exhibit D.

We began offering franchises for the right to own and operate Barbershops in July of 2017, and we continue to offer those franchises under a separate franchise disclosure document. We began offering franchises for the AR Business in June of 2021. Other than the Barbershops and the AR Business, we do not offer, and have not previously offered, franchises in any line of business.

Predecessor

We have no predecessors.

Parent

Our parent company, S & S Franchise Holdings, LLC, is a Kansas limited liability company organized on July 7, 2017, and has a principal business address of 5400 Johnson Drive, Suite 150, Mission, Kansas 66205.

Our parent does not own or operate any Barbershop or any AR Business and has not offered franchises in any line of business.

Affiliates

Our affiliate, Scissors & Scotch Development, LLC, a Missouri limited liability company, was organized on February 27, 2018, and has a principal business address of 5400 Johnson Drive, Suite 150, Mission, Kansas 66205 (“**S&SD**”)⁽¹⁾. S&SD is the sole provider of certain products and services to Barbershops. S&SD does not own or operate any Barbershop or any AR Business and has not offered franchises in any line of business.

Our affiliate, S&S Gift Cards, LLC, an Ohio limited liability company (“**S&SGC**”), was organized on September 9, 2020, and has a principal business address of 5400 Johnson Drive, Mission, Kansas 66205. S&SGC is a wholly-owned subsidiary of S&S Holdings. S&SGC was organized for purposes of marketing and issuing gift cards from Scissors & Scotch® Barbershops and on Scissors & Scotch’s® website. Barbershops are required to purchase gift cards from S&SGC and offer Scissors & Scotch® gift cards for sale and/or redemption in Barbershops. S&SGC does not own or operate any Barbershops or AR Business and has not offered franchises in this or any other line of business.

Our affiliate, Scissors & Scotch Products, LLC, a Missouri limited liability company, was organized on March 19th, 2021, and has a principal business address of 5400 Johnson Drive, Suite 150, Mission, Kansas 66205 (“**S&S Products**”)⁽²⁾. S&S Products is the sole provider of certain products to franchisees. S&S Products does not own or operate any Barbershops or AR Business and has not offered franchises in this or any other line of business.

Our affiliate, Mission Moonshot, LLC, a Missouri limited liability company, was organized on March 22, 2021, and has a principal business address of 5400 Johnson Drive, Suite 150, Mission, Kansas 66205 (“**M2**”). M2 is the sole provider of the advertising program to Barbershops. M2 does not own or operate any Barbershop or any AR Business and has not offered franchises in any line of business.

In addition, we have two affiliates that operate Barbershops as described below. None of these affiliates offer products or services to our franchisees, and none of these affiliates have offered franchises in any line of business:

Affiliate	Address	State of Formation	Operating Since
Scissors & Scotch Colorado, LLC	7600 Landmark Way, Suite 107 Greenwood Village, CO 80111	Colorado	October 18, 2016
Scissors & Scotch OKC, LLC	13230 Pawnee Drive, Suite 202 Oklahoma City, OK 73114	Oklahoma	August 11, 2017
Scissors & Scotch Ankeny, LLC	1610 SW Main Street, Suite 103 Ankeny, IA 50023	Iowa	December 19, 2021
Scissors & Scotch WDM, LLC	440 S. 68th St., Suite 105 West Des Moines, IA 50266	Iowa	December 19, 2021

⁽¹⁾ Our Managing Members own, collectively, 100% of SS&D.

⁽²⁾ S&S Holdings owns 85% of S&S Products.

⁽³⁾ Our Managing Members own, collectively, 67% of Mission Moonshot, LLC.

⁽⁴⁾ Our Managing Members own, collectively, 75% of Three Donnies, LLC, a Colorado limited liability company, which owns 50% of Scissors & Scotch Colorado, LLC and is the sole owner of Scissors & Scotch Ankeny, LLC and Scissors & Scotch WDM, LLC.

Area Representative Program

In this disclosure document, we offer to persons who own, or will own, at least one Scissors & Scotch Barbershop and meet our qualifications and are willing to undertake the investment and effort, the right to operate an AR Business in an area that we designate (the “**AR Territory**”). Our current form of AR Agreement (“**AR Agreement**”) is attached as Exhibit B to this Disclosure Document.

We are responsible for the cost and preparation of the franchise disclosure documents.

You may not offer franchises in a franchise registration state unless we have an effective registration in that state.

As an Area Representative you will:

- i. be required to open and operate at least 10 Barbershops in your AR Territory within 5 years after signing the AR Agreement in accordance with a Development Schedule attached to your AR

Agreement unless you are already operating Barbershops in another geographic area and we approve your ownership of an AR Territory based on the operation of those Barbershops;

- ii. solicit, recruit, screen, and interview prospective franchisees for us in association with our approved vendor and host (or participate in) discovery day events for franchisees at locations that we designate (“**Sales Services**”);
- iii. identify and secure sites for franchises in accordance with our site selection process and assist franchisees with construction oversight (“**Site Services**”) which will include (a) site selection trips that we request that you attend with franchisees and our approved real estate firm, (b) general contractor selection and (c) confirmation of completion of final construction punch lists; and
- iv. provide operational, training and field support to our franchisees both before and after they open their franchised businesses (“**Support Services**” and together with the Sales Services and the Site Services, the “**AR Services**”) including being ultimately responsible for overseeing pre-opening support and processes for franchisees in your AR Territory and working with our affiliate S&SD to provide pre-opening services as we require from time to time.

You must comply with all local, state, and federal health and sanitation laws.

You should consult with your own professional advisors, such as an attorney and accountant, regarding applicable laws and regulations. Neither you nor any of your employees or representatives may solicit prospective franchisees of GOODCENTS until we have provided you with our current disclosure document related to the offer and sale of GOODCENTS franchises in the applicable jurisdiction and have complied with state registration requirements, if necessary.

Franchisees in your Representative Area must comply with all federal, state, and local labor regulations, including minimum age and wage laws, Americans with Disabilities Act and USA Patriot Act, and other laws and regulations apply to businesses generally.

You may begin providing the AR Services before you open your first Barbershop. You must provide training for employees of franchisees in your AR Territory from a location that we approve. Any Barbershop that you own and operate may serve as the location for this training as long as you obtain our prior approval. We may require you to lease a standalone training facility if we reasonably determine that no then-current Barbershop can fully and timely support your ongoing training obligations.

You must operate your AR Business in compliance with our business operating system (the “**System**”) under the trade name and trade mark “Scissors & Scotch” and any other trade names, service marks, trademarks, logos, emblems and other indicia of origin that we designate in writing for use by Scissors & Scotch Barbershops operating under the System, (collectively, the “**Licensed Marks**”). Our parent owns the Licensed Marks and has granted us a license to use and sublicense the Licensed Marks to AR Businesses and Barbershops.

The System includes our methods and procedures for the establishment, management and operation of Scissors & Scotch area representative businesses and franchised Scissors & Scotch Barbershops, including our confidential information, our manuals, the Licensed Marks, and other business standards and

specifications and policies. As long as you are in compliance with the AR Agreement, you have the exclusive right to provide the AR Services within your AR Territory. We reserve the right to investigate and audit the compliance of your AR Business with the standards and specifications of the System which may include, but not necessarily be limited to, a review of your sales process and training files, observance of your sales and training sessions and participation in franchisee sales and support calls. We may also reserve the right to require that you attend area representative training programs upon reasonable notice.

Fees Payable to Area Representative

You will receive fifty percent (50%) of all initial franchise and area development fees and renewal and transfer fees and thirty-five percent (35%) of the royalty fees that we collect from a franchisee who buys a franchise in your AR Territory subject to the following conditions: (i) you must collect preliminary financial and background information, pre-qualify the franchisee using our qualification criteria, and present us with the applicant, (ii) both we and the franchisee must sign a Franchise Agreement and the franchisee must pay us the entire initial franchise fee during the term of the AR Agreement, (iii) the sale must be for a new Barbershop and not a resale of an existing franchise by another franchisee, (iv) there must be no outstanding sale contingencies, such as the initial franchisee fee being paid into an escrow account, and (v) you must be in compliance with all terms and provisions of your AR Agreement. If you elect to use a franchise broker to assist you in selling franchises to be located in your AR Territory and the franchise broker or any other third party is entitled to receive a payment (a “**Broker Payment**”) as the result of, or in connection with, the sale of a franchise to be located in your AR Territory, then the amount of that Broker Payment will be deducted from your share of any franchise, area development or royalty fees. In addition, you will be solely responsible for any amounts owed to any such broker or other party in excess of your 50% share of the initial franchise fee paid by the franchisee in connection with the applicable franchise sale. In all cases, we will be entitled to retain at least 50% of the initial franchise fee, without deductions of any kind for payments to brokers or similar third parties in connection with the sale. Any and all proposed franchise broker arrangements that you wish to establish must be approved by us in writing before you engage such broker. If you fail to meet one or more of the development deadlines set forth in the Development Schedule attached to your AR Agreement, then we may engage at your expense, or require you to directly engage, a franchise broker to assist you in locating franchise prospects in your AR Territory during all periods in which you remain in breach of your obligations under your Development Schedule.

In addition to your share of the fees set forth in the preceding paragraph, you will be entitled to receive all of the training fees for any franchisee within your AR Territory for whom you provide training with a certified trainer. If a franchisee within your AR Territory needs training and you are unable to provide such training with a certified trainer, we will provide such training and retain all of the training fees that we collect from that franchisee.

If you fail to fulfill any of your duties, or otherwise default, under your AR Agreement, then you will not be entitled to receive any portion of the royalties or renewal fees paid to us during the period that you remain in default under your AR Agreement. For each Barbershop owned by you, you must pay us the full transfer fee and you will not receive a remittance of any portion of such transfer fee. Once the transferee’s training is complete you will begin receiving your portion of the royalties paid to us by the transferee.

Market Conditions

The market generally for value haircuts and products is developed and competitive in most areas. It is our view that our target market for high-end men's grooming services is growing quickly and still in its early stages of development. The market for the Services does not fluctuate seasonally.

Conditions of Competition

The Barbershops offer services to the general public throughout the year and compete with both low- and high-priced chain haircutting establishments, male-focused salons, traditional barbershops, and other businesses offering similar services and products (whether franchised or non-franchised and whether local regional or national). Despite this competition, we believe that the Barbershops will appeal to consumers because of our complementary grooming and lounge experience, advanced and convenient technology, innovative processes, upscale facility, client-focused atmosphere, and premium service quality.

Industry-Specific Regulations

In some states, the Barbershop you operate may be required to comply with a variety of laws and regulations, including those related to barbershops, salons, food and beverage establishments, or others. Most states require that the Barbershop and each stylist be licensed by the state board of cosmetology, state board of barbering, and/or an equivalent agency. Persons performing nail, skin, or other services at the Barbershop may also require licenses. It is important that you comply with all laws and regulations in your area and that you become educated regarding grooming services and requirements. Some of these laws and regulations may require special certification, licensing, and registration before the Barbershop you are licensed to operate can begin providing grooming services. You must ensure that only licensed or specialized professionals perform any services for which a license or specialized training is required in your state. You are responsible for obtaining any required bonds. You must also comply with laws that apply generally to all businesses. There may be other federal, state, and/or local laws or regulations pertaining to your Barbershop with which you must comply. For example, state licensing requirements may require you to obtain a permit to provide alcohol at your Barbershop. In all cases, you must comply with the laws that apply. You should investigate whether there are any regulations and requirements that may apply in the geographic area in which you are interested in locating your Barbershop and you should consider both their effect and the cost of compliance. You are responsible for obtaining all required licenses and permits and ensuring that your employees and others providing products and services to customers on behalf of the Barbershop you operate have all required licenses and permits. You should consult with a legal advisor about whether these and/or other requirements apply to the Barbershop you operate. Failure to comply with laws and regulations is a material breach of the Franchise Agreement.

You must obtain and maintain a liquor license permitting the sale of alcoholic beverages, at the Barbershop premises, before opening for business. The difficulty and cost of obtaining licenses to offer and sell beer and wine and, if applicable, other alcoholic beverages, and the procedures for securing the licenses, vary greatly from jurisdiction to jurisdiction. There is also a wide variation in state and local laws and regulations governing the sale of alcoholic beverages. Government regulations impact terms and conditions of payment; payment of excise taxes; advertising, trade and pricing practices; food service requirements; product labeling; sales to

minors and intoxicated persons; hours of operation; relationships among product producers, importers, wholesalers, and retailers; ability to ship product between states; and limitation on multiple unit ownership. In addition, state dram shop laws give rise to potential liability for injuries that are directly or indirectly related to the sale and consumption of alcohol. For more detailed information as to how these laws affect your business, you should contact the state or local liquor licensing board in your state, as well as the appropriate municipal authority(ies) in the city where you will operate, and consult with your attorney concerning these and other local laws and ordinances that may affect your Barbershop.

You must comply with all payment card infrastructure (“*PCI*”) industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

Lastly, a number of states and local jurisdictions have enacted laws, rules, regulations and ordinances in response to the COVID-19 pandemic which may apply to the operation of your Barbershop.

Franchisees in your AR Territory must comply with all federal, state, and local labor regulations, including minimum age and wage laws, Americans with Disabilities Act and USA Patriot Act, and other laws and regulations that apply to businesses in general. You should provide reasonable assistance in verifying franchisees are in compliance with all applicable laws.

ITEM 2

BUSINESS EXPERIENCE

Co-Founder and Managing Member: Erik Anderson

Erik is a co-founder of the Scissors & Scotch® concept and has been our Managing Member since we were formed. From October 2014 to present, he has been a Managing Member of our former affiliate, Scissors & Scotch Holdings, LLC, and our parent company, S & S Franchise Holdings, LLC. He has been directly involved in the creation and ongoing operations of each of our affiliates since their inception.

Co-Founder and Managing Member: Tanner Wiles

Tanner is a co-founder of the Scissors & Scotch® concept and has been our Managing Member since we were formed. From October 2014 to present, he has been a Managing Member of our former affiliate, Scissors & Scotch Holdings, LLC, and our parent company, S & S Franchise Holdings, LLC. He has been directly involved in the creation and ongoing operations of each of our affiliates since their inception.

Co-Founder and Managing Member: Sean Finley

Sean is a co-founder of the Scissors & Scotch® concept and has been our Managing Member since we were formed. From October 2014 to present, he has been a Managing Member of our former affiliate, Scissors &

Scotch Holdings, LLC, and our parent company, S & S Franchise Holdings, LLC. He has been directly involved in the creation and ongoing operations of each of our affiliates since their inception.

Director of Grooming Operations: Brandi Busboom

Brandi has been our Director of Grooming Operations since July 7, 2017. From January 1, 2015 to July 7, 2017, she was Director of Grooming Operations for Scissors & Scotch, LLC, located in Omaha, Nebraska. From May 10, 2010 to December 31, 2014, she was a Barber for Garbo's Salon, located in Omaha, Nebraska. From August 6, 2007 to December 31, 2014, she was an educator for American Crew located in Omaha, Nebraska. She has overseen the development of all grooming operations for each of our affiliates since their inception.

Vice President of Operations and Support: Kyle Raney

Kyle has been our Vice President of Operations and Support since January 1, 2020. From May 2017 until January 2020, he was a Co-Founder and Manager of Scissors & Scotch OKC, LLC, located in Oklahoma City, Oklahoma. From May 2006 to May 2017, Kyle was employed by MidFirst Bank in Oklahoma City, Oklahoma, working his way up to Vice President. Kyle has been directly involved in the development and ongoing operations of multiple Scissors & Scotch affiliates.

Vice President of Operations and Support: Bryan Buford

Bryan has been our Vice President of Operations and Support since April 1, 2021. From July 2020 to April 2021, Bryan was a Franchise Business Coach for GarageExperts, located in Lewisville, Texas. From January 2012 to July 2020, Bryan was a Director of Franchise Operations and Vice President of Franchise Support for Busch Global, located in Houston, Texas.

Vice President of Digital Strategy and Technology: John Casement

John has been our Vice President of Marketing and Technology since April 1, 2021. From February 2017 to April 2021, John was the Founder and CEO of Simmel Group, Inc., a website personalization and digital marketing customization consulting firm in New York City. From January 2013 until April 2021, John was also the Founder and CEO of Compel Ventures, LLC, a full-stack digital marketing automation provider located in Kansas City, Missouri.

Vice President of Marketing: Azalia Hoelting

Azalia has been our Vice President of Marketing since June 13th, 2022. From February 2022 to June 2022, Azalia was Director of Marketing for the Beauty Division of WellBiz Brands, Inc., located in Dallas, Texas. From June 2019 to February 2022, she was the Director of Brand Marketing for Amazing Lash Studio, located in Dallas, Texas.. From January 2017 to June 2019, Azalia was the Vice President of Marketing for Busch Global, LLC, located in Dallas, Texas.

Director of Culture: Melody Paigo

Melody has been our Director of Culture since January 1, 2022. From 2016 to January 2022, Melody was the General Manager and a Master Barber for Scissors & Scotch Colorado, LLC, located in Denver, Colorado.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

Area Representative Fee

You must pay to us an Area Representative Fee equal to \$15,000 per Barbershop to be developed within your AR Territory in accordance with your Development Schedule, with a minimum of 10 Barbershops.

Initial Franchise Fee

With regard to your Pilot Barbershop (and any additional Barbershops you may choose to own and operate), you will be required to sign our then-current Franchise Agreement for each Barbershop. However, the initial franchise fee for the Pilot Barbershop will be discounted by your payment of the Area Representative Fee, up to the full amount of the franchise fee. The initial franchise fee for any Barbershops after the Pilot Barbershop, if applicable, will be payable in a lump sum when the Franchise Agreement is signed.

**ITEM 6
OTHER FEES**

Fees	Amount	Due Date	Remarks
Ad Fund	Currently, there are no required contributions to the advertising fund for Area Representatives.	Not applicable.	We reserve the right to require contributions of up to 2% of the fees that you collect upon written notice to you.
Additional Training	Then-current additional training fee. Currently, \$275 per day per trainer.	Prior to training.	You must also pay the expenses of your personnel attending training.
Transfer Fee	\$7,500.	With transfer application.	You must pay us this fee, if you transfer your interest in the AR Business more than

Fees	Amount	Due Date	Remarks
			180 days after execution of the AR Agreement.
Renewal Fee	\$2,000 multiplied by greater of (i) the number of Barbershops operating or under development with the AR Territory at the time of such Renewal; or (ii) the number of cumulative Barbershops to be developed under the Development Schedule (See Section 4 of the Area Representative Agreement)	Upon renewal of the AR Agreement.	In order to renew your AR Agreement, you must, among other things, pay us the renewal fee in a lump sum, at the time you sign the renewal area representative agreement.
Inspection and Testing	Varies. Actual costs and expenses of evaluating alternative supplier/product.	As incurred.	Due if you want to buy an alternative item or purchase the item from an alternative supplier. We may charge you a reasonable fee for the inspection and evaluation of such item based on our actual costs and expenses of evaluating your proposal.
Audit Fee	Cost of audit.	When billed.	Payable if an examination or audit shows you have understated any amount owed to use by 3% or more.
Area Representative Technology Fee	Currently, there are is no required Area Representative Technology Fee, but we reserve the right to implement such fees upon written notice to you.	Payable on each Monday for the preceding week.	Paid by electronic funds transfer.
Insurance Placement	You must reimburse our costs plus a 20% administrative fee.	On demand.	If you fail to maintain the required insurance, we may obtain insurance for you and you must reimburse us for the costs of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.
Enforcement Costs	Will vary.	As incurred.	You must pay our costs of enforcement (including attorney's fees and costs) if you do not comply with the AR Agreement.
Late Fee	\$100.	When billed.	Due for each late or dishonored payment. Subject to state law.

Fees	Amount	Due Date	Remarks
Non-Compliance Fee	Up to \$1,000 per notice of violation, plus any costs of enforcement.	Upon failure to cure breach during required cure period.	We may assess a non-compliance fee for material breaches of the Franchise Agreement, including, without limitation, defaults arising from or related to failure to comply with the Operations Manual. We reserve all other rights and remedies.
Interest	Lesser of 18% per annum or the highest rate permitted by law.	On demand.	Due on all overdue amounts more than 7 days late.
Liquidated Damages	If the AR Business has opened for business, the greater of \$30,000, or (ii) the product of \$5,000 multiplied by the number of Scissors & Scotch Barbershops operating in your AR Territory, plus our attorney fees and costs; and \$10,000 if the AR Business has not opened at the time of the termination.	Within 15 days of termination of the AR Agreement.	Payable if your AR Agreement is terminated before your term expires.
Fees relating to Breach of Agreement	An amount equal to fifty percent (50%) of the costs and expenses that we incur in connection with taking any legal action against that franchisee	As incurred.	If you fail to perform your obligations under the AR Agreement, with respect to any franchisee within the AR Territory and such failure contributes to that franchisee's breach of its obligations to us, then we will have the right to: (i) take whatever actions it deems reasonably necessary to notify the franchisee and, if appropriate, demand a cure and/or terminate its franchise relationship with that franchisee; and (ii) seek and obtain reimbursement from you.
Applicable Costs and Expenses	An amount equal to 125% of all costs and expenses that we or our personnel incur in connection with performing the actions or providing the applicable services.	Within 30 days of date of services	In the event we are forced to perform any actions or provide any of the services to a franchisee within the AR Territory that you are to provide under the AR Agreement, then you will be required to pay us an amount equal to 125% of all costs and expenses that we and our personnel incur in connection with performing the actions or providing the services to that franchisee
Broker Fees	Actual costs.	As incurred.	If you transfer your AR Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finders, and similar charges.
Legal Costs, Accounting Fees and Other Professional Fees	Will vary under circumstances.	As incurred.	You will be required to reimburse us for any legal, accounting, or other professional fees that we incur as a result of any breach or termination of the AR Agreement. You must reimburse us if we are required to

Fees	Amount	Due Date	Remarks
			incur any expenses in enforcing our rights against you under the AR Agreement.
Indemnification	Will vary under circumstances.	As incurred.	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur related in any way to the AR Business. Subject to state law.
Operating Assistance	Then-current rate (currently, \$200 per hour), plus all travel, lodging, and meal expenses.	As incurred.	Payable only if you request additional assistance from us or our affiliates.
Ongoing Area Representative Training	Then-current rate, plus all travel, lodging and meal expenses.	As incurred.	S&S may establish ongoing area representative training programs. These programs may be digital or in-person and attendance is required for all area representatives.

Except as otherwise noted, all fees are uniformly imposed on all area representatives and collected by, and payable to, us (or our designated affiliates). Any fees paid to us are non-refundable unless otherwise noted. Your costs for certain items listed above may differ depending on the suppliers used, local costs, and other factors.

ITEM 7 YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Estimated Amount	Method of Payment	When Payment Is Due	To Whom Payment Is Made
AR Fee ⁽¹⁾	\$150,000 to \$300,000	Lump sum.	When you sign the ARA.	S&S.
AR Representative Training Expenses ⁽²⁾	\$500 to \$2,000, per trainee (up to 2 total)	As incurred.	As incurred.	Airlines, hotels, and restaurants
Costs of complying with franchise laws applicable in the AR Territory	\$1,000 to \$10,000	As incurred.	As incurred.	State agencies and/or attorneys
Office and Designated Training Center ⁽³⁾	\$0 to \$125,000	As incurred.	As incurred.	Approved suppliers
Insurance ⁽⁴⁾	\$800 to \$1,500	Lump sum.	Prior to opening.	Approved supplier

Professional fees ⁽⁵⁾	\$3,000 to \$7,500	As incurred.	As incurred.	Attorney, accountant
AR E&O Insurance	\$1,500 to \$2,500	As agreed.	Before opening.	Insurers
Three Months Additional Funds ⁽⁶⁾	\$25,000 to \$50,000	As incurred.	As needed.	
Total Investment	\$181,800 to \$498,500			

You should review these figures carefully with a business advisor before deciding to acquire the franchise.

Except as otherwise noted, all fees are uniformly imposed on all area representatives and collected by, and payable to, us (or our designated affiliates). Any fees paid to us are non-refundable unless otherwise noted. Your costs for certain items listed above may differ depending on the suppliers used, local costs, and other factors.

Notes

1. Based on \$15,000 per Barbershop and 10 to 20 total Barbershops. The initial fee of \$15,000 for your Pilot Barbershop is covered under the AR Initial Fee.
2. This estimate includes the travel and living expenses, including airfare that you will incur when you and one of your employees attend the AR training program described in Item 11 of this Franchise Disclosure Document.
3. We anticipate that most Area Representatives will use a home office or an office within their Pilot Barbershop or subsequent Barbershop for purposes of conducting their AR Business. The minimum of the estimate assumes you will operate your AR Business out of your home or a Barbershop. You must purchase the computer equipment we specify for Area Representatives. You will also have office/computer equipment requirements under your Franchise Agreement. Our specifications for your computer equipment will be included in our confidential Operations Manual. We may eventually require you to lease a standalone training facility to be used as your Training Center if we reasonably determine that no then-current Barbershop can fully and timely support your ongoing training obligations. The maximum of the estimate includes anticipated construction costs, furniture, fixtures and equipment for the Training Center, prior to any tenant improvement allowance. We assume that leased premises already will have certain pre-build-out attributes that will include: (a) permanent and/or non-support walls; (b) base concrete floor; (c) exposed ceiling; utilities; (d) a finished storefront; and (e) HVAC system (the “***Pre-Build-Out Items***”). Each Pre-Build-Out Item, if required, can add substantial cost to the construction project. Our estimates are based on completed construction projects for which we have cost information, and assume that your Training Center will, at minimum, contain enough square footage to include at least six barber chairs, three double-sided stations, and three shampoo bowls. We do not have data for all market areas or all situations. Your costs may be more or less than this estimate depending on where you plan to operate your franchise and the choices you make in the construction process. If you are required to use union labor, your costs may be 30-40% higher. Construction and remodeling costs depend on the site's location, size, condition and previous use; the extent and nature of the build-out required to conform the site for the Barbershop and meet our brand standards; your local market and economic conditions (including taxes and overall demand for construction services); landlord requirements (such as union labor or green building requirements or

atypical requirements for temporary utilities); design choices and finish selections; efficiency of communication and project management; and any construction or other allowances the landlord may grant. A second-floor location may require consent from other tenants or restrictions on times of day when construction may occur, which may lengthen the time period it takes to complete construction. Financing might be available through your bank for some of the leasehold improvement costs; however, financing also involves associated costs and fees, which would increase your total costs. This amount also includes an estimated tenant improvement allowance. Our experience indicates that landlords often provide a tenant improvement allowance that is payable by the landlord to the tenant according to an agreed schedule that is typically based upon achievement of various milestones in the development and opening of the business.

4. Requirements are described in greater detail in Item 8 of this Disclosure Document. Factors that may affect your cost of insurance include the location of your AR Territory and others. Our estimate represents an annual premium, however you may pay your premiums monthly, quarterly, or semi-annually.
5. We strongly recommend that you retain an attorney to advise you on this franchise offering. You may also wish to retain an accountant to help you evaluate this franchise offering. If you choose to form an entity to own the franchise, you may incur additional fees that we cannot estimate.
6. These amounts are the minimum recommended levels to cover operating expenses for the start-up phase of the area representative business, which we calculate will be three months, but we cannot guarantee that this amount will be sufficient. These amounts do not include any estimates for debt service or any salary or draw for you. Additional working capital may be needed. Your actual costs will depend on factors like your management skills, experience, and business acumen. You should base your estimated start-up expenses on the anticipated costs in your market and consider whether you will need additional cash reserves. You should review these figures carefully with your business advisor.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must establish and operate your AR Business in compliance with your AR Agreement. We issue standards and specifications to you in the Operations Manual and otherwise, including, without limitation, in writing and by e-mail.

Approved Suppliers

If we have approved suppliers (including manufacturers, distributors and other sources) for any items, supplies, materials, fixtures, furnishings, equipment, sight plans and designs, computer systems and other products used or offered for sale through your AR Business, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate on a continuing basis the ability to meet our then-current standards and specifications, who have adequate quality controls and the capacity to supply the needs of the Scissors & Scotch franchise network promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item. Before opening a Barbershop, including your Pilot Barbershop, and from time to time as needed during operation, you must purchase from approved suppliers certain items required for the

operation of a Barbershop, including, but not limited to construction materials, furniture, fixtures and equipment from S&SD through a Grooming Equipment Package, Bar Equipment Package, Special Order Millwork Package, Specialty Finishes Package, and Lighting and Fixtures Package. Collectively, those items are referred to as the Custom Package Items. S&SD is the only Approved Supplier of the Custom Package Items. Our three managing members each own an interest in S&SD.

You must purchase pre-selected construction materials, furniture, fixtures and equipment from our affiliate, S&SD, the only approved Supplier of the Custom Package Items.

You must purchase all gift cards used in your AR Business, from our affiliate, S&S Gift Cards, LLC, the sole provider of the gift cards.

You must purchase certain products used in your AR Business, from our affiliate, S&S Products. Currently, S&S Products is not the sole provider of certain products to franchisees. We reserve the future right to appoint S&S Products, or another supplier, as the sole provider of certain products to franchisees.

You must purchase the pre-opening targeted advertising program from our affiliate, Mission Moonshot, the sole provider of the pre-opening targeted advertising program.

Any purchases of products and services, including the S&S Branded Products, directly from us or our affiliates, whether required or voluntary, may be at prices which exceed our costs.

Each of our Managing Members own an interest in Scissors & Scotch Development, LLC and in Mission Moonshot, LLC.

If we require that an item be purchased from an approved supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications, and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time. Our specifications for products and criteria for supplier approval are generally issued through written communications and are available to franchisees and approved suppliers.

During the fiscal year ended, December 31, 2019, our affiliate Scissors & Scotch Development, LLC received revenues of \$390,313.78 from all required purchases and leases by our franchisees. We did not derive any revenue, rebates or other material consideration based on the required purchases and leases by our franchisees.

We estimate that the percentage of the purchase or lease of products and services from Approved Suppliers in relationship to all purchases in establishing the AR Business will range from 60% to 75%. In the operation of the AR Business, we estimate that the percentage of purchase or lease of products and services from required suppliers will range from 5% to 15% of your total operating costs.

We do not provide any material benefits to you based on your use of designated or approved suppliers or for the purchase of particular products and services, except for increasing purchasing power and lowering costs.

Site Selection and Construction

We have not established site selection requirements for area representatives as we anticipate that you will operate your AR Business from your Pilot Barbershop, but you must locate a site for your Pilot Barbershop that satisfies our site selection requirements. As an Area Representative, your duties will include assisting unit franchisees in your AR Territory with finding sites that satisfy our site selection requirements. You must coordinate site selection with our approved vendor and follow our then-current site selection process. We have final approval and may request site surveys.

Insurance

You, at your sole cost and expense, at all times and on all operations hereunder, shall procure, maintain and provide evidence of insurance coverage of your franchised S&S, in the amounts, covering the risks, and including the provisions we periodically specify. These insurance policies must be in effect before you open your franchised shop for business. Minimum requirements are currently as follows:

Liability Insurance	Minimum
Worker's Compensation	Per state requirements
Employer's Liability	\$500,000 each accident \$500,000 disease - each employee \$500,000 disease - policy limit
Commercial General Liability	\$1,000,000 each occurrence \$2,000,000 general aggregate
Damage to Premises Rented	\$50,000 minimum
Liquor Liability	\$1,000,000
Commercial Auto	Hired and non-owned
Employment Practices Liability	\$100,000 minimum
Professional Liability	\$1,000,000
Business Interruption Insurance	12 months of actual loss sustained or loss income
Cyber Liability Insurance	\$100,000 (if not already included in umbrella)
Life Insurance (recommended)	\$1,000,000

Franchisee must name Scissors & Scotch Franchising, LLC (a Kansas limited liability company), or any affiliate we otherwise designate, as an Additional Insured on all policies except workers' compensation. No blanket additional insured will be accepted. Such liability insurance shall be primary and non-contributory. A waiver of subrogation in favor of Scissors & Scotch Franchising, LLC shall be issued. Franchisee shall be furnished with a certificate of insurance evidencing that such insurance is in force and will not be cancelled, modified, or lapsed without 30 days' written notice to Scissors & Scotch Franchising, LLC.

Insurance costs may not be uniform since premiums differ depending upon location, amounts of insurance acquired, the insurance company's assessment of risk, the location of the insured business and business premises, insurance requirements of the landlord as set forth in the business premises lease, and applicable law. All insurance is subject to our approval, which we will not unreasonably withhold if the insurance meets our minimum requirements. We may at any time change the types, or increase the amounts, of required insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or relevant changes in circumstances.

We may obtain insurance coverage for your AR Business at your expense if you fail to do so, in which case you must reimburse our costs, plus an administrative fee. Noncompliance with the insurance provisions herein shall be deemed a material breach of your Franchise Agreement. We also have the right to defend claims in our sole discretion.

You must send us a valid certificate of insurance or duplicate insurance policy evidencing the coverage specified above and the payment of premiums at regular intervals or by specific dates we request.

Purchasing Cooperative

There currently are no purchasing or distribution cooperatives. We do not currently, but may in the future, negotiate purchasing arrangements with suppliers which may include price and terms for the benefit of both franchised and company-owned Scissors & Scotch® Barbershops.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section(s) in AR Agreement	Disclosure Document Item(s)
a. Site selection and acquisition/lease	Section 4	Item 11
b. Pre-opening purchases/leases	Section 5	Items 7 and 8
c. Site development and other pre-opening requirements	Section 4	Items 7, 8, and 11
d. Initial and ongoing training	Section 6	Items 5, 6 and 11
e. Opening	Sections 5 and 6	Item 11

f. Fees	Section 11	Items 5 and 6 Items 5, 6 and 7
g. Compliance with standards and policies/ operating manual	Sections 5, 6 and 12	Items 8 and 11
h. Trademarks and proprietary information	Section 7 and 9	Items 13 and 14
i. Restriction on products/services offered	Section 12	Items 8, 11 and 16
j. Warranty and customer service requirements	Section 12	Item 11
k. Territorial development and sales quotas	Section 2	Item 12
l. Ongoing product/service purchases	Section 12	Item 8
m. Maintenance, appearance, and remodeling requirements	Section 12	Item 11
n. Insurance	Section 12	Items 7 and 8
o. Advertising	Section 14	Items 6, 7 and 11
p. Indemnification	Section 10	Item 6
q. Owner's participation/management/staffing	Section 12	Items 11 and 15
r. Records/reports	Sections 11 and 15	Item 11
s. Inspections/audits	Sections 15 and 16	Items 6 and 11
t. Transfer	Section 17	Items 6 and 17
u. Renewal	Section 18	Item 17
v. Post-termination obligations	Section 20	Item 17
w. Non-competition covenants	Section 21	Items 15 and 17
x. Dispute resolution	Sections 22 and 23	Item 17
y. Guaranty and Assumption of Obligations	Sections 17 and 18	Not Applicable

ITEM 10 FINANCING

We do not offer direct or indirect financing, and we do not guarantee your notes, leases, or other obligations.

Our franchise offering has been accepted for inclusion on the Small Business Administration (“**SBA**”) Franchise Registry. Our inclusion on the SBA Franchise Registration makes our franchisees eligible for expedited and streamlined loan processing.

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

Except as listed below, S&S is not required to provide you with any assistance.

Pre-Opening Obligations

Before you open your AR Business, we or our designee will:

1. Conduct an Area Representative Training Program (Section 5 of the AR Agreement).
2. Provide access to our Operations Manual (Section 5 of the AR Agreement)

Post-Opening Obligations

During the operation of your AR Business, we will:

1. Use our best efforts to promptly process all franchisee applications made by prospective franchisees and forwarded to us by you (Section 5 of the AR Agreement).
2. Provide for the collection of and distribution to you of your share of initial franchise fees, and we shall be responsible for distributing to you your share of the Royalty Fees received from each franchisee operating in your AR Territory (Section 5 of the AR Agreement).
3. Continue our efforts to maintain high standards of quality professionalism and service of your AR Business, and to that end may conduct inspections of any business premises operating by you and closely monitor your promotional efforts and service efforts.

Site Selection

We anticipate that you will operate your AR Business from your Pilot Barbershop, so generally no construction or renovations are required to begin operating your AR Business other than the costs already associated with your Pilot Barbershop. Accordingly, we have not established site selection guidelines for area representative businesses. We estimate that it will be approximately 0 to 30 days from the time you sign the AR Agreement to the time you begin operation of your AR Business. The time period may be shorter or longer depending on various factor, such as delays or difficulties in completing our training program, obtaining financing, or forming a business entity. You must comply with the Development Schedule attached to your AR Agreement, but otherwise there is no deadline for when you must begin operating your AR Business. You must comply with our requirements for opening your Pilot Barbershop and any other Barbershops that you operate. Those requirements are described in the franchise disclosure document for our franchises.

Operations Manual

We provide to you, during the term of the AR Agreement, access to our electronic Operations Manual, which may consist of one or more handbooks or manuals (collectively the “***Operations Manual***”). The Operations Manual contains specifications, standards, and operating procedures we prescribe for the operation of your AR Business and information relative to your other obligations. We have the right to modify the Operations Manual to reflect changes in products, services, specifications, standards and operating procedures, including marketing techniques.

The table of contents of the Operations Manual is attached as Exhibit E. As of the date of this disclosure document, the total number of pages of the Operations Manual is 457.

Training

Before beginning operation of your AR Business, your owner(s) and designated manager, if applicable must have attended and completed our initial area representative training program to our sole satisfaction (the “**Training Program**”) (Section 6 of AR Agreement)l.

The training program will be conducted at our headquarters, or another location determined by us. We provide instructors and training materials at no charge, but you must pay all expenses you and your personnel incur in initial training, including costs of travel, lodging, meal, and wages. We may charge a reasonable training fee for training all successor or replacement personnel. (Section 6 of AR Agreement).

The materials used in training include the Operations Manual as well as other presentation materials, including power point presentations. Our training will be directed by (1) Erik Anderson, our Co-founder and Managing Member, who has helped create and manage the Scissors & Scotch brand and Barbershops since their inception; (2) Tanner Wiles, our Co-founder and Managing Member, who has helped create and manage the Scissors & Scotch brand and Barbershops since their inception; (3) Sean Finley, our Co-founder and Managing Member, who has helped create and manage the Scissors & Scotch brand and Barbershops since their inception; (4) Brandi Busboom, our Director of Grooming Operations, who has overseen the development of all grooming operations and has over twelve years of experience in the men’s grooming industry; (5) Bryan Buford, our Vice President of Operations and Support; and (6) Kyle Raney, our Vice President of Operations and Support.

Our initial training program is offered as needed during the year depending on the number of new Area Representatives and franchisees entering the System, the number of other personnel needing training, and the scheduled opening of new Barbershops. The subjects covered and other information relevant to our initial training program are described below.

The outline for the training program is as follows:

AR TRAINING PROGRAM

Subject	Classroom Hours	On-the-Job Hours	Location
Scissors & Scotch ● Mission and Values ● Growth Overview ● Long-Term Vision	1.0	Not Applicable	S&S Headquarters
AR Roles, Responsibilities and Expectations	1.0	Ongoing through S&S leadership team support	S&S Headquarters
AR Expansion Planning ● Real Estate Analysis ● RFP, LOI and Lease Requirements	2.0	Ongoing AR support calls with leadership team	S&S Headquarters
Pre-Opening Procedures ● FranConnect ● Operations Manual ● Franchisee Training	2.0	Ongoing AR support calls with leadership team	S&S Headquarters

Subject	Classroom Hours	On-the-Job Hours	Location
Construction and Staging	1.0	Ongoing AR support calls with leadership team	S&S Headquarters
Advanced Staffing and Recruiting	1.0	Ongoing AR support calls with leadership team	S&S Headquarters
Advanced Employee Training • Certified Trainers • Training Materials and Resources	1.0	Ongoing AR support calls with leadership team	S&S Headquarters
Managing Daily Operations • KPIs • Benchmarking and Forecasting • Adopting Best Practices	2.0	Ongoing AR support calls with leadership team	S&S Headquarters
Inventory Management • Vendor Relationships • Ordering Processes and Requirements	1.0	Ongoing AR support calls with leadership team	S&S Headquarters
Franchisee Coaching and Support • Video Call Requirements and Scripts • Shop Visits	2.0	Ongoing AR support calls with leadership team	S&S Headquarters
Franchise Reporting Requirements	0.5	Ongoing AR support calls with leadership team	S&S Headquarters
Franchise Sales • Lead Generation • Sales Pipeline • Target Candidates • Required Disclosures	2.0	Ongoing AR support calls with leadership team	S&S Headquarters
Total:	16.5 hours		

Training Center

Unless we agree otherwise in writing, you must open and commence operations of your Training Center prior to: (i) you providing any training in connection with any Barbershop that is owned and operated by a third party; or (ii) any third-party otherwise opening a franchise within the AR Territory.

As of the date of this disclosure document, we do not require you or your managers to attend supplemental and/or refresher training but reserve the right to do so in the future.

Computer System

We anticipate that most Area Representatives will set up an office within their Barbershop for purposes of conducting their AR Business. The estimate assumes you will operate your AR Business out of your Barbershop.

You must purchase the following items from suppliers specified in our Operations Manual:

- | | |
|---------------------------|------------------------------------|
| 1. Point-of-sale system | 5. Internal communication platform |
| 2. Scheduling software | 6. Office work and email platform |
| 3. Bar software | 7. HR platform |
| 4. In-shop music platform | 8. Bookkeeping software |

ITEM 12 TERRITORY

Your AR Agreement grants you the exclusive right to operate the AR Business and provide the AR Services in the AR Territory.

You will not receive an exclusive AR Territory.

You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. Your AR Territory may overlap, in whole or in part, with the Development Area(s) of other franchisees and/or developers of other Barbershops.

The specific size and location of your AR Territory will substantially vary from other area representatives based on the number of Barbershops we grant you the right to open and operate and the location and demographics of the AR Territory. The boundaries of your AR Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. We reserve the right to designate certain areas within the AR Territory as more or less suitable for development of Barbershops based on the demographic, commercial and other changing characteristics of the area, and will provide guidance and counsel, and will ultimately approve or disapprove, any proposed premises for a Barbershop within your AR Territory based on such assessments.

Each Barbershop you open and commence operating in your AR Territory under our then-current form of franchise agreement will be operated from a distinct premises located within its own protected area that we will define once the premises for that Barbershop has been approved.

If you are in compliance with your AR Agreement, then we will not grant anyone else the right to establish or operate another AR Business in your AR Territory.

You must comply with your obligations under the AR Agreement, including your Development Schedule, in order to maintain your rights within the AR Territory. If you do not comply with your obligations under the AR Agreement (including your development obligations under the Development Schedule), we may terminate your AR Agreement and any further development rights you have under that agreement.

Rights Reserved by Us

We and our affiliates retain the right under the AR Agreement to: (i) sell other Area Representative Businesses under the System and Licensed Marks at any location outside of the AR Territory; (ii) own and operate Barbershops or other businesses at any location(s) inside or outside the AR Territory under the System and Licensed Marks; (iii) license others the right to own and operate Barbershops at any location(s) inside or outside the AR Territory under the System and Licensed Marks, subject to the remuneration

provisions described in the AR Agreement; (iv) recruit and/or solicit, or engage a third party to recruit and/or solicit, prospective franchisees within the AR Territory, subject to the remuneration provisions set forth the AR Agreement; (v) market, offer and sell products and services similar to those offered by Barbershops (such as private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (vi) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Barbershop located within or outside the AR Territory, and subsequently operate (or license a third party the right to operate) these locations; (vii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to Barbershops under marks other than the Licensed Marks at any location; and (viii) use, and license others the right to use, the Licensed Marks and System to engage in any other activity not expressly prohibited by the AR Agreement.

We are not required to pay you if we exercise any of the rights specified above within your AR Territory.

Although we and our affiliate have the right to do so, we and our affiliate have not operated or franchised and have no plans to operate or franchise at this time, other businesses selling or leasing similar products or services under different trademarks.

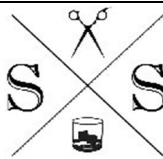
Other than described above, there are no circumstances that permit us to modify your territorial rights.

You have no options, rights of first refusal, or similar rights to acquire additional territory or development areas.

ITEM 13 TRADEMARKS

We grant you the right to operate your business under the service mark Scissors & Scotch®. You may also use our other current or future trademarks to operate your AR Business. By trademark, we mean trade names, trademarks, service marks and logos used to identify your business.

The following table sets forth the status of federal registrations with the United States Patent and Trademark Office (the "**PTO**") on the Principal Register of those marks licensed to you:

Mark	Goods/Services	Registration Number	Registration Date
S & S	Men's grooming services featuring haircuts, shaves, manicures, massages, face treatments	4895818	February 2, 2016
	Barber shop services; Barbering services	5025114	August 23, 2016
SCISSORS & SCOTCH	Bar services; Cocktail lounge services	5067456	October 25, 2016

Mark	Goods/Services	Registration Number	Registration Date
	Bar services; Cocktail lounge services	5067459	October 25, 2016
SCISSORS & SCOTCH	Men's grooming services featuring haircuts, shaves, manicures, massages, face treatments	5153678	March 7, 2017

The trademark registrations are owned by our parent, S & S Franchise Holdings, LLC. Under our license agreement with S & S Franchise Holdings, LLC, S & S Franchise Holdings, LLC licensed us to use the Licensed Marks and related intellectual property and to sublicense them to franchisees for use in operating Scissors & Scotch® Barbershops in perpetuity. S & S Franchise Holdings, LLC may not terminate the license agreement unless we are in default and do not cure the default within 30 days. If S & S Franchise Holdings, LLC's license to us is terminated, your rights under your Franchise Agreement will not be affected. You will have the right to operate your AR Business during the remaining term and during any permitted renewal term if you comply with all of your obligations. No other agreement limits our right to use or sublicense the Marks.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court and no pending infringement, opposition or cancellation proceedings or material litigation involving the principal Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Licensed Marks in any state. All required affidavits and renewals have been filed.

You must notify us immediately of any apparent infringement or challenge to your use of the Licensed Marks, or of any person's claim of any rights in the Licensed Marks or confusingly similar trademark, and you may not communicate with any person other than us, our affiliate, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliate may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us in protecting and maintaining our and our affiliate's interests in any litigation or USPTO or other proceeding. We or our affiliate will reimburse your costs of taking any requested action.

You may not contest our, or our affiliate's, ownership, title, right, or interest in its names or the Licensed Marks, trade secrets, methods, procedures, and advertising techniques that are part of our business or contest our, or our affiliate's right to register, use, or license others to use these names and the Licensed Marks, trade secrets, methods, procedures, and techniques. You must post a notice at your Barbershops indicating that each Barbershop is independently owned and operated.

If it becomes advisable at any time for us and/or you to modify, discontinue using, and/or replace any of the Licensed Marks and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Licensed Mark you must comply with our directions within a reasonable time after we deliver notice. We and our affiliate need not reimburse your direct expenses for changing the Barbershop signs, for your lost revenue due to any modified or discontinued Licensed Mark or for your expenses of promoting a modified or substitute trademark or service mark. You may not use any

Licensed Mark (1) as part of any corporate or legal business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you); (3) in offering or selling any unauthorized services or products; (4) as part of any domain name, homepage, electronic address, or otherwise in connection with electronic media; or (5) in any other manner we have not expressly authorized in writing. We will reimburse you for all damages, claims, and expenses that you incur or for which you are liable in any proceeding challenging your right to use any Licensed Mark or other intellectual property under the Franchise Agreement if your use has been consistent with the Franchise Agreement, the Operations Manual, and our System Standards and you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and/or our affiliate, may defend and control the defense of any proceeding arising from your use of any Licensed Mark or other intellectual property.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no rights to or licenses to any patents that are material to the franchise. We claim copyrights in the Operations Manual (which contains our trade secrets), certain Scissors & Scotch® Barbershop design features, advertising and marketing materials, and similar items used in operating Scissors & Scotch® Barbershops. We have not registered these copyrights with the United States Copyright Office, but need not do so at this time to protect them. You may use these items only as we specify while operating your AR Business (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office or any court regarding the copyrighted materials. Our license with S & S Franchise Holdings, LLC described in Item 13 also covers copyrighted materials and confidential information. No other agreement limits our right to use, or allow others to use, the copyrighted materials. We do not actually know of any infringing uses of our and S & S Franchise Holdings, LLC's copyrights that could materially affect your use of copyrighted materials in any state.

We need not protect or defend copyrights, although we intend to do so if in the system's best interests. We will reimburse you for all damages, claims and expenses that you incur or for which you are liable in any proceeding challenging your right to use any intellectual property under the Franchise Agreement, if your use has been consistent with the Franchise Agreement, the Operations Manual and our System Standards and you have timely notified us of and comply with our directions in responding to the proceeding. At our option, we may defend and control the defense of any proceeding arising from your use of any intellectual property.

Our Operations Manual and other materials contain our confidential information (some of which constitutes trade secrets under applicable law). You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with those having access.

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

Although the Franchisor will be able to “veto” any prospective Franchisee identified by an Area Representative by declining to grant a franchise to that prospect, doing so other than in extreme situations will not be conducive to a mutually successful area representative relationship. Fortunately, an Area Representative has a significant interest in selecting Franchisees who will adhere to the system’s standards, and be good brand ambassadors. By being primarily responsible for Franchisee selection, the Area Representative will understand that the Area Representative’s selections will reflect upon the Area Representative; and could even influence whether the Area Representative relationship will continue. Additionally, typically the Area Representative will have a royalty sharing arrangement with the Franchisor, and a poorly operated unit franchise will lead to less revenue for the Franchisor and Area Representative alike. Moreover, because the Area Representative provides field support to area-Franchisees, it is the Area Representative, first and foremost, who will be forced to deal with any problem situations, even if ultimate enforcement of the Franchise Agreement rests with the Franchisor.

By selecting an Area Representative who the Franchisor can count on to be a good unit operator, the Franchisor will have someone in the market who can lead by example. Additionally, the Area Representative’s unit franchise can be incorporated into a training program for new Franchisees, or for the roll out of new products or services.

ITEM 16
RESTRICTIONS ON WHAT AN AREA REPRESENTATIVE MAY SELL

All products and services that you use or provide to franchisees in connection with your AR Business must conform to our standards and specifications. These are contained in our then-current standard franchise agreement and described in our Operations Manual. You must not deviate from our standards and specifications without our prior written consent. If we decide to eliminate certain services or products, you must stop offering, providing, and selling those services and products. Our right to change the service and product offerings is unrestricted. You must also comply with all applicable laws and regulations, including franchise disclosure and relationship laws, and secure all appropriate governmental approvals for operation of your AR Business.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION
THE FRANCHISE RELATIONSHIP

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

PROVISION	SECTION IN AGREEMENT	SUMMARY
a. Length of the franchise term	Section 2	10 years

PROVISION	SECTION IN AGREEMENT	SUMMARY
b. Renewal or extension	Section 2	At the end of the term you will have the option to add an additional 10 year renewal term, so long as you are in good standing at the end of the initial term and at the end of each renewal term.
c. Requirements for franchisee to renew or extend	Section 2	You must give at least 6 months' but no more than 12 months' notice, repair and update equipment and Scissors & Scotch® franchise premises, not be in breach of any agreement with us or our affiliates, satisfy all monetary obligations, have the right to remain in possession of Scissors & Scotch® franchise premises, pay a renewal fee, execute then-current AR Agreement and General Release and comply with current qualifications and training requirements. If you seek to renew your franchise at the expiration of the initial term or any renewal term, you may be required to sign a new Franchise Agreement, which is then-current Franchise Agreement used by us that may contain terms and conditions materially different from those in your previous Franchise Agreement such as, but without limitation, (1) increases in expenditures for marketing and promotions, (2) increases in fees, and (3) implementation of new fees. The Royalty Fee and Protected Area will remain the same.
d. Termination by franchisee	Not Applicable	You may terminate the AR Agreement under any grounds permitted by law.
e. Termination by franchisor without cause	Section 13	We may terminate the AR Agreement without notice or opportunity to cure upon the occurrence of any of the following: (i) voluntary bankruptcy; (ii) Involuntary bankruptcy; (iii) unauthorized transfer; (iv) final judgment; or (v) dissolution of area representative.
f. Termination by franchisor with cause	Section 13	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.
g. "Cause" defined – curable defaults	Section 13	Curable defaults include: 30 days after a request to obtain execution of covenants, meet development requirements, transfer without our written consent, to procure and maintain insurance policies, to cure misuse or unauthorized use of Licensed Marks, to cure failure to comply with any requirement of Franchise Agreement, failure to observe standards and specifications, failure to comply with all laws and regulations, failure to comply with all covenants, failure to comply with operating standards, 10 days to pay monetary obligations.

PROVISION	SECTION IN AGREEMENT	SUMMARY
h. “Cause” defined – non-curable defaults	Section 13	Non-curable defaults include: if a franchisee becomes insolvent, makes a general assignment for the benefit of creditors, files a petition or has a petition initiated against him under federal bankruptcy laws, is adjudicated bankrupt, has receiver appointed, proceedings for composition with creditors instituted, final judgment remains unsatisfied or of record for 30 days, is dissolved or execution is levied against business or property, a suit to foreclose a lien or mortgage is initiated and not dismissed within 30 days, sells unauthorized products or services, fails two or more times within 12 months to comply with a material provision of the Agreement, you (or any principal) makes a material misrepresentation on application, abandons or loses right to Scissors & Scotch® franchise premises, is convicted of or pleads <i>nolo contendere</i> to felony or any crime we believe will likely have adverse effect on the system (also applies to principals), if any threat or damages to public health or safety is not immediately cured or removed, discloses any confidential information (also applies to principal), breaches any material aspect of covenants, transfers any rights or obligations to a third party without our written consent (also applies to principals), repeatedly commits a material event of default (also applies to principals).
i. Franchisee's obligations on termination/ nonrenewal	Section 13	Termination of the Franchise Agreement requires you to cease operating the Scissors & Scotch® Barbershop franchise and using the Licensed Marks and System and to completely de-identify the business, cancel all fictitious or assumed names, notify telephone company of termination of rights to use telephone number, pay all amounts due to us or our affiliate, return all Operations Manuals and software and other proprietary materials, comply with confidentiality requirements and, at our option, sell or assign to us your rights in the Scissors & Scotch® Barbershop franchise premises and the equipment fixtures used in the business.
j. Assignment of contract by franchisor	Section 14	No restriction on our right to assign.
k. “Transfer” by franchisee defined	Section 14	Includes voluntary or involuntary sale, assignment, subdivision, sub-franchising, or other transfer including merger, consolidation issuing additional securities, conversion to partnership or limited partnership, or transfer caused by divorce or death.
l. Franchisor approval of transfer by franchisee	Section 14	We have the right to approve all transfers but will not unreasonably withhold approval.

PROVISION	SECTION IN AGREEMENT	SUMMARY
m. Conditions for franchisor approval of transfer	Section 14	Transferee must meet qualifications, all monetary obligations must be paid, you must not be in default of any provisions of agreement, transferor and its principals must sign general release, transferee must assume all obligations and responsibilities of franchisee and sign then-current Franchise Agreement, upgrade Fitness Facility to current specifications, satisfactorily complete training, pay our then-current transfer fee, transferor must sign covenant not to compete and pay any referral fees or commissions that may be due to any franchise broker, seller or other third party.
n. Franchisor's right of first refusal to acquire franchisees business	Section 14	S&S can match any offer for your business, within 30 days after notice.
o. Franchisor's option to purchase your business	Section 14	In case of termination or nonrenewal, we may be required by certain state law to purchase assets at market value. Subject to state law.
p. Death or disability of franchisee	Section 14	Upon death or permanent disability of franchisee, a competent manager must be appointed within 30 days, then manager must attend and successfully complete training within 120 days of being appointed. Interest must be transferred within 12 months.
q. Non-competition covenants during the term of the franchise	Section 15	No involvement in competing business anywhere in U.S.
r. Non-competition in covenants after the franchise is terminated or expires	Section 15	No competing business for two years in Protected Area granted franchisee by a Franchise Agreement or within Protected Area of any other of our franchisees or within a five-mile radius of any Scissors & Scotch® franchise in existence or under construction or where land has been purchased or leased by any of our franchisees, developers or by us.
s. Modification of the agreement	Sections 17	No modification to Franchise Agreement except in writing and signed by both franchisee and us. Operations Manual can be modified as long as the modification does not alter your fundamental status and rights. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

PROVISION	SECTION IN AGREEMENT	SUMMARY
t. Integration/merger clause	Section 17	Only the written terms of the AR Agreement are binding (subject to state law). Nothing in the AR Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document. Any representations or promises outside of the disclosure document and AR Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 19	Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be mediated at our then-current headquarters. Subject to state law.
v. Choice of forum	Section 19	Litigation must be in the State of Kansas (subject to state law).
w. Choice of law	Section 19	Subject to state law, Kansas law applies

ITEM 18 PUBLIC FIGURES

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets if there is a reasonable basis for the information and if the information 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; (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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Sean Finley at (913) 981-8004, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

As of the date of this disclosure document, there were no area representative franchises.

Table No. 1
Systemwide Outlet Summary
For years 2019 to 2021

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Total	2019	0	0	0
	2020	0	0	0
	2021	0	1	+1

Table No. 2
Transfers of Outlets from Franchisees to
New Owners (other than Franchisor)
For years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Number of Transfers
No transfers		

Table No. 3
Status of Area Representative Businesses
For years 2019 to 2021

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations- Other Reasons	Col. 9 Outlets at End of the Year
Total	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1

Table No. 4

Status of Company-Owned Area Representative Businesses
For years 2019 to 2021

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Total	2019	0	0	0	0	0	0
	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0

Table No. 5
Projected Openings
As of December 31, 2021
(For current fiscal year)

Column 1 State	Column 2 Franchise Agreements Signed but Outlets Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company- Owned Outlets in the Next Fiscal Year
Texas	0	1	0
Total	0	1	0

Listed below are the franchisees who have had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recent completed fiscal year or who has not communicated with the franchisor within 10 weeks of the disclosure document issuance date.

None

There are no current or previous area representative franchisees.

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

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees which would restrict them from speaking openly with you about their experience with us.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in the Area Representative Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Exhibit A is our audited financial statements for years ending December 31, 2021, 2020, and 2019 and our unaudited financials as of July 31, 2022.

ITEM 22
CONTRACTS

The following agreements are attached to this disclosure document:

Exhibit B	AR Agreement
Exhibit F	Disclosure Acknowledgement Agreement
Exhibit G	General Release
Exhibit I	Franchise Disclosure Document Receipts

ITEM 23
RECEIPTS

Exhibit I contains detachable documents acknowledging your receipt of this disclosure document with all exhibits attached.

EXHIBIT A
FINANCIAL STATEMENTS

SCISSORS & SCOTCH FRANCHISING, LLC
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2021 AND 2020



BlandCPA.com

Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Income and Changes in Member's Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 13

INDEPENDENT AUDITORS' REPORT

To the Member
Scissors & Scotch Franchising, LLC
Mission, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scissors & Scotch Franchising, LLC (the Company) (a wholly-owned subsidiary of Scissors & Scotch Franchising Holdings, LLC), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of income and changes in member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management of the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

BLAND & ASSOCIATES, P.A.

Omaha, Nebraska
April 25, 2022

SCISSORS & SCOTCH FRANCHISING, LLC
BALANCE SHEETS

ASSETS	December 31,	
	2021	2020
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,500	\$ -
Restricted Cash	56,207	19,663
Accounts Receivable	6,273	5,478
Current Portion of Franchise Fee Receivable, Net of Allowance for Doubtful Accounts of \$13,000 and \$17,685 in 2021 and 2020, Respectively	397,000	242,315
Due From Related Parties	56,321	89,681
Inventory	26,572	16,480
Prepaid Expenses	14,583	14,583
Total Current Assets	<u>559,456</u>	<u>388,200</u>
OTHER ASSETS		
Franchise Fee Receivable, Less Current Portion	<u>-</u>	<u>80,000</u>
	<u>\$ 559,456</u>	<u>\$ 468,200</u>
LIABILITIES AND MEMBER'S DEFICIT	December 31,	
	2021	2020
CURRENT LIABILITIES		
Bank Overdraft	\$ -	\$ 5,838
Bank Revolving Line of Credit	82,042	61,967
Current Portion of Long-Term Debt	9,128	9,741
Due to Related Party	57,517	117,963
Deferred Revenue - Franchise Fees	660,250	440,042
Deferred Revenue - Area Representative Fees	47,840	-
Accounts Payable	137,396	23,389
Total Current Liabilities	<u>994,173</u>	<u>658,940</u>
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	<u>35,917</u>	<u>43,759</u>
Total Liabilities	<u>1,030,090</u>	<u>702,699</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
MEMBER'S DEFICIT	<u>(470,634)</u>	<u>(234,499)</u>
	<u>\$ 559,456</u>	<u>\$ 468,200</u>

The accompanying notes to the financial statements
are an integral part of these statements

SCISSORS & SCOTCH FRANCHISING, LLC
STATEMENTS OF INCOME AND CHANGES IN MEMBER'S DEFICIT

	Years Ended December 31,	
	2021	2020
REVENUES		
Royalties	\$ 542,239	\$ 250,646
Franchise Fees	359,792	193,458
Other	125,883	69,368
Development Fees	2,160	-
Total Revenues	<u>1,030,074</u>	<u>513,472</u>
OPERATING EXPENSES		
Contract Labor	155,646	52,261
Professional Fees	131,539	108,871
Software	121,313	36,694
Meals and Entertainment	103,351	36,938
Insurance	78,363	48,444
Broker Fees	75,000	8,925
Training	52,246	7,629
Salaries & Wages	48,557	-
Office Supplies	46,192	43,443
Service Agreement	31,029	34,999
Advertising	24,552	14,426
Utilities	5,940	2,364
Employee Benefits	4,897	-
Payroll Tax	3,654	-
Miscellaneous	2,222	1,469
Bank Charges	1,947	1,041
Rent	1,706	447
Licenses and Permits	1,359	677
Bad Debt	-	3,757
Total Operating Expenses	<u>889,513</u>	<u>402,385</u>
INCOME FROM OPERATIONS	140,561	111,087
OTHER INCOME (EXPENSE)		
Paycheck Protection Program Grant Revenue	25,100	48,900
Interest Expense	(2,195)	(5,816)
Total Other Income (Expense)	<u>22,905</u>	<u>43,084</u>
NET INCOME	163,466	154,171
MEMBER'S DEFICIT - BEGINNING OF YEAR	(234,499)	(180,170)
Distributions to Member	<u>(399,601)</u>	<u>(208,500)</u>
MEMBER'S DEFICIT - END OF YEAR	<u>\$ (470,634)</u>	<u>\$ (234,499)</u>

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

SCISSORS & SCOTCH FRANCHISING, LLC
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 163,466	\$ 154,171
Adjustments to Reconcile Net Income to Net Cash		
Provided By Operating Activities:		
Issuance of Franchise Fee Receivable for Store Sales	(130,000)	(40,000)
Decrease in Franchise Fee Allowance for Doubtful Accounts	(4,685)	(18,315)
Decrease (Increase) in Current Assets:		
Accounts Receivable	(795)	487
Inventory	(10,092)	(12,082)
Prepaid Expenses	-	(14,583)
(Decrease) Increase in Current Liabilities:		
Accounts Payable	114,007	(94,611)
Deferred Revenue - Franchise Fees	220,208	96,542
Deferred Revenue - Area Representative Fees	47,840	-
Net Cash Provided By Operating Activities	399,949	71,609
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments from Related Parties	280,673	144,574
Payments Received on Franchise Fee Receivable	60,000	20,000
Net Cash Provided By Investing Activities	340,673	164,574
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in Bank Overdraft	(5,838)	5,838
Advances on Bank Revolving Line of Credit	393,000	558,000
Payments on Bank Revolving Line of Credit	(372,925)	(596,033)
Additions to Long-Term Debt	-	53,500
Payments on Long-Term Debt	(8,455)	-
Payments on Due to Franchisee	-	(878)
Advances to Related Parties	(307,759)	(54,912)
Distributions to Member	(399,601)	(208,500)
Net Cash Used In Financing Activities	(701,578)	(242,985)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	39,044	(6,802)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	19,663	26,465
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 58,707</u>	<u>\$ 19,663</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 2,195</u>	<u>\$ 5,816</u>

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

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Scissors & Scotch Franchising, LLC (the Company), a wholly-owned subsidiary of Scissors & Scotch Franchising Holdings, LLC (the Holding Company), is presented to assist in understanding the Company's financial statements. The financial statements are a representation of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business and Reporting Entity

The original company, Scissors & Scotch, LLC opened in March 2015 with the objective to provide enjoyable, upscale grooming experience and offers a combination of traditional barbering services and modern spa treatments. As of December 31, 2021, there are four affiliated locations in Denver, Colorado, Oklahoma City, Oklahoma, and Ankeny and West Des Moines, Iowa. On July 7, 2017, Scissors & Scotch Franchising, LLC was formed to start selling franchises throughout the United States. The Company's revenue is primarily derived from franchise, royalty, and service fees.

Franchise Operations

Continuing royalty and service fees are determined as a percentage of franchise gross sales. These fees are recognized as revenue in the period the sales are earned by the franchisees.

Company personnel support franchise unit owners by providing certain administrative, operational, technological, and sales and marketing assistance.

Revenue Recognition

Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*" (Topic 606) applies to all contracts with customers, except for customers that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under Topic 606, the Company recognizes revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfied the performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services and promises within each contract and determines those that are performance obligations. The Company then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

New franchise agreements are considered to have two performance obligations. The first performance obligation is the performance of various pre-opening services (assistance with licensing, insurance, and regulations, selecting territories, training, setting up initial access to any operating systems, providing access to trademarks, marketing and lead development, website setup and sale support). The Company has estimated that these pre-opening services account for 50% of the fixed franchise fee stated in the new franchise agreement. The performance obligation for these pre-opening services is met at the point in time when all pre-opening services have been substantially performed, at which time the related revenue is recognized. The second performance obligation is the ongoing access to the intellectual property of the Company. This performance obligation is met over time as the franchisees consume the benefits of the intellectual property over the term of the agreement. Therefore, the remaining franchise fee is recognized ratably over the term of the franchise agreement as the second performance obligation is fulfilled.

Revenue from royalties, brand building and community development are recognized in the period in which the underlying sale occurs.

Other revenue consists primarily of revenue from training services. Revenue from training services are recognized at the point in time when the services are performed.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates used.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

The Company maintains separate cash accounts for deposits from clients for brand building and community development. These accounts had a balance of \$56,207 and \$19,663 as of December 31, 2021 and 2020, respectively.

Franchise Fee Receivable and Accounts Receivable

Franchise fee receivables are carried at the original agreement amount while accounts receivable are carried at the original invoice amount. Management determines the need for an allowance for doubtful accounts by regularly evaluating the receivable listings and considering a franchisee's or customer's financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventory

Inventory consists of shop and grooming supplies and is valued at the lower of cost or net realizable value.

Income Taxes

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

No provision for income taxes is required since the members report the Company's taxable income or loss on their respective income tax return.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expense was \$24,552 and \$14,426 for the years ended December 31, 2021 and 2020, respectively.

Upcoming Accounting Standard Pronouncements

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842): a revision of the 2010 ASU, *Leases* (Topic 840), which once again revises a previous change to lease accounting standards. The FASB will require an entity to classify the right to use a leased asset as an asset and the obligation to make lease payments as a liability. The revised ASU contains other factors in determining the proper recording of related expenses.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Standard Pronouncements (Continued)

The FASB also decided on a dual approach for lessee accounting, with lease classification determined in accordance with the principle in existing lease requirements (that is, determining whether a lease is effectively an installment purchase by the lessee). A lessee therefore would account for most existing capital/finance leases as Type A leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability) and most existing operating leases as Type B leases (that is, recognizing a single total lease expense). Both Type A leases and Type B leases result in the lessee recognizing a ROU asset and a lease liability. The new guidance is effective for fiscal years beginning after December 15, 2021.

Subsequent Events

Management has evaluated subsequent events through April 25, 2022, which is the date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

The Company has one type of financial instrument subject to credit risk. The Company's receivables subject the Company to credit risk.

NOTE C – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows for the years ended December 31,:

	2021	2020
Cash and cash equivalents	\$ 2,500	\$ -
Restricted cash	56,207	19,663
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 58,707</u>	<u>\$ 19,663</u>

The Company uses a daily sweep of cash on hand to pay down the revolving line of credit in order to reduce the amount of interest paid. In addition to this, the revolving line of credit funds the cash account if cash becomes overdrawn.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE D – FRANCHISE FEE RECEIVABLE

The Company has secured non-interest-bearing franchise fee receivables for various franchise store sales. These receivables mature in 2022. Franchise fee receivable consist of the following at December 31,:

	2021	2020
Franchise Fee Receivable	\$ 410,000	\$ 340,000
Less: Allowance for Doubtful Accounts	(13,000)	(17,685)
	<u>\$ 397,000</u>	<u>\$ 322,315</u>

The future minimum payments to be received as of December 31,:

Year Ending December 31,	Amount
2022	\$ 410,000
Less: Allowance for Doubtful Accounts	(13,000)
	<u>\$ 397,000</u>

NOTE E – SERVICE AGREEMENTS

The Company has two service agreements for software and data analysis services through July of 2023. The data analysis agreement requires 3 annual installments of \$25,000 and the software agreement calls for monthly payments of \$500. Service agreement expense totaled \$31,029 and \$34,499 for the years ended December 31, 2021 and December 31, 2020, respectively.

Future minimum payments as of December 31, 2021, are as follows:

Years Ending December 31,	Amount
2022	\$ 31,000
2023	18,083
	<u>\$ 49,083</u>

NOTE F – RELATED PARTY TRANSACTIONS

Transactions With Related Parties

Scissors & Scotch Colorado, LLC (Denver) – The members of the Holding Company are the same members as Denver. The Company had a non-interest-bearing note of \$0 and \$88,681 for the years ended December 31, 2021 and December 31, 2020, respectively.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE F – RELATED PARTY TRANSACTIONS (Continued)

Transactions With Related Parties (Continued)

Scissors & Scotch Development, LLC (Development) – The members of the Holding Company are the same members of Development. The Company had a payable of \$57,517 and \$117,963 for the years ended December 31, 2021 and 2020, respectively, for working capital.

Gift Card, LLC (Gift Card) – The members of the Holding Company are the same members of Gift Card. The Company had a receivable of \$0 and \$1,000 for the years ended December 31, 2021 and 2020, respectively, for the Company funding an account setup for Gift Card.

Scissors & Scotch Products, LLC (Products) – The members of the Holding Company are the same members of Products. The Company had a receivable of \$56,321 and \$0 for the years ended December 31, 2021 and 2020, respectively, for working capital.

NOTE G – BANK REVOLVING LINE OF CREDIT

The Company has a \$200,000 revolving line of credit with a financial institution with interest payable monthly at .25% above the national prime rate (3.5% at December 31, 2021). The line of credit is due May 2022 and guaranteed by the members of the Holding Company. The Company had a balance due of \$82,042 and \$61,967 for the years ended December 31, 2021 and 2020, respectively.

NOTE H – LONG-TERM DEBT

Long-term debt consists of the following at December 31,:

	2021	2020
Note payable to a financial institution, to be paid in 23 monthly installments of \$1,250 (including interest) beginning on the first anniversary of the effective date of the note and a final balloon payment due in May of 2023. The interest rate is 0% for the first 12 months, then 2.00% for months 13-24 and 4.50% for months 25-36. The note payable is secured by substantially all assets of the Company and guaranteed by the members of the Holding Company.	\$ 36,839	\$ 45,000
Economic Injury Disaster Loan (EIDL) payable to the U.S. Small Business Administration (SBA), payable in monthly installments of \$42 beginning on the first anniversary of the effective date of the note, including interest at 3.75%, due June 2050.	8,206	8,500
Total Long-Term Debt	45,045	53,500
Less Current Portion of Long-Term Debt	(9,128)	(9,741)
	<u>\$ 35,917</u>	<u>\$ 43,759</u>

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE H – LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for the years ending after December 31, 2021 are as follows:

Years Ending December 31,	Amount
2022	\$ 9,128
2023	28,139
2024	216
2025	224
2026	233
Thereafter	7,105
	<u>\$ 45,045</u>

NOTE I – INCOME TAXES

Management has not taken any positions nor foresees any changes within the next 12 months for which it would be reasonably possible that the total amounts of unrecognized tax benefits will materially increase or decrease. Tax years that remain subject to examination by major tax jurisdictions are fiscal years 2018, 2019, 2020 and 2021.

NOTE J – EQUITY INCENTIVE PLAN

The Company adopted an Equity Incentive Plan (the Plan) in 2021 whereby the Company awarded a fully diluted 10% in collective interest to three key members of the Company. Units issued under the time vesting method vest over a four-year period. Units issued under the performance-based method vest over a four-year period only if defined performance targets are met. The Plan was designed to motivate superior performance and achieve the long-term goals of the Company. The plan has a profit interest hurdle of \$10,000,000. As of December 31, 2021, no members of the Company have any vested units.

NOTE K – PAYCHECK PROTECTION PROGRAM (PPP) GRANT REVENUE

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Company operates. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Company and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which they operate and the related impact on consumer confidence and spending, all of which are highly uncertain.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2021 and 2020

NOTE K – PAYCHECK PROTECTION PROGRAM (PPP) GRANT REVENUE (Continued)

On April 13, 2020, the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$48,900 (the "PPP Loan"). The PPP Loan had interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company.

The Company elected to account for this funding under the government grant model and recognized the respective grant revenue as qualifying expenses were incurred and all conditions were met. As of December 31, 2020, the Company concluded that the conditions regarding qualification, certification, qualifying expenses, and any other SBA PPP Loan program conditions had been substantially met and therefore the loan proceeds were recognized as revenue and are included as "Paycheck Protection Program Grant Revenue" in the accompanying statements of income and changes in member's deficit. The Company was granted full forgiveness on May 26, 2021.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021. The Act includes updated guidance for first-draw Paycheck Protection Program (PPP) loans taken out in 2020 and allows for first-draw PPP loan borrowers to apply for a second-draw PPP Loan. Similar to the first-draw PPP Loan, the second-draw PPP Loan is implemented by the SBA with support from the Department of the Treasury. The second-draw PPP Loan provides funds to pay payroll costs, including benefits. Funds can also be used to pay mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. On May 28, 2021 the Company applied for and received funding for \$25,100. The Company was granted full forgiveness on September 14, 2021 and the loan proceeds were recognized as revenue and are included as "Payroll Protection Program Grant Revenue" in the accompanying statements of income and change in member's deficit.

NOTE L – RECLASSIFICATIONS

Certain reclassifications were made to the 2020 financial statements to conform to the 2021 presentation.

SCISSORS & SCOTCH FRANCHISING, LLC
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2020 AND 2019

blandTM
& associates
beyond accounting

BlandCPA.com

Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Balance Sheets	3
Statements of Operations and Changes in Member's Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 14

INDEPENDENT AUDITORS' REPORT

To the Members
Scissors & Scotch Franchising, LLC
Mission, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of Scissors & Scotch Franchising, LLC (the Company) (a wholly-owned subsidiary of Scissors & Scotch Franchising Holdings, LLC), which comprise the balance sheets as of December 31, 2020 and 2019 and the related statements of operations and changes in member's deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scissors & Scotch Franchising, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the financial statements, Scissors & Scotch Franchising, LLC has changed its method of accounting for revenue from contracts with customers due to the adoption of the new revenue standard. Scissors & Scotch Franchising, LLC adopted the new revenue standard using the full retrospective method, which resulted in the adjustment of the prior reporting period. Our opinion is not modified with respect to this matter.

Bland & Associates, P.A.

Omaha, Nebraska
April 21, 2021

SCISSORS & SCOTCH FRANCHISING, LLC
BALANCE SHEETS

	December 31,	
		2019
ASSETS	2020	As Adjusted (Note A)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ -	\$ 14,149
Restricted Cash	19,663	12,316
Accounts Receivable	5,478	5,965
Current Portion of Franchise Fee Receivable	260,000	120,000
Due From Related Parties	89,681	94,048
Inventory	16,480	4,398
Prepaid Expenses	14,583	-
Total Current Assets	405,885	250,876
OTHER ASSETS		
Franchise Fee Receivable, Less Current Portion, Net of Allowance for Doubtful Accounts of \$17,685 and \$36,000 in 2020 and 2019, Respectively	62,315	164,000
	<u>\$ 468,200</u>	<u>\$ 414,876</u>
	December 31,	
		2019
LIABILITIES AND MEMBER'S DEFICIT	2020	As Adjusted (Note A)
CURRENT LIABILITIES		
Bank Overdraft	\$ 5,838	\$ -
Bank Revolving Line of Credit	61,967	100,000
Current Portion of Long-Term Debt	9,741	-
Due to Franchisee	-	878
Due to Related Party	117,963	32,668
Deferred Revenue - Franchise Fees	440,042	343,500
Accounts Payable	23,389	118,000
Total Current Liabilities	658,940	595,046
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	43,759	-
Total Liabilities	702,699	595,046
COMMITMENTS AND CONTINGENCIES	-	-
MEMBER'S DEFICIT	(234,499)	(180,170)
	<u>\$ 468,200</u>	<u>\$ 414,876</u>

The accompanying notes to the financial statements
are an integral part of these statements

SCISSORS & SCOTCH FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT

	Years Ended December 31,	
	2020	2019 As Adjusted (Note A)
REVENUES		
Royalties	\$ 250,646	\$ 218,930
Franchise Fees	193,458	113,333
Other	69,368	31,835
Management Fees	-	27,500
Total Revenues	513,472	391,598
OPERATING EXPENSES		
Professional Fees	108,871	84,244
Contract Labor	52,261	38,938
Insurance	48,444	34,031
Office Supplies	43,443	19,652
Miscellaneous	38,150	29,943
Meals and Entertainment	36,938	59,788
Service Agreement	34,999	20,500
Advertising	14,426	45,730
Broker Fees	8,925	80,100
Training	7,629	7,383
Bad Debt	3,757	-
Utilities	2,364	1,225
Bank Charges	1,041	1,172
Licenses and Permits	677	4,296
Rent	447	400
Software	13	29
Total Operating Expenses	402,385	427,431
INCOME (LOSS) FROM OPERATIONS	111,087	(35,833)
OTHER INCOME (EXPENSE)		
Paycheck Protection Program Grant Revenue	48,900	-
Interest Expense	(5,816)	(9,289)
Total Other Income (Expense)	43,084	(9,289)
NET INCOME (LOSS)	154,171	(45,122)
MEMBER'S DEFICIT - BEGINNING OF YEAR	(180,170)	(75,073)
Distributions to Member	(208,500)	(59,975)
MEMBER'S DEFICIT - END OF YEAR	<u>\$ (234,499)</u>	<u>\$ (180,170)</u>

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

SCISSORS & SCOTCH FRANCHISING, LLC
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
		As Adjusted (Note A)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 154,171	\$ (45,122)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By (Used) In Operating Activities:		
Issuance of Franchise Fee Receivable for Store Sales	(40,000)	(160,000)
Decrease in Franchise Fee Allowance for Doubtful Accounts	(18,315)	(9,000)
Decrease (Increase) in Current Assets:		
Accounts Receivable	487	34,376
Inventory	(12,082)	409
Prepaid Expenses	(14,583)	-
(Decrease) Increase in Current Liabilities:		
Accounts Payable	(94,611)	8,215
Deferred Revenue - Franchise Fees	96,542	46,667
Net Cash Provided By (Used In) Operating Activities	71,609	(124,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments from Related Parties	144,574	213,969
Payments Received on Franchise Fee Receivable	20,000	160,000
Net Cash Provided By Investing Activities	164,574	373,969
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Bank Overdraft	5,838	-
Advances on Bank Revolving Line of Credit	558,000	-
Payments on Bank Revolving Line of Credit	(596,033)	-
Additions to Long-Term Debt	53,500	-
Payments on Due to Franchisee	(878)	(8,737)
Advances to Related Parties	(54,912)	(175,380)
Distributions to Member	(208,500)	(59,975)
Net Cash Used In Financing Activities	(242,985)	(244,092)
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(6,802)	5,422
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	<u>26,465</u>	<u>21,043</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 19,663</u>	<u>\$ 26,465</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 5,816</u>	<u>\$ 9,289</u>

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

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Scissors & Scotch Franchising, LLC (the Company), a wholly-owned subsidiary of Scissors & Scotch Franchising Holdings, LLC (the Holding Company), is presented to assist in understanding the Company's financial statements. The financial statements are a representation of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business and Reporting Entity

The original company, Scissors & Scotch, LLC opened in March 2015 with the objective to provide enjoyable, upscale grooming experience and offers a combination of traditional barbering services and modern spa treatments. As of December 31, 2020, there are two affiliated locations in Denver and Oklahoma City. On July 7, 2017, Scissors & Scotch Franchising, LLC was formed to start selling franchises throughout the United States. The Company's revenue is derived from franchise, royalty, and service fees.

Franchise Operations

Continuing royalty and service fees are determined as a percentage of franchise gross sales. These fees are recognized as revenue in the period the sales are earned by the franchisees.

Company personnel support franchise unit owners by providing certain administrative, operational, technological, and sales and marketing assistance.

Revenue Recognition

Effective January 1, 2020, the Company adopted Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" ("Topic 606") using the full retrospective transition method. This standard applies to all contracts with customers, except for customers that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under Topic 606, the Company recognizes revenue when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfied the performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services and promises within each contract and determines those that are performance obligations. The Company then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

New franchise agreements are considered to have two performance obligations. The first performance obligation is the performance of various pre-opening services (assistance with licensing, insurance, and regulations, selecting territories, training, setting up initial access to any operating systems, providing access to trademarks, marketing and lead development, website setup and sale support). The Company has estimated that these pre-opening services account for 50% of the fixed franchise fee stated in the new franchise agreement. The performance obligation for these pre-opening services is met at the point in time when all pre-opening services have been substantially performed, at which time the related revenue is recognized. The second performance obligation is the ongoing access to the intellectual property of the Company. This performance obligation is met over time as the franchisees consume the benefits of the intellectual property over the term of the agreement. Therefore, the remaining franchise fee is recognized ratably over the term of the franchise agreement as the second performance obligation is fulfilled.

Revenue from royalties, brand building and community development are recognized in the period in which the underlying sale occurs.

Other revenue consists primarily of revenue from training services. Revenue from training services are recognized at the point in time when the services are performed.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates used.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with maturities of three months or less to be cash equivalents.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash

The Company maintains separate cash accounts for deposits from clients for brand building and community development. These accounts had a balance of \$19,663 and \$12,316 as of December 31, 2020 and 2019, respectively.

Franchise Fee Receivable and Accounts Receivable

Franchise fee receivables are carried at the original agreement amount while accounts receivable are carried at the original invoice amount. Management determines the need for an allowance for doubtful accounts by regularly evaluating the receivable listings and considering a franchisee's or customer's financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventory

Inventory consists of shop and grooming supplies and is valued at the lower of cost or net realizable value.

Income Taxes

The Company has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

No provision for income taxes is required since the members report the Company's taxable income or loss on their respective income tax return.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expense was \$14,426 and \$45,730 for the years ended December 31, 2020 and 2019, respectively.

Change in Accounting Principle – Presentation of Financial Statements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, *Revenue from Contracts With Customers (Topic 606)* which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. On May 20, 2020, the FASB issued an ASU granting a one-year effective date delay for certain stakeholders applying revenue recognition guidance. The effective date deferral for revenue recognition is limited to private companies.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principle – Presentation of Financial Statements (Continued)

Private companies have the option to apply the new standard for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020.

The Company adopted ASU 2014-09 as of January 1, 2020 using the full retrospective approach, and accordingly the new guidance was applied retrospectively to contracts that were not completed as of January 1, 2019 (the date of initial application). As a result, the Company has recorded a cumulative effect adjustment to decrease retained earnings by \$296,833 as of January 1, 2019. The comparative information has been recast to reflect the new revenue standard.

The decrease in retained earnings primarily resulted from a change in the manner in which the Company accounts for new franchise fees. Under previous guidance, revenues for new franchise fees were recognized at the inception of the agreement once all material services relating to the sale were substantially performed by the Company. Under Topic 606, the Company recognizes a portion of revenues from new franchise sales at the inception of the agreement. The remaining revenues are recognized ratably over the term of the franchise agreement.

The Company has adjusted its comparative financial statements from amounts previously reported due to the retrospective adoption of Topic 606. Select statements of operations, and changes in member's deficit and balance sheet line items for the year ended December 31, 2019, which reflect the adoption of Topic 606 are as follows:

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Adjusted</u>
Balance Sheet:			
Current Liabilities:			
Deferred Revenue – Franchise Fees	\$ -	\$ 343,500	\$ 343,500
Statement of Operations and Changes in Member's Deficit:			
Franchise Fees	\$ 160,000	\$ (46,667)	\$ 113,333
Member's Deficit – Beginning of Year	\$ 221,760	\$ (296,833)	\$ (75,073)
Member's Deficit – End of Year	\$ 163,330	\$ (343,500)	\$ (180,170)
Statement of Cash Flows:			
Increase in Current Liabilities			
Deferred Revenue – Franchise Fees	\$ -	\$ 46,667	\$ 46,667

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming Accounting Standard Pronouncements

The FASB issued ASU No. 2016-02, *Leases* (Topic 842): a revision of the 2010 ASU, *Leases* (Topic 840), which once again revises a previous change to lease accounting standards. The FASB will require an entity to classify the right to use a leased asset as an asset and the obligation to make lease payments as a liability. The revised ASU contains other factors in determining the proper recording of related expenses. The FASB also decided on a dual approach for lessee accounting, with lease classification determined in accordance with the principle in existing lease requirements (that is, determining whether a lease is effectively an installment purchase by the lessee). A lessee therefore would account for most existing capital/finance leases as Type A leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability) and most existing operating leases as Type B leases (that is, recognizing a single total lease expense). Both Type A leases and Type B leases result in the lessee recognizing a ROU asset and a lease liability. The new guidance is effective for fiscal years beginning after December 15, 2021.

Subsequent Events

Management has evaluated subsequent events through April 21, 2021, which is the date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

The Company has one type of financial instrument subject to credit risk. The Company's receivables subject the Company to credit risk.

NOTE C – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statements of cash flows for the years ended December 31,:

	2020	2019
Cash and cash equivalents	\$ -	\$ 14,149
Restricted cash	19,663	12,316
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 19,663</u>	<u>\$ 26,465</u>

The Company uses a daily sweep of cash on hand to pay down the revolving line of credit in order to reduce the amount of interest paid. In addition to this, the revolving line of credit funds the cash account if cash becomes overdrawn.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE D – FRANCHISE FEE RECEIVABLE

The Company has secured non-interest-bearing franchise fee receivables for various franchise store sales. These receivables mature at various dates from 2021 through 2022. Franchise fee receivable consist of the following at December 31,:

	2020	2019
Franchise Fee Receivable	\$ 340,000	\$ 320,000
Less: Allowance for Doubtful Accounts	(17,685)	(36,000)
	<u>\$ 322,315</u>	<u>\$ 284,000</u>

The future minimum payments to be received as of December 31,:

Years Ending December 31,	Amount
2021	\$ 260,000
2022	80,000
	<u>\$ 340,000</u>

NOTE E – SERVICE AGREEMENTS

The Company has two service agreements for software and data analysis services through July of 2023. The data analysis agreement requires 3 annual installments of \$25,000 and the software agreement calls for monthly payments of \$500. Service agreement expense totaled \$34,499 and \$20,500 for the years ended December 31, 2020 and December 31, 2019, respectively.

Future minimum payments as of December 31, 2020, are as follows:

Years Ending December 31,	Amount
2021	\$ 31,000
2022	31,000
2023	18,083
	<u>\$ 80,083</u>

NOTE F – RELATED PARTY TRANSACTIONS

Transactions With Related Parties

Scissors & Scotch Colorado, LLC (Denver) – The members of the Holding Company are the same members as Denver. The Company had a non-interest-bearing note of \$88,681 and \$82,800 for the years ended December 31, 2020 and December 31, 2019, respectively.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE F – RELATED PARTY TRANSACTIONS (Continued)

Transactions With Related Parties (Continued)

The Company had a receivable of \$0 and \$11,248 for the years ended December 31, 2020 and December 31, 2019, respectively, for miscellaneous purchases the Company had made on behalf of Denver.

Scissors & Scotch Development, LLC (Development) – The members of the Holding Company are the same members of Development. The Company had a payable of \$117,963 and \$32,668 for the years ended December 31, 2020 and 2019, respectively, for working capital.

Gift Card, LLC (Gift Card) – The members of the Holding Company are the same members of Gift Card. The Company had a receivable of \$1,000 and \$0 for the years ended December 31, 2020 and 2019, respectively, for the Company funding an account setup for Gift Card.

NOTE G – BANK REVOLVING LINE OF CREDIT

The Company has a \$100,000 revolving line of credit with a financial institution with interest payable monthly at .25% above the national prime rate (3.5% at December 31, 2020). The line of credit is due on demand and guaranteed by the members of the Holding Company. The Company had a balance due of \$61,967 and \$100,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE H – LONG-TERM DEBT

Long-term debt consists of the following at December 31,:

	2020	2019
Note payable to a financial institution, to be paid in 23 monthly installments of \$1,250 (including interest) beginning on the first anniversary of the effective date of the note and a final balloon payment due in May of 2023. The interest rate is 0% for the first 12 months, then 2.00% for months 13-24 and 4.50% for months 25-36. The note payable is secured by substantially all assets of the Company and guaranteed by the members of the Holding Company.	\$ 45,000	\$ -
Economic Injury Disaster Loan (EIDL) payable to the U.S. Small Business Administration (SBA), payable in monthly installments of \$42 beginning on the first anniversary of the effective date of the note, including interest at 3.75%, due June 2050.	8,500	-
Total Long-Term Debt	53,500	-
Less Current Portion of Long-Term Debt	9,741	-
	<u>\$ 43,759</u>	<u>\$ -</u>

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE H – LONG-TERM DEBT (Continued)

The aggregate maturities of long-term debt for the years ending after December 31, 2020 are as follows:

Years Ending December 31,	Amount
2021	\$ 9,741
2022	14,237
2023	21,553
2024	209
2025	217
Thereafter	7,543
	<u>\$ 53,500</u>

NOTE I – INCOME TAXES

Management has not taken any positions nor foresees any changes within the next 12 months for which it would be reasonably possible that the total amounts of unrecognized tax benefits will materially increase or decrease. Tax years that remain subject to examination by major tax jurisdictions are fiscal years 2017, 2018, 2019 and 2020.

NOTE J – PAYCHECK PROTECTION PROGRAM (PPP) GRANT REVENUE

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Company operates. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Company and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which they operate and the related impact on consumer confidence and spending, all of which are highly uncertain.

On April 13, 2020, the Company qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$48,900 (the "PPP Loan"). The PPP Loan had interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA.

SCISSORS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2020 and 2019

NOTE J – PAYCHECK PROTECTION PROGRAM (PPP) GRANT REVENUE (Continued)

The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Company's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company. The Company elected to account for this funding under the government grant model and recognized the respective grant revenue as qualifying expenses were incurred and all conditions were met. As of December 31, 2020, the Company concluded that the conditions regarding qualification, certification, qualifying expenses, and any other SBA PPP Loan program conditions had been substantially met and therefore the loan proceeds were recognized as revenue and are included as "Paycheck Protection Program Grant Revenue" in the accompanying statements of operations and change in retained earnings. The Company had not applied for forgiveness as of April 21 2021.

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Scissors & Scotch Franchising

Balance Sheet
As of September 30, 2022

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Brand Building Account	47,643.13
Community Development Account	54,237.76
Operating Account	548,849.48
Total Bank Accounts	\$650,730.37
Accounts Receivable	
Accounts Receivable	429,415.78
Royalty Receivables	6,605.21
Total Accounts Receivable	\$436,020.99
Other Current Assets	
Allowance for Bad Debts	-13,000.00
Inventory	57,749.01
Owed by Others	10,206.33
Prepaid Expenses	28,049.30
Prepaid Recruiting Ads	4,478.74
Total Other Current Assets	\$87,483.38
Total Current Assets	\$1,174,234.74
Fixed Assets	
Computers and Hardware	8,216.93
Office Furniture	12,546.76
Total Fixed Assets	\$20,763.69
TOTAL ASSETS	\$1,194,998.43
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	68,213.92
Total Accounts Payable	\$68,213.92
Credit Cards	
Chase Business Ink	39,661.29
Total Credit Cards	\$39,661.29
Other Current Liabilities	
Accrued Interest - EIDL Loan	13,543.75
Deferred Revenues - Area Rep	47,840.00
Deferred Revenues - Franchise Fees	585,250.00
Deferred Revenues - Prepaid Royalties and Fees	26,352.68
Healthcare Liability	84.42
Total Other Current Liabilities	\$673,070.85

Scissors & Scotch Franchising

Balance Sheet

As of September 30, 2022

	TOTAL
Total Current Liabilities	\$780,946.06
Long-Term Liabilities	
AltCap Loan	26,931.64
EIDL Loan	866,674.00
Total Long-Term Liabilities	\$893,605.64
Total Liabilities	\$1,674,551.70
Equity	
Brovitz Trust Initial Contribution	300,000.00
Opening Balance Equity	273.96
Owner's Investment	23,550.00
Partner Distributions	-534,601.00
Retained Earnings	-94,613.95
Net Income	-174,162.28
Total Equity	\$ -479,553.27
TOTAL LIABILITIES AND EQUITY	\$1,194,998.43

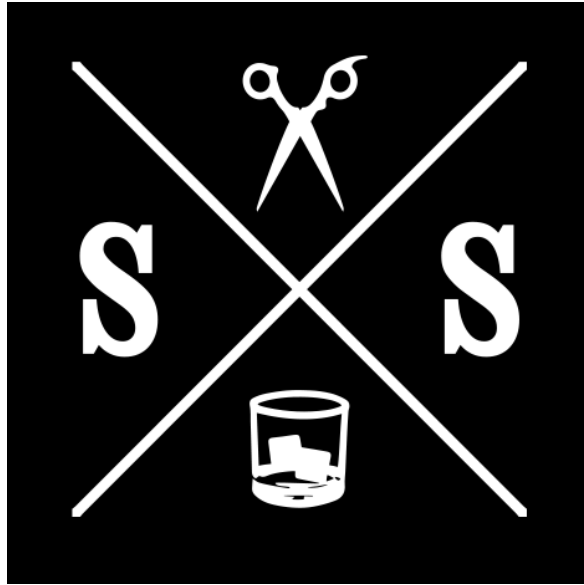
Scissors & Scotch Franchising

Profit and Loss

January - September, 2022

	TOTAL
Income	
Sales - Recurring Fees	730,329.32
Sales - Upfront Fees	177,000.00
Total Income	\$907,329.32
Cost of Goods Sold	
Cost of Goods Sold	4,632.64
Total Cost of Goods Sold	\$4,632.64
GROSS PROFIT	\$902,696.68
Expenses	
Franchise Development	108,170.19
Franchise Support	370,735.61
Operating Expenses	184,940.49
Payroll Expenses	397,383.69
Total Expenses	\$1,061,229.98
NET OPERATING INCOME	\$ -158,533.30
Other Expenses	
Interest Expense	15,628.98
Total Other Expenses	\$15,628.98
NET OTHER INCOME	\$ -15,628.98
NET INCOME	\$ -174,162.28

EXHIBIT B
AREA REPRESENTATIVE AGREEMENT



AREA REPRESENTATIVE AGREEMENT

AREA REPRESENTATIVE

DATE OF AGREEMENT

TABLE OF CONTENTS

	<u>Page</u>
1.....	DEFINITIONS
	Error! Bookmark not defined.
1.1 Affiliate	Error! Bookmark not defined.
1.2 AR Business	Error! Bookmark not defined.
1.3 AR Services	Error! Bookmark not defined.
1.4 AR Territory	Error! Bookmark not defined.
1.5 Competitive Business	Error! Bookmark not defined.
1.6 Confidential Information	Error! Bookmark not defined.
1.7 Operations Manual	Error! Bookmark not defined.
1.8 Principals	Error! Bookmark not defined.
1.9 Specifications	Error! Bookmark not defined.
1.10 System	Error! Bookmark not defined.
2.....	GRANT
	Error! Bookmark not defined.
2.1 Grant	Error! Bookmark not defined.
2.2 AR Territory	Error! Bookmark not defined.
2.3 Reservation of Rights	Error! Bookmark not defined.
2.4 No Right to Operate Barbershops	Error! Bookmark not defined.
2.5 Renewal	Error! Bookmark not defined.
3.....	AREA REPRESENTATIVE
FEES	Error! Bookmark not defined.
3.1 Area Representative Fee	Error! Bookmark not defined.
3.2 Renewal Fee	Error! Bookmark not defined.
3.3 AR Technology Fee	Error! Bookmark not defined.
3.4 Method of Payment	Error! Bookmark not defined.
4.....	DEVELOPMENT
	Error! Bookmark not defined.
4.1 Schedule	Error! Bookmark not defined.
4.2 Cumulative Number of Units	Error! Bookmark not defined.
4.3 Compliance Mandatory	Error! Bookmark not defined.
4.4 Reasonableness of Development Schedule	Error! Bookmark not defined.
4.5 Pre-Existing Franchisees	Error! Bookmark not defined.

5..... DUTIES OF
FRANCHISOR.....**Error! Bookmark not defined.**

- 5.1 Training **Error! Bookmark not defined.**
- 5.2 Promotional Materials **Error! Bookmark not defined.**
- 5.3 Operations Manual **Error! Bookmark not defined.**
- 5.4 Ongoing Supervision **Error! Bookmark not defined.**
- 5.5 Disclosure Documents **Error! Bookmark not defined.**
- 5.6 Ongoing Assistance **Error! Bookmark not defined.**
- 5.7 Internet **Error! Bookmark not defined.**
- 5.8 Processing of Applications **Error! Bookmark not defined.**
- 5.9 Authority **Error! Bookmark not defined.**
- 5.10 Distribution of Fees **Error! Bookmark not defined.**
- 5.11 Franchisor Inspection **Error! Bookmark not defined.**
- 5.12 Liability **Error! Bookmark not defined.**

6..... DUTIES OF AREA
REPRESENTATIVE.....**Error! Bookmark not defined.**

- 6.1 Acknowledgement **Error! Bookmark not defined.**
- 6.2 Full-Time Attention Required **Error! Bookmark not defined.**
- 6.3 Area Representative Training **Error! Bookmark not defined.**
- 6.4 Training Center(s) and Training Team **Error! Bookmark not defined.**
- 6.5 Recruiting New Franchisees **Error! Bookmark not defined.**
- 6.6 Franchisee Support **Error! Bookmark not defined.**
- 6.7 General Franchisee Supervision **Error! Bookmark not defined.**
- 6.8 Meeting System Standards **Error! Bookmark not defined.**
- 6.9 Operations Manual Updates **Error! Bookmark not defined.**
- 6.10 Meeting the Development Schedule **Error! Bookmark not defined.**
- 6.11 Updated Documentation **Error! Bookmark not defined.**
- 6.12 Franchisor's Right of Inspection **Error! Bookmark not defined.**
- 6.13 Regional Meeting and National Convention **Error! Bookmark not defined.**
- 6.14 Compliance with Laws and Regulations **Error! Bookmark not defined.**
- 6.15 Electronic Equipment and Services **Error! Bookmark not defined.**
- 6.16 Permits, Licenses, and Certificates **Error! Bookmark not defined.**
- 6.17 Amounts Payable to Franchisor in the Event of a Breach **Error! Bookmark not defined.**

7..... ADVERTISING
.....**Error! Bookmark not defined.**

7.1	Standards and Value	Error! Bookmark not defined.
7.2	Local Advertising	Error! Bookmark not defined.
7.3	Cooperative Advertising	Error! Bookmark not defined.
7.4	Advisory Councils	Error! Bookmark not defined.
7.5	Area Representative Cooperative	Error! Bookmark not defined.
7.6	National Advertising Promotions and Programs	Error! Bookmark not defined.
8.....	USE OF SYSTEM AND MARKS	Error! Bookmark not defined.
8.1	No Right to Marks	Error! Bookmark not defined.
8.2	No Contest or Infringement	Error! Bookmark not defined.
8.3	Rights to Licensed Marks upon Termination	Error! Bookmark not defined.
8.4	Identification of Area Representative Business	Error! Bookmark not defined.
8.5	Goodwill	Error! Bookmark not defined.
8.6	Modification or Substitution of Marks	Error! Bookmark not defined.
8.7	Notification of Infringement	Error! Bookmark not defined.
8.8	Indemnification	Error! Bookmark not defined.
9.....	REMUNERATION OF AREA REPRESENTATIVE	Error! Bookmark not defined.
9.1	Revenue Flow	Error! Bookmark not defined.
9.2	Remuneration	Error! Bookmark not defined.
9.3	Use of Brokers	Error! Bookmark not defined.
9.4	Remuneration Conditioned Upon Compliance	Error! Bookmark not defined.
9.5	Franchisor's Reporting Requirements	Error! Bookmark not defined.
9.6	No Share of Other Fees	Error! Bookmark not defined.
9.7	Financing and Impounds	Error! Bookmark not defined.
9.8	Inspection of Books and Records	Error! Bookmark not defined.
9.9	Pre-Existing Franchisees and Franchisor-Owned Barbershops	Error! Bookmark not defined.
9.10	Right of Set-Off	Error! Bookmark not defined.
9.11	Refunds	Error! Bookmark not defined.
9.12	Expiration, Termination, or Transfer of this Agreement	Error! Bookmark not defined.
10.....	RELATIONSHIP OF THE PARTIES	Error! Bookmark not defined.

10.1	Independent Contractor Status	Error! Bookmark not defined.
10.2	Operation of Barbershops	Error! Bookmark not defined.
10.3	Maintenance of Independent Contractor Status	Error! Bookmark not defined.
11	INDEMNIFICATION	Error! Bookmark not defined.
12	INSURANCE	Error! Bookmark not defined.
13	DEFAULT AND TERMINATION	Error! Bookmark not defined.
13.1	Automatic Termination	Error! Bookmark not defined.
13.2	With Notice and Without Opportunity to Cure	Error! Bookmark not defined.
13.3	Upon 15 Days' Notice to Cure	Error! Bookmark not defined.
13.4	Upon 30 Days' Notice to Cure	Error! Bookmark not defined.
13.5	Additional Grounds	Error! Bookmark not defined.
13.6	AR Territory Rights upon Termination	Error! Bookmark not defined.
13.7	Nonwaiver	Error! Bookmark not defined.
13.8	Post-Termination Obligations	Error! Bookmark not defined.
14	TRANSFERABILITY	Error! Bookmark not defined.
14.1	Ownership and Transfer	Error! Bookmark not defined.
14.2	Rights Personal to Area Representative	Error! Bookmark not defined.
14.3	Effectiveness of Transfer	Error! Bookmark not defined.
14.4	Death or Disability	Error! Bookmark not defined.
14.5	Change in Ownership	Error! Bookmark not defined.
14.6	Franchisor's Right of First Refusal	Error! Bookmark not defined.
14.7	Conditions for Approval	Error! Bookmark not defined.
14.8	Transfers to an Entity	Error! Bookmark not defined.
14.9	Subsequent Transfer of Voting Rights in Corporate Entity	Error! Bookmark not defined.
14.10	Public Offering	Error! Bookmark not defined.
14.11	Franchisor's Right to Transfer	Error! Bookmark not defined.
14.12	Franchisor's Purchase Option	Error! Bookmark not defined.
15	RESTRICTIVE COVENANTS & CONFIDENTIALITY	Error! Bookmark not defined.

15.1	Restrictive Covenants During the Term of This Agreement	Error! Bookmark not defined.
15.2	Restrictive Covenants After the Term of This Agreement	Error! Bookmark not defined.
15.3	Confidentiality	Error! Bookmark not defined.
15.4	Employees	Error! Bookmark not defined.
15.5	Intent and Enforcement	Error! Bookmark not defined.
15.6	No Defense	Error! Bookmark not defined.
16.....	RIGHTS AND OBLIGATIONS OF THE PARTIES UPON TERMINATION.....	Error! Bookmark not defined.
16.1	Post-Term Obligations	Error! Bookmark not defined.
16.2	Permission to Continue Agreement	Error! Bookmark not defined.
16.3	Survival	Error! Bookmark not defined.
17.....	CHANGES AND MODIFICATIONS.....	Error! Bookmark not defined.
18.....	NOTICES.....	Error! Bookmark not defined.
19.....	CHOICE OF LAW; DISPUTE RESOLUTION	Error! Bookmark not defined.
19.1	Choice of Law	Error! Bookmark not defined.
19.2	Internal Dispute Resolution	Error! Bookmark not defined.
19.3	Mediation	Error! Bookmark not defined.
19.4	Jurisdiction and Venue	Error! Bookmark not defined.
19.5	Third-Party Beneficiaries	Error! Bookmark not defined.
19.6	Injunctive Relief	Error! Bookmark not defined.
19.7	JURY TRIAL AND CLASS ACTION WAIVER	Error! Bookmark not defined.
19.8	Limitation on Action	Error! Bookmark not defined.
19.9	Waiver of Punitive Damages	Error! Bookmark not defined.
19.10	Costs and Attorneys' Fees	Error! Bookmark not defined.
19.11	Nonwaiver	Error! Bookmark not defined.
19.12	Release of Prior Claims	Error! Bookmark not defined.
20.....	CONSTRUCTION.....	Error! Bookmark not defined.
20.1	Entire Agreement	Error! Bookmark not defined.
20.2	Survival of Terms	Error! Bookmark not defined.
20.3	Severability	Error! Bookmark not defined.

20.4	Construction of Language	Error! Bookmark not defined.
20.5	Successors and Assigns	Error! Bookmark not defined.
20.6	State Law Applies	Error! Bookmark not defined.
20.7	Additional Documentation	Error! Bookmark not defined.
20.8	Force Majeure	Error! Bookmark not defined.
21		ACKNOWLEDGEMENTS
		Error! Bookmark not defined.
21.1	Independent Investigation	Error! Bookmark not defined.
21.2	No Guarantee of Earnings	Error! Bookmark not defined.
21.3	Receipt of Franchise Disclosure Document	Error! Bookmark not defined.
21.4	No Personal Liability	Error! Bookmark not defined.
21.5	Anti-Terrorist Provision	Error! Bookmark not defined.
22		GUARANTEE OF
PRINCIPALS		Error! Bookmark not defined.

EXHIBITS

- Exhibit A – Development Schedule
- Exhibit C – Personal Guaranty
- Exhibit D – Conditional Assignment of Franchisee’s Telephone Numbers, Facsimile Numbers and Domain Names

AREA REPRESENTATIVE AGREEMENT

This AREA REPRESENTATIVE AGREEMENT (this “**Agreement**”) is made effective as of the ____ day of _____, 20__ (the “**Effective Date**”), by and between Scissors & Scotch Franchising, LLC a Kansas limited liability company with its principal office at 5400 Johnson Drive, Mission, Kansas 66208 (“**S&S**”) and _____, a _____ formed and operated under the laws of the State of _____, with a principal address of _____ (“**Area Representative**”).

WITNESSETH:

WHEREAS, as the result of expenditure, time, skill, effort and expense, S&S has created a distinct proprietary System (defined below in Section 1) for the establishment, development and operation of high-end barbershops (each a “**Scissors & Scotch® Barbershop**” or “**Barbershop**”) under the name, Scissors & Scotch®, which caters to male customers, offering men’s grooming and spa services that include haircuts, facial hair trims, hair coloring, straight-razor shaves, waxes, hand repairs, lounge and bar services, and hosting client events that include beer and liquor tastings, wedding parties, trunk shows, and private parties;

WHEREAS, S&S identifies the System and licenses the use of certain trade names, service marks, trademarks, emblems, and indicia of origin, including the mark Scissors & Scotch® and other trade names, service marks, trademarks, logos and designs as are now designated (and may hereafter be designated by S&S in writing) for use with the System (the “**Licensed Marks**”);

WHEREAS, S&S and its Affiliates intend to develop, use, and control the use of the Licensed Marks to identify for the public the source of services and products marketed under the System and the System’s high standards of quality, identity, and service;

WHEREAS, Area Representative understands and acknowledges the importance of S&S’ high standards of quality, cleanliness, appearance, and service and the necessity of operating the Barbershops in conformity with the Specifications (as defined below);

WHEREAS, S&S offers persons or legal entities the opportunity to operate an AR Business (as defined below) that solicits, qualifies, trains, and assists unit franchisees in opening and operating Barbershops, and S&S desires to grant Area Representative the right to operate an AR Business in accordance with the terms and upon the conditions contained in this Agreement;

WHEREAS, Area Representative has conducted an independent investigation of an AR Business and recognizes that, like any other business, the nature of the business conducted involves business risks and that the success of the venture is largely dependent on Area Representative’s business abilities and efforts; and

WHEREAS, Area Representative desires to operate an AR Business within the AR Territory (as defined below).

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments of each party set forth herein, agree as follows:

1. DEFINITIONS

For purposes of this agreement, the terms listed below have the following meanings. Other terms used in this agreement are defined and construed in the context in which they occur.

1.1 Affiliate. “Affiliate” of a named person means any person or entity that is controlled by, controlling, or under common control with, the named person.

1.2 AR Business. “AR Business” shall mean the Scissors & Scotch® area representative business operated by Area Representative in the AR Territory.

1.3 AR Services. “AR Services” shall mean Area Representatives obligation to: (i) solicit, recruit, screen, and interview prospective franchisees for Franchisor in association with Franchisor’s approved vendor, and host (or participate in) discovery day events for franchisees at locations that Franchisor designates; (ii) identify and secure sites for franchisees in accordance with Franchisor’s site selection process and assist franchisees with construction oversight, which will include (a) site selection trips that Franchisor requests that Area Representative attends with franchisees and Franchisor’s approved real estate firm, (b) general contractor selection and (c) confirmation of completion of final construction punch lists; and (iii) provide operational, training, and field support to franchisees both before and after they open their franchised businesses, including being ultimately responsible for overseeing pre-opening support and processes for franchisees in the AR Territory and working with Franchisor’s designated affiliate(s) to provide pre-opening services as Franchisor requires from time to time.

1.4 AR Territory. “AR Territory” shall mean the location specified in Exhibit A where the AR Business shall be operated.

1.5 Competitive Business. “Competitive Business” means any traditional barber shops, male-focused salons, chain haircutting establishments, and other businesses offering similar services and products which offers and sells products or services now or in the future offered and sold by the Scissors & Scotch® Barbershops or any business which looks like, copies, imitates, or operates in a manner similar to a Scissors & Scotch® Barbershop but does not apply to: (1) the ownership or operation of a barbershops by or pursuant to written agreements with, or written authorization from, S&S or its Affiliates; (2) the ownership of shares of a class of securities that are listed on a stock exchange or traded on the over-the-counter markets and that represent less than one percent (1%) of that class of securities.

1.6 Confidential Information. “Confidential Information” means all information relating to the establishment and operation of a Barbershop, including, without limitation: (1) the Specifications; (2) marketing plans; (3) research, development and test programs for products, services, and operations; (4) contents of the Operations Manual; (5) knowledge of the operating and financial results of any Scissors & Scotch® Barbershop; (6) computer programs and system; and (7) any improvements to the System.

1.7 Operations Manual. “Operations Manual” means one or more handbooks or manuals or other written or electronic materials that S&S grants access to Area Representative during the term of this Agreement that contains Specifications, standards, and operating procedures for the operation of a Barbershop, an AR Business, and other related information.

1.8 Principals. “Principals” means collectively and individually: (1) Area Representative’s spouse and children, if Area Representative is an individual; (2) any officer or director of Area Representative (including the officers and directors of any general partner of Area Representative); (3) any person or entity owning and/or controlling 10% or more of the outstanding equity interests of Area Representative; and (4) any managing member or manager if Area Representative is a limited liability company. The initial Principals shall be listed in Exhibit D.

1.9 Specifications. “Specifications” shall mean the equipment, standards, requirements, operating procedures, and specifications promulgated from time to time by S&S for any aspect of owning, developing, and operating a Barbershop or an AR Business.

1.10 System. “System” means the comprehensive methods and procedures for the establishment, management and operation of a Barbershop, including Confidential Information, the Operations Manual, the Licensed Marks and other business standards and policies, the distinguishing characteristics of which include, without limitation: the Specifications; quality and uniformity of the products and service offered; procedures for inventory, management and financial controls; training and assistance; and marketing programs; all of which S&S may change, improve, further develop or modify throughout the term of this Agreement.

2. GRANT

2.1 Grant. In reliance upon the representations and warranties of this Area Representative Agreement (the “**Agreement**”), S&S hereby grants to Area Representative, for a term of ten (10) years (“**Term**”), the exclusive right and license to serve as an area representative, in order to develop the AR Territory by recruiting prospective franchisees, providing franchisees within the AR Territory with Services in strict accordance with the System, and utilizing the Licensed Marks. The foregoing grant to Area Representative does not include: (i) any right to operate a Barbershop within the AR Territory without executing a separate franchise agreement; (ii) any right to offer any product or service via e-commerce, except through a website designated by S&S; (iii) any right to establish an independent website or to establish a URL incorporating the Licensed Marks or any variation thereof; (iv) any right to sell merchandise via wholesale or retail distribution; or (v) any right to otherwise distribute, market, or implement S&S’ products and services in any channel of distribution not specifically identified in this Agreement.

2.2 AR Territory. For so long as Area Representative complies with the terms and conditions of this Agreement, including the Development Schedule as defined below in Section 4, S&S will not contract with another third-party to serve as S&S’ area representative within the AR Territory.

2.3 Reservation of Rights. Area Representative expressly understands and agrees that Franchisor and Franchisor’s affiliates shall have the right, in Franchisor’s sole discretion, to: (i) sell other Area Representative Businesses under the System and Licensed Marks at any location outside of the AR Territory; (ii) own and operate Barbershops or other businesses at any location(s) inside or outside the AR Territory under the System and Licensed Marks; (iii) license others the right to own and operate Barbershops at any location(s) inside or outside the AR Territory under the System and Licensed Marks, subject to the remuneration provisions described in Section 9 of

this Agreement; (iv) recruit and/or solicit, or engage a third party to recruit and/or solicit, prospective franchisees within the AR Territory, subject to the remuneration provisions set forth in Section 9 of this Agreement; (v) market, offer and sell products and services similar to those offered by Barbershops (such as private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (vi) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Barbershop located within or outside the AR Territory, and subsequently operate (or license a third party the right to operate) these locations; (vii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to Barbershops under marks other than the Licensed Marks at any location; and (viii) use, and license others the right to use, the Licensed Marks and System to engage in any other activity not expressly prohibited by this Agreement.

2.4 No Right to Operate Barbershops. This Agreement is not a franchise agreement for the license to operate Barbershops under the System. Area Representative must execute a separate franchise agreement for each Barbershop it operates.

2.5 Renewal. Area Representative has the right to renew this Agreement for an additional ten (10) year period (a “**Renewal**”), provided Area Representative has met the following conditions:

2.5.1 Area Representative has notified Franchisor of Area Representative’s intention to renew this Agreement in writing not less than six (6) months nor more than twelve (12) months prior to expiration of the current term;

2.5.2 Area Representative is in compliance with all of the terms and conditions of this Agreement at the time of requesting renewal, and has substantially complied with the terms and conditions of this Agreement and the operating standards and criteria established by Franchisor throughout the initial term and any renewal term of this Agreement;

2.5.3 Area Representative is not in breach of any provision of this Agreement, or any other agreement between Area Representative and Franchisor, Franchisor’s affiliates, Franchisor’s approved/designated suppliers and vendors, and Area Representative has substantially complied with all such agreements during their respective terms, including any franchise agreements entered into with Franchisor to operate Training Centers within or outside the AR Territory;

2.5.4 Area Representative has satisfied all monetary obligations Area Representative owes Franchisor, its affiliates, and/or its approved/designated suppliers and vendors at the time of requesting renewal;

2.5.5 Area Representative executes Franchisor’s then-current form of Area Representative Agreement, which may include substantially different provisions, Development Schedules, and key terms and may require payment of additional fees and all such terms, including the Development Schedule outlining the number of Barbershops that

Area Representative shall be permitted and/or required to open during any such renewal term, shall be determined by Franchisor in its sole discretion;

2.5.6 Area Representative satisfies Franchisor's then-current training requirements for renewing Area Representatives at Area Representative's expense, as of the date of such renewal, if any;

2.5.7 Area Representative and its guarantors sign a general release, in the form Franchisor prescribes, in favor of Franchisor and its affiliates and their respective officers, directors, agents, and employees, for all claims arising out of or related to this Agreement or any related agreements with Franchisor or its affiliates. The release shall not be inconsistent with any applicable state statute regulating franchises;

2.5.8 Area Representative has opened all Barbershops required under the Development Schedule attached as Exhibit E to this Agreement;

2.5.9 Area Representative pays Franchisor a renewal fee equal to Two Thousand Dollars (\$2,000) multiplied by the greater of (i) the number of Barbershops operating or under development within the AR Territory at the time of such Renewal, or (ii) the number of cumulative Barbershops to be developed under the Development Schedule (as defined in Section 4); and

2.5.10 Area Representative agrees to continue assisting all franchisees in the AR Territory acquired under this Agreement in the manner described in this Agreement.

3. AREA REPRESENTATIVE FEES

3.1 Area Representative Fee. In consideration of the rights granted under this Agreement, Area Representative agrees to pay Franchisor, upon execution of this Agreement, an area representative fee in the amount of Fifteen Thousand Dollars (\$15,000) for each Barbershop, with a minimum of ten (10) Barbershops, that Area Developer is scheduled to develop in the AR Territory (the "**Area Representative Fee**"). The Area Representative Fee is deemed fully earned upon payment and is nonrefundable under any circumstances.

3.2 Renewal Fee. Upon any Renewal, Area Representative agrees to pay Franchisor a renewal fee in the amount, and pursuant to the terms, set forth above in Section 2.

3.3 AR Technology Fee. S&S currently does not, but reserves the right to, charge Area Representative an on-going technology fee to pay for certain aspects of Area Representative's computer system and/or software ("**Technology Fee**"). Franchisor may designate and/or change the amount, scope, or manner of payment of the Technology Fee, including the party to whom payment is made, at any time by providing reasonable notice to Area Representative.

3.4 Method of Payment. Except for the Area Representative Fee, all payments due to Franchisor under this Agreement will be either: (i) deducted from remuneration due to Area Representative pursuant to Section 9 of this Agreement prior to remission to Area Representative; or, (ii) if there are insufficient initial and ongoing fees collected from franchisees within the AR Territory, by an 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 Area Representative and Franchisor, from Area Representative's bank account. Franchisor may, with written notice, designate other methods for payment. Area Representative will designate a single bank account for the Area Representative Business, and will deposit all revenue generated by the Area Representative Business into the designated account within two (2) days of receipt, including cash, checks, and credit card receipts. Area Representative will provide Franchisor with Area Representative's bank name, address, and account number for the designated account, a voided check from the designated bank account, and sign and give to Franchisor any additional documents Franchisor deems necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer, including Exhibit F to this Agreement. Area Representative shall immediately notify Franchisor of any change in Area Representative's banking relationship, including changes in account numbers. Franchisor reserves the right to require Area Representative to pay any fees due under this agreement by such other means as Franchisor may specify from time to time. Any payment not received by Franchisor when due will bear interest at a rate of eighteen percent (18%) per annum, or the maximum rate permitted by law. Charges on late payments are intended to partially compensate Franchisor for loss of use of the funds, and for internal administrative costs resulting from late payment, which would otherwise be difficult to measure precisely. Imposing the late payment charge should not be construed as a waiver of Franchisor's right to timely payment.

4. DEVELOPMENT

4.1 Schedule. Immediately following the execution of this Agreement, Area Representative will commence a franchise development program for the AR Territory, and will cause the number of franchise agreements to be signed and Barbershops to be opened in the AR Territory, as set forth in Development Schedule attached hereto as Exhibit A (the "**Development Schedule**").

4.2 Cumulative Number of Units. Area Representative will cause to be opened the cumulative number of Barbershops in the AR Territory, specified in the Development Schedule. Area Representative agrees that it will ensure that all Barbershops remain open and operating throughout the term of this Agreement. Any Barbershop closed during the Term will be subtracted from the cumulative totals in determining whether or not Area Representative has complied with the Development Schedule. Failure of the prescribed cumulative number of Barbershops to be open and operating in the AR Territory will (i) be deemed a material default of this Agreement, (ii) grounds for termination of this Agreement, as specified in Section 13 of this Agreement; and (iii) if Franchisor does not elect to terminate this Agreement, result in the adjustment to the ongoing fees paid to Area Representative as provided in Section 9.2.3.

4.3 Compliance Mandatory. If Area Representative fails to comply with the Development Schedule, Franchisor has the right to terminate this Agreement immediately upon notice from Franchisor to Area Representative. If Area Representative fails to comply with the Development Schedule and Franchisor elects to terminate this Agreement: (i) Area Representative will retain the right to develop and operate Barbershops for which Area Representative has signed a franchise agreement; (ii) Area Representative will lose its territorial rights in the AR Territory and will lose the right to receive the ongoing payments described in Section 9 of this Agreement;

and (iii) Franchisor shall have the right to develop the AR Territory itself, or through its franchisees, licensees, or otherwise, at its sole discretion.

4.4 Reasonableness of Development Schedule. Area Representative hereby acknowledges and agrees that the Development Schedule contained herein is a fair and reasonable time frame for the development of Barbershops within the AR Territory and is an accurate reflection of Area Representative's financial, managerial, and administrative capabilities. The parties further acknowledge and agree that the Development Schedule is an accurate reflection of market demand without over-saturation of Franchisor's services and products offered under the System.

4.5 Pre-Existing Franchisees. Area Representative further acknowledges and agrees that any franchisees within the AR Territory who have signed agreements with Franchisor prior to the date of this Agreement, or any similar outlets operated by Franchisor, Franchisor's affiliates, or Franchisor's designees shall not count towards Area Representative's obligations under this Agreement. Unless Area Representative and Franchisor separately agree that Area Representative will provide ongoing services to these franchisees, as described in Section 6 of this Agreement, Area Representative will not be entitled to any initial, royalty, transfer, or renewal fees from such franchisees.

5. DUTIES OF FRANCHISOR.

Franchisor will furnish the following services, information, and personnel to Area Representative:

5.1 Training. Franchisor will provide a training program for Area Representative and its owners and designated manager, if applicable, that covers certain aspects of the System, franchisee training techniques, as well as other subjects Franchisor deems appropriate, at Franchisor's headquarters or another location Franchisor designates. Franchisor may charge its then-current training fee for any additional persons who attend training in addition to Area Representative and its owners and designated manager, if applicable. Notwithstanding anything to the contrary contained in this Section, if there are existing franchisees within the AR Territory, Franchisor may require Area Representative to complete all initial training described in this Section within thirty (30) days of executing this Agreement. All trainees whom Area Representative designates must attend the training course at the same time. All training-related expenses, including Area Representative and Area Representative's additional trainees' transportation to and from the training site, lodging, meals, and salaries during training, are Area Representative's sole responsibility.

5.2 Promotional Materials. Franchisor may furnish to Area Representative templates of promotional materials, layouts, business cards, stationery, and Franchisor's franchise disclosure document, as filed with the state agencies and amended from time to time (the "FDD"), as well as other promotional items which Franchisor believes are necessary to attract new franchisees and promote the Area Representative Business and goodwill of the System, at its sole discretion. Area Representative agrees to copy these materials in quantities sufficient to efficiently operate the Area Representative Business, at Area Representative's expense.

5.3 Operations Manual. Franchisor will loan to Area Representative access to Franchisor's proprietary and confidential operations manual, as amended from time to time, which shall include standards and specifications for equipment, inventory, supplies, and operation of a Barbershop (collectively, the "**Operations Manual**"). Franchisor will also provide access to any additional manuals it provides to System franchisees, as well as any manuals Franchisor may have with respect to the operation of an Area Representative Business (collectively, the Operations Manual and all other manuals provided to Area Representative will be referred to collectively as the "**Manuals**"). Franchisor may provide the Manuals to Area Representative in hard copy or electronic format, and these Manuals may be transmitted to Area Representative via Franchisor's intranet, website and/or via email. Area Representative acknowledges and agrees that the Manuals are a proprietary and a confidential trade secret owned by Franchisor, and Area Representative must take all reasonable steps to maintain the Manuals as confidential, restrict, and prohibit unauthorized access to the Manuals, and prohibit any copying, duplication, or recording of any information contained therein. Franchisor may from time to time update and revise the contents of the Manuals and distribute supplements thereto, and Area Representative expressly agrees to comply with each new or changed standard with respect to each Barbershop operated within the AR Territory.

5.4 Ongoing Supervision. Upon request by Area Representative, Franchisor may review Area Representative's operations and techniques in the area of franchise sales and support services, and may suggest methods of improvement. Franchisor may provide Area Representative, from time to time, as it deems appropriate in its sole discretion, such merchandising, marketing and other information and advice as may from time to time be developed by Franchisor and deemed by Franchisor to be helpful in the management and operation of an Area Representative Business. Franchisor's obligations under this Agreement shall benefit only Area Representative, and no other party is entitled to rely on, enforce, benefit from, or obtain relief for breach of such obligations, either directly or by subrogation.

5.5 Disclosure Documents. Franchisor will reasonably prepare and keep current the necessary FDD related to the offer and sale of Barbershops in the AR Territory. Franchisor shall also take the necessary steps to file or register the FDD with those state authorities within the AR Territory requiring pre-sale registration. Area Representative will be solely responsible for completing, registering, and keeping current all broker or sales agent disclosure registrations, franchise seller disclosure forms, and any other documents required under federal, state, or local law in connection with its Area Representative Business.

5.6 Ongoing Assistance. Franchisor may provide Area Representative with assistance in all matters relating to the operation of the AR Business, as Franchisor deems necessary in its sole discretion. Franchisor's advice and consultation may include addressing issues such as marketing and sales, management of multiple Barbershops, operational problems, and providing Area Representative with an analysis of its performance in such areas. This operating assistance may be made available via telephone, videoconference, in-person meetings, email, or another method of communication selected by Franchisor. Franchisor may require Area Representative and its employees' attendance at additional or ongoing training programs. Such programs will be provided at Franchisor's then-current tuition rate for such training.

5.7 Internet. Franchisor may, but is not required to, design and provide to Area Representative one webpage for the promotion of the Area Representative Business on Franchisor's website. If Franchisor chooses to create such a website, Franchisor will be the web master, either directly or through a third party, and will have sole discretion and control over such site. Franchisor will review and execute, subject to Franchisor's approval, requested changes to Area Representative's webpage. Area Representative is prohibited from conducting the following activities without Franchisor's prior written approval: (i) maintaining an individual website related in any respect to the System; (ii) establishing a URL incorporating any variation of Franchisor's name or the Licensed Marks; or (iii) promoting or otherwise listing its Area Representative Business, the Licensed Marks, or System on any social media or networking site, including without limitation, Instagram, Snapchat, Facebook, LinkedIn, Twitter or YouTube. Franchisor reserves the right to modify its policies and procedures regarding Area Representative's use of social media and the Internet as Franchisor deems appropriate for the best interests of the System and Licensed Marks.

5.8 Processing of Applications. Franchisor shall use its best efforts to promptly process all prospective franchisee applications forwarded to Franchisor by Area Representative and shall not unreasonably withhold Franchisor's approval of any prospective franchisee, provided such prospect meets the educational, professional, managerial, business, financial, and other qualifications as Franchisor may from time to time prescribe for new franchisees.

5.9 Authority. NOTHING IN THIS AGREEMENT SHALL BE INTERPRETED TO PROVIDE AREA REPRESENTATIVE WITH THE POWER OR AUTHORITY TO NEGOTIATE CONTRACT TERMS WITH ANY PROSPECTIVE FRANCHISEE, TO GRANT FRANCHISES OR TO EXECUTE ANY FRANCHISE AGREEMENT WITH A FRANCHISEE ON FRANCHISOR'S BEHALF. FRANCHISOR SHALL HAVE THE OPTION, IN ITS SOLE DISCRETION, TO APPROVE OR DENY A FRANCHISE TO ANY PROSPECTS PROPOSED BY AREA REPRESENTATIVE, AND FRANCHISOR WILL HAVE THE SOLE AUTHORITY TO EXECUTE FRANCHISE AGREEMENTS WITH FRANCHISEES.

5.10 Distribution of Fees. Franchisor shall provide for the collection of and distribution to Area Representative of its share of initial franchise, royalty, renewal, and transfer fees received from each franchisee operating in the AR Territory (as described more fully in Section 6 of this Agreement), excluding any pre-existing franchisees as described in Section 4.5 of this Agreement.

5.11 Franchisor Inspection. Franchisor shall continue its efforts to maintain high standards of quality, professionalism, and service of the Area Representative Business, and, to that end, may conduct inspections of any Training Center or any Barbershop located in the AR Territory, and may also closely monitor Area Representative's promotional efforts and service efforts, which may include, without limitation, contacting prospective and existing franchisees and monitoring Area Representative's sales presentations.

5.12 Liability. Franchisor shall not, by virtue of any approvals, advice, or services provided to any franchisee, assume responsibility for, or liability to, Area Representative, franchisees, or any third parties to which Franchisor would not otherwise be liable.

6. DUTIES OF AREA REPRESENTATIVE.

6.1 Acknowledgement. Area Representative understands and acknowledges that every detail of the AR Business is important to Franchisor, other area representatives, and unit franchisees, in order to develop and maintain high and uniform operating standards, to increase the number of qualified franchisees and the demand for services and products sold by Barbershops, and to protect Franchisor's reputation and goodwill. Area Representative further understands and acknowledges that Area Representative's primary obligations pursuant to this Agreement include increasing the number of Barbershops within the AR Territory through franchise sales and supporting the franchisees in all aspects of developing and operating a Barbershop.

6.2 Full-Time Attention Required. Area Representative (or one of Area Representative's principals, if Area Representative is an entity) must personally supervise the day-to-day operations of the Area Representative Business and shall refrain from any other employment and/or conducting any other business that reasonably interfere with Area Representative's responsibilities under this Agreement. Area Representative (or one of Area Representative's principals, if Area Representative is an entity) must devote personal full-time attention and best efforts to the management and operation of the Area Representative Business. Area Representative shall maintain a sufficient number of qualified employees to provide pre-signing, pre-opening, and ongoing services to franchisees within the AR Territory.

6.3 Area Representative Training.

6.3.1 Initial Training. Unless Franchisor waives this requirement based on previous experience, Area Representative and up to three (3) additional persons shall attend and complete, to Franchisor's satisfaction, Franchisor's initial area representative training program, and Area Representative, Area Representative's manager or other employees, as Franchisor may designate, shall attend and complete, to Franchisor's satisfaction, such other training sessions as Franchisor may reasonably require from time to time. For any training session, Franchisor shall only pay for the instructors, training facilities, and training materials, and Area Representative shall pay for all other expenses incurred by Area Representative and Area Representative's manager or other employees, including, without limitation, the costs of travel, room, board, and wages. See Section 6 of this Agreement for more information about the parties' obligations with respect to initial and ongoing training. Area Representative must complete these training sessions, as well as the initial training requirements under Area Representative's franchise agreement with respect to the Training Center, within six (6) months of the date of this Agreement.

6.3.2 Supplemental Training. In addition to the initial training program described above, Area Representative and its appointed designee, as required, must attend any Area Representative seminars or training sessions held by Franchisor. Area Representative shall be responsible for travel, food, lodging, payroll, and other expenses related to such training sessions. Franchisor may also charge its then-current training tuition fee for such additional training, as Franchisor deems necessary in its sole discretion.

6.4 Training Center(s) and Training Team.

6.4.1 Training Deadline. Between the Effective Date and the 12-month anniversary of the Effective Date (the “**Training Deadline**”), Area Representative must use its best efforts to establish one or more Training Centers (as defined below) and certify an adequate training team, in accordance with this Section, the System standards, and Franchisor’s then-current AR Business requirements.

6.4.2 Training Center(s).

6.4.2.1 Training Center Always Required. Area Representative must open and maintain one or more approved and fully functioning facilities to be exclusively or partially used for training new employees from Barbershops within the AR Territory (each, a “**Training Center**”). After the Training Deadline, Area Representative must maintain, at all times, at least one Training Center.

6.4.2.2 Using an AR Shop as a Training Center. Unless otherwise approved by Franchisor in writing, a Barbershop owned and operated by Area Representative and within the AR Territory (an “**AR Shop**”) will serve as Area Representative’s first Training Center. Area Representative must open and commence operations of a Training Center (in accordance with the terms and conditions of the franchise agreement otherwise governing the Training Center, if the Training Center is an AR Shop), prior to providing training to any franchisee or employee of any Barbershop in the AR Territory. Area Representative may, however, begin soliciting and recruiting activities described herein prior to opening a Training Center.

6.4.2.3 AR Shop Still a Barbershop. Area Representative must sign Franchisor’s then-current form of franchise agreement for any Barbershop it desires to own and operate in the AR Territory, including but not limited to any AR Shop serving as a Training Center. Area Representative shall pay Franchisor the initial franchise fee for all Barbershops opened by Area Representative, though Area Representative will receive its share of the initial franchise fee in accordance with Section 9 of this Agreement.

6.4.2.4 Adequate Training Capacity. Each Training Center must at all times maintain adequate capacity, as determined by Franchisor, to support timely training of new employees within the AR Territory. For any AR Shop acting as a Training Center, if any training or other AR Business requirements reasonably interrupt such AR Shop’s standard operations, Franchisor may require that Area Representative establish additional Training Centers, as detailed below.

6.4.2.5 Additional Training Centers. Franchisor reserves the right, in Franchisor’s sole discretion and at Area Representative’s sole expense, to require Area Representative to establish multiple Training Centers, in order to meet Area Representative’s training obligations and adequately service all training demand within the AR Territory.

6.4.3 Training Team.

6.4.3.1 Certifying a Training Team. Beginning on or before Training Deadline, Area Representative must at all times maintain a team of trainers certified in accordance with System standards and Franchisor's then-current training structure (the "**Training Team**"). The Training Team must include enough qualified individuals to timely administer training for all employees of all Barbershops within the AR Territory. The Training Team shall at all times conduct all training in the AR Territory under Franchisor's direction, in accordance with the Manuals and Franchisor's then-current training processes. As of the Effective Date and until revised by Franchisor: (i) the Training Team must include at least one Elite Educator and multiple Certified Trainers (as defined in the Manuals); (ii) Area Representative's Elite Educator may not certify additional Elite Educators; and (iii) Certified Trainers may train up to four (4) individuals concurrently but may not provide initial employee training to new Barbershops.

6.4.3.2 Franchisor Training Assistance. Prior to the Training Deadline, Franchisor may assist Area Representative in administering employee training within the AR Territory as needed. If Area Representative does not have an adequate Training Team available, before or after the Training Deadline and as determined by Franchisor, Franchisor will conduct training within the AR Territory as necessary and collect the respective training fee(s) from the franchisees. Area Representative will not be entitled to training fees for any training they did not conduct.

6.5 Recruiting New Franchisees.

6.5.1 Selection Process. In recruiting prospective franchisees, Area Representative will make every effort to locate persons of good standing, professional competence, experience, reputation, ability, and financial responsibility. Area Representative shall refrain from making misrepresentations to Franchisor and franchisees and from conducting itself or the Area Representative Business in a manner likely to impair the reputation, business or profitability of Franchisor, its employees or officers, or any franchisee. Franchisor will have the sole right to formulate and make policy decisions concerning every aspect of sales, promotions, advertising, and other programs, as well as negotiations with individual prospects. Area Representative shall:

6.5.1.1 Know, understand, and comply with all applicable federal, state, and local laws, rules, and regulations governing the advertising, promotion, and sale of franchises, including, without limitation, those relating to franchise registration, disclosure, and unfair or deceptive practices. In particular and without limiting the foregoing, Area Representative shall strictly adhere to Franchisor's instructions and neither Area Representative nor Area Representative's principals or employees shall make any statement, projection, or other description of potential earnings, costs, or profits to any third party unless it is disclosed in Item 19 of the FDD, and Area Representative expressly agrees to indemnify and hold harmless Franchisor and its affiliates for any Claim (as defined in Section 11 herein) arising from such representations;

6.5.1.2 Deliver to each prospective franchisee, at or before the time required by law, a copy of Franchisor's then-current FDD, and obtain from each prospective franchisee the original, signed acknowledgment of receipt, and promptly furnish to Franchisor said acknowledgment;

6.5.1.3 Conduct a discovery day with each prospective franchisee wherein Area Representative shall meet each prospective franchisee in person and evaluate the candidate to determine the candidate's qualification to open a Barbershop;

6.5.1.4 Not permit any employee to engage in the promotion of Barbershops unless Franchisor has given Franchisor's prior written consent to such person's involvement, and, upon Franchisor's request, Area Representative shall immediately discontinue the involvement of any person in the solicitation of prospective franchisees;

6.5.1.5 Promptly provide Franchisor (or Franchisor's counsel) with such information and materials as Franchisor may reasonably request in order to enable Franchisor to comply with laws regulating the offer and sale of franchises and/or franchise relationship laws;

6.5.1.6 Not prepare, modify, or register with any governmental authority any document in connection with the offer and sale of Barbershops, unless so directed in writing by Franchisor; Conduct both credit and criminal background checks on prospective franchisees before submitting their applications and qualifications to the Franchisor or providing a prospective franchisee with any of Franchisor's confidential information;

6.5.1.7 Conduct liquidity, credit, and criminal background checks on prospective franchisees before submitting their applications and qualifications to the Franchisor or providing a prospective franchisee with any of Franchisor's confidential information;

6.5.1.8 Submit to Franchisor written and completed applications of all qualified prospective franchisees together with such additional information and comments, including credit and background information, as specified by Franchisor; and

6.5.1.9 Bear all costs, including but not limited to attorneys' fees, in obtaining full acknowledgements and releases from franchisees in the AR Territory, as required by Franchisor.

6.5.2 Franchisor's Acceptance. Franchisor will notify Area Representative and the prospective franchisee of Franchisor's acceptance or rejection of the prospective franchisee's application. Franchisor's determination, over which it will have complete discretion, will be conclusive, final, and binding. Regardless of whether or not an application is approved by Franchisor, Area Representative must: (i) follow up with all third parties that submit applications for a Barbershop to be located within the AR

Territory; or (ii) otherwise refer these applications to Franchisor's approved third-party broker for assistance.

6.5.2.1 Once an application is approved by Franchisor, Area Representative must provide Franchisor with periodic status reports on the approved application at least once per month, with Franchisor reserving the right to request weekly updates in commercially reasonable circumstances.

6.5.2.2 Area Representative must also provide Franchisor with periodic status reports in writing no less than once every two (2) weeks with respect to all prospective franchisees that have been contacted and the prospect pipeline generally, in a form and manner prescribed by Franchisor.

6.5.2.3 All reports required under this Agreement, including the reports required under this Section, must be prepared by a designated bookkeeper approved by Franchisor prior to the opening of the Training Center.

6.5.3 Franchisor's Approval of an Application and Timeline for Execution. Within fifteen (15) days of Franchisor's notification of approval of a prospective franchisee, Franchisor and the prospective franchisee shall execute Franchisor's then-current form of franchise agreement for franchisees within the AR Territory. If such agreement is not executed within fifteen (15) days, or such longer period as Franchisor may permit, or if any condition of approval specified by Franchisor is not satisfied, Franchisor may, at its sole discretion, withdraw, suspend, or condition its approval of said franchisee.

6.5.4 Sale of Franchises. Area Representative will cause all sales efforts made by it or under its direction to be courteous and dignified, and such efforts shall be conducted in a professional, ethical, and responsible manner. Area Representative must not violate any federal, state, or local law in connection with the offer or sale of franchises. Area Representative must specifically abide by any applicable laws, rules, and regulations governing Area Representative's business and sales activities.

6.6 Franchisee Support. Area Representative will act as Franchisor's third-party designee to provide the following services to franchisees that have executed Franchise Agreements to operate a Barbershop within the AR Territory:

6.6.1 Initial Franchisee Training. Franchisor reserves the right to, but does not currently, require Area Representative to provide franchisees within the AR Territory with certain training as prescribed in Franchisor's then-current form of franchise agreement for the AR Territory, which may include Franchisor's initial training program and additional ongoing assistance. Area Representative will receive all then-current training fees paid in connection with such franchisee training. Area Representative will provide ongoing training or training upon a material change to the System as Franchisor may require.

6.6.2 Pre-Opening Support. Area Representative must consistently communicate with all new franchisees within the AR Territory regarding: (i) site selection

of their Barbershops; (ii) site development and the construction/build-out of their Barbershop, including acting as a liaison, as necessary, between franchisee, Scissors & Scotch Development, LLC, and Franchisor's other required suppliers; (iii) pre-opening recruiting, training, ordering, and setup obligations; (iv) advertising budget and expenditures; and (v) any other pre-opening processes required under Franchisor's current form of franchise agreement. Area Representative shall oversee the foregoing activities using the approved tools, vendors, and systems as required by Franchisor. Area Representative may not approve any site proposed by any new franchisee. Area Representative must provide Franchisor with bi-weekly reports on these activities for each franchisee within the AR Territory, and ensure that such franchisees are complying with the standards and specifications set forth in the Manuals and Franchisor's franchise agreement.

6.6.3 On-Site Opening Support. Unless otherwise approved by Franchisor, Area Representative must provide on-site support for franchisees within the AR Territory as needed during the two (2) weeks prior to the opening of each Barbershop, as well as during the opening day itself. Area Representative will provide, at its expense, a qualified and trained field representative to give advice to franchisees upon the opening of their Barbershops in the AR Territory and give additional training to franchisees and their employees in accordance with Franchisor's standards. This support will vary based on the franchisee at issue and includes, but is not limited to: (i) assisting with the set-up of the Barbershop to comply with the System's standards and specifications; (ii) ensuring all of franchisee's employees are sufficiently trained; (iii) ensuring the pre-opening advertising plan is being properly implemented; and (iv) ensuring that franchisees and their employees are performing their duties in a manner consistent with the Manuals and each franchisee's respective form of franchise agreement.

6.7 General Franchisee Supervision. Area Representative, or its duly authorized representative, must provide supervision to all Barbershops within the AR Territory as directed by Franchisor. Such supervision may include, but is not limited to: (i) on-site supervision during the period of time prior to the opening of a Barbershop; (ii) general assistance, advice and consultation to franchisees with regard to entering into negotiations and agreements within the AR Territory for franchisees' services; (iii) review of proposed leases and contracts; (iv) consultation and assistance with regard to the opening of a Barbershop; (v) providing supplemental training and assistance on all material aspects of the operation of a Barbershop, as needed, in accordance with Franchisor's requirements; (vi) periodic and regular telephone calls or visits to monitor operations of Barbershops within the AR Territory; (vii) continuous advisory services to franchisees; and (viii) ongoing training and updates for all Barbershops within the AR Territory. Area Representative shall perform such duties pursuant to Franchisor's requirements and in accordance with the System, the Manuals, Franchisor's then-current form of franchise agreement for the AR Territory, or otherwise as prescribed by Franchisor in writing. Area Representative shall be available during regular business hours to answer franchisee questions or concerns.

6.7.1 Performance Plans. Area Representative must administer Franchisor's then-current coaching and support plan for a designated operating team for each Barbershop in the AR Territory, including setting and monitoring a performance and

growth plan, reporting performance results to Franchisor as requested, and overseeing timely implementation of any related operational changes suggested by Franchisor.

6.7.2 Operational Assistance and Support. Area Representative must advise all Barbershops within the AR Territory with respect to problems arising out of the operation of any Barbershop as disclosed by periodic reports submitted to Area Representative or Franchisor by a franchisee, or by inspections conducted by Area Representative or Franchisor of Barbershops within the AR Territory. Area Representative must provide each Barbershop within the AR Territory with such assistance in connection with the operation of such Barbershop as is determined to be necessary by Franchisor. Operational assistance may consist of advice and guidance with respect to:

6.7.2.1 Proper utilization of procedures developed for a Barbershop;

6.7.2.2 Additional products or services authorized by Franchisor for sale by a Barbershop;

6.7.2.3 The purchase of equipment, products, inventory, materials, and supplies;

6.7.2.4 The institution of proper administrative bookkeeping, accounting, inventory control, supervisory, and general operating procedures for the effective operation of a Barbershop;

6.7.2.5 Advertising and promotional programs;

6.7.2.6 Marketing and negotiating techniques to be employed when dealing with vendors;

6.7.2.7 The proper maintenance of the premises of franchisees' Barbershops; and

6.7.2.8 The proper use of the Licensed Marks and any other ancillary signs, symbols, or indicia used in connection with said Licensed Marks.

6.7.3 Consistent Franchisee Contact. Area Representative must make contact with all Barbershops within the AR Territory for the purposes of consultation, assistance and guidance of franchisees and managers of each Barbershop, and Area Representative or its representatives will prepare, at Franchisor's request, and for the benefit of both Area Representative and Franchisor, written reports regarding these regular contacts, outlining any suggested changes or improvements in the operations of the Barbershop, and detailing any defaults in such operations which become evident as a result of any such contacts. A copy of each such written report must be provided to both the franchisee or its manager and Franchisor. Area Representative must return all franchisee phone calls within a commercially reasonable time and must personally meet with each franchisee at the franchisee's Barbershops no less than every three (3) months to discuss the Barbershop. Area Representative may not delegate these responsibilities to any third party. This meeting

is in addition to inspections, but may take place directly before or after a Barbershop inspection.

6.7.4 Quality Control. Area Representative will ensure that each Barbershop's signage, equipment, inventory, and supplies conform to the standards and specifications set forth in the Manuals. Area Representative must only use, and is required to help ensure that franchisees within the AR Territory use, suppliers designated by Franchisor, and shall not use any other suppliers unless approved by Franchisor in writing. Area Representative will take all necessary steps to enforce the terms of each individual franchise agreement executed for a Barbershop within its AR Territory and the provisions of the Manuals, as amended from time to time. At Franchisor's request, Area Representative shall provide Franchisor with reasonable assistance in the collection of delinquent accounts from franchisees.

6.7.5 Transaction Records. Area Representative must keep accurate records concerning all transactions and communications between Franchisor, Area Representative, and franchisees relating to the operation of any Barbershop in the AR Territory, and Franchisor's duly authorized representative shall have the right at all reasonable hours to examine all such records, and shall have full and free access thereto. All such records shall be available for at least three (3) years after the termination or expiration of this Agreement for any reason whatsoever. Area Representative shall maintain the accounts of all Barbershops fully or partially owned by Area Representative with no unpaid balances owed to either Franchisor or its affiliates.

6.7.6 Financial Reviews and Franchisee Inspections. As directed by Franchisor and not less than once every three (3) months, Area Representative must conduct management and financial reviews of each Barbershop in the AR Territory. As a part of these reviews, an evaluation form, which form will be mutually approved by Franchisor and Area Representative, will be completed to determine if Area Representative is satisfactorily performing its duties and obligations under the terms of this Agreement. Area Representative will remit the required management and financial review information, together with the Area Representative evaluation form, to Franchisor within ten (10) days after the close of each three-month period during the Term of this Agreement. In addition, Area Representative will perform routine inspections of franchisee's Barbershops within the AR Territory approximately once a month, unless another frequency is otherwise approved by Franchisor, using Franchisor's prescribed inspection forms, to ensure strict compliance with the standards and specifications designated by Franchisor, and must submit the completed inspection forms to Franchisor within ten (10) days of the applicable inspection date. Such form will at least include the following information: (i) any apparent deficiencies and problems concerning the uniformity and quality of service provided at the Barbershop; (ii) any apparent opportunities for the Barbershop to improve its performance; (iii) any apparent deviations from Franchisor's operating procedures, standards, and specifications; and (iv) any apparent violations of applicable laws, rules, or regulations.

6.7.7 Post-Agreement Obligations. Area Representative will also ensure that franchisees within the AR Territory that have their franchise agreement terminated, or which otherwise cease to be franchisees of Franchisor for any reason, comply with their

post-termination obligations under such franchise agreement(s) in a timely manner. Franchisor may direct Area Representative to retrieve certain proprietary materials that franchisees are required to return to Franchisor upon termination, as well as assist Franchisor in any other manner connected to ensuring that franchisees are complying with their post-term obligations.

6.8 Meeting System Standards. Franchisor has created and developed special procedures, standards, and methods for operating and maintaining a Barbershop, which standards are incorporated in the Manuals. Area Representative shall ensure that each Barbershop within the AR Territory is developed and operated solely in accordance with Franchisor's requirements and specifications as set forth in the Manuals, including by means of inspections and reviews as required by Franchisor's policies and procedures, which may be changed from time to time. Area Representative shall bear all costs in providing support and assistance to franchisees in the development of Barbershops.

6.9 Operations Manual Updates. Area Representative shall distribute to AR Territory franchisees the updated Manuals, any amendments or updates to the Manuals, and any other written materials Franchisor may designate in the form and manner prescribed by Franchisor (which may include electronic transmission). Franchisor shall provide, at its expense, copies of such written materials to be distributed, but Area Representative will be required to reproduce such materials at its own expense.

6.10 Meeting the Development Schedule. It is Area Representative's responsibility to meet or exceed the performance requirements of the Development Schedule and maintain Area Representative's aggregate number of units at all times. Area Representative is responsible for any and all functions relating to recruiting new franchisees and having each franchisee properly open and operate their Barbershop, including, but not limited to: (i) opening requisite Training Centers in the AR Territory; (ii) soliciting and screening prospective franchisees, (iii) conducting "Discovery Days" as necessary; (iv) using each Training Center for in-shop training of franchisees, operators, and employees; (v) overseeing the development and construction process of Barbershops using approved tools, vendors, and systems provided by Franchisor; (vi) conducting regular site visits to ensure compliance with operating system standards; (vii) conducting regulating consulting and coaching meetings with franchisees; (viii) delivery of quarterly and annual business plans; (ix) reporting on business activities and performance; (x) identifying and executing System improvement opportunities and (xi) other functions relating to real estate, business/strategic planning, procurement, training, support, and new and/or other functions specified by Franchisor.

6.11 Updated Documentation. Throughout the term of this Agreement, Area Representative shall: (i) furnish to Franchisor, Area Representative's articles of incorporation, by-laws, other governing documents, Area Representative's annual business plans, and any other documents Franchisor may reasonably request, and any amendments thereto; and (ii) maintain a current list of all of Area Representative's owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Area Representative and shall furnish such list to Franchisor upon request.

6.12 Franchisor's Right of Inspection. Area Representative shall grant Franchisor and Franchisor's agents the right to enter any Barbershop in the AR Territory, including any Training Center, for the purposes of conducting inspections and monitoring Area Representative's operations. Area Representative shall cooperate with Franchisor's representatives in such steps as may be necessary to immediately correct any deficiencies detected during such inspections or monitoring.

6.13 Regional Meeting and National Convention. As often as, and in any format that, Franchisor directs, Area Representative will arrange for and conduct regional meetings for all Barbershops within the AR Territory at a location within the AR Territory, or in another digital or physical location approved by Franchisor. Such meetings shall include training and general advisory assistance for the Barbershops within the AR Territory. Area Representative shall notify Franchisor in writing at least three (3) weeks prior to conducting such regional meetings. Franchisor may, as it deems necessary in its sole discretion, provide its instructors to assist Area Representative in conducting seminars. Area Representative shall be responsible for the cost of travel, food, lodging, and other related items for each of Franchisor's representatives in attendance. Area Representative shall attend Franchisor's annual franchise convention for its franchisees and shall bear its own costs, including travel, food, and lodging.

6.14 Compliance with Laws and Regulations. Area Representative shall ensure that all franchisee solicitations by Area Representative and any acts incident thereto are in strict accordance with the Federal Trade Commission's Rule on Franchising, any applicable state laws, and the FDD prepared by Franchisor.

6.15 Electronic Equipment and Services. Area Representative shall maintain a dedicated mobile telephone line for the purposes of performing its obligations under this Agreement, which must be used exclusively in connection with its Area Representative Business and not for any other purpose (including operation of any Training Center or any other Barbershop owned or operated by Area Representative). Area Representative shall also maintain Wi-Fi Internet access, an email address, and a laptop computer with current versions of Windows, Microsoft Office and any other software required by Franchisor. Area Representative shall give the dedicated mobile phone number and email address to Franchisor and to each franchisee in the AR Territory.

6.16 Permits, Licenses, and Certificates. Area Representative shall timely obtain any and all permits, certificates, licenses, and bonds necessary for the full and proper operating and management of the Area Representative Business. 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 Area Representative Business which indicate Area Representative's failure to meet or maintain the highest governmental standards or less than full compliance by Area Representative with any applicable law, rule or regulation, shall be forwarded to Franchisor by Area Representative within three (3) days of receipt thereof.

6.17 Amounts Payable to Franchisor in the Event of a Breach.

6.17.1 If Area Representative fails to perform its obligations under this Agreement with respect any franchisee within the AR Territory and such failure contributes

to that franchisee's breach of its obligations to Franchisor, then Franchisor will have the right to: (i) take whatever actions it deems reasonably necessary to notify the franchisee and, if appropriate, demand a cure and/or terminate its franchise relationship with that franchisee; and (ii) seek and obtain reimbursement from Area Representative of an amount equal to fifty percent (50%) of the costs and expenses that Franchisor incurs in connection with taking any legal action against that franchisee.

6.17.2 Furthermore, in the event Franchisor is forced to perform any actions or provide any of the services to a franchisee within the AR Territory that Area Representative is required to provide hereunder, then Area Representative will be required to pay Franchisor an amount equal to 125% of all costs and expenses that Franchisor and its personnel incurred in connection with performing the actions or providing the services to that franchisee (the "**Applicable Costs and Expenses**"). Area Representative shall pay such amounts to Franchisor within 30 days of the date Franchisor provides Area Representative with notice detailing its Applicable Costs and Expenses that were incurred in connection with a particular franchisee.

7. ADVERTISING

7.1 Standards and Value. The parties hereto recognize and acknowledge the value of advertising and promotion in locating and soliciting individuals to become franchisees, and the importance of consistency of such advertising and promotion to the furtherance of the goodwill and public image of the Area Representative Business and System. Area Representative shall conduct all advertising in any medium in a dignified manner, shall conform to standards and requirements prescribed by Franchisor, and shall comply with all applicable laws, rules, and regulations relating to advertising of franchises.

7.2 Local Advertising.

7.2.1 Area Representative agrees to use its best efforts throughout the Term of this Agreement to generate and assist Franchisor in converting leads for franchisees within the AR Territory. Area Representative must develop and distribute local advertising within the AR Territory that demonstrate Area Representative's best efforts, including any and all advertising and promotional material that Franchisor designates or provides to Area Representative for use in connection with the Area Representative Business granted hereunder. Area Representative is not required, however, to expend a minimum amount each month on local advertising. Area Representative must obtain Franchisor's written permission prior to attending any trade shows and prior to engaging in any solicitations outside of the AR Territory. Area Representative must at all times use Franchisor's then-current advertising materials and may not use any alternative materials in any manner without Franchisor's prior approval.

7.2.2 Area Representative must use marketing, advertising, and promotional materials as Franchisor prescribes in the Manuals or otherwise in writing, which may include, without limitation, requirements for placing a certain number and/or type(s) of media advertisements, including direct mailing, internet, or other solicitations, to prospects within the AR Territory.

7.2.3 Area Representative may also use such advertising and promotional materials as have been previously approved by Franchisor. Franchisor may require Area Representative to provide Franchisor an annual plan detailing Area Representative's plans and budget for local advertising at least 30 days prior to the end of the immediately-preceding calendar year. Area Representative must provide Franchisor with invoices or other evidence of these expenditures on a monthly basis in any manner Franchisor may specify. Area Representative shall submit to Franchisor for prior approval all sales, promotional, advertising, and other materials relating to recruiting new franchisees. Franchisor will notify Area Representative of its approval of the proposed materials and programs within fifteen (15) business days after receipt thereof. Franchisor shall use reasonable efforts to respond within the said fifteen (15) business day period and shall not unreasonably withhold or delay approval, but if Franchisor fails to respond within said period, such materials shall be deemed disapproved. Area Representative shall affix the Licensed Marks in the manner prescribed by Franchisor to all stationery, cards, signs, and other advertising materials used in connection with Area Representative's operations hereunder.

7.3 Cooperative Advertising. Franchisor will have the right to establish regional advertising and promotional cooperatives (each, a "**Cooperative**") and solicit contributions to these Cooperatives from franchisees within the AR Territory. All Barbershops within the AR Territory, including AR Shops, will be subject to the Cooperative contribution requirements. At Franchisor's request, Area Representative hereby agrees to manage any Cooperative within its AR Territory and to assist Franchisor in ensuring that individual franchisees comply with the Franchisor's or the Cooperative's requirements regarding contributions to the Cooperative and the use of advertising, promotional, and other materials.

7.4 Advisory Councils. Upon Franchisor's request, Area Representative must participate in any advisory councils Franchisor may establish, within the AR Territory or otherwise, regarding advertising plans/expenditures and any other aspects of the System that Franchisor may designate.

7.5 Area Representative Cooperative. Franchisor will have the right to establish advertising and promotional cooperatives specifically for area representatives (each, an "**Area Representative Cooperative**") and solicit contributions to these Area Representative Cooperatives from area representatives. An Area Representative Cooperative will exist for the purpose of generating franchisee candidate leads. If Franchisor establishes an Area Representative Cooperative and designates Area Representative as a member thereof, Franchisor may require Area Representative to contribute to the Area Representative Cooperative in an amount not to exceed \$5,000 each month, unless approved by a unanimous vote of the Area Representative Cooperative members. Franchisor shall have the right to specify the governing rules, terms, and operating procedures of any Cooperative.

7.6 National Advertising Promotions and Programs. Recognizing the value of advertising and the importance of the standardization of advertising and marketing programs to the furtherance of the goodwill and public image of the System, the parties agree that Franchisor will develop and administer advertising, public relations, and sale promotion programs designed to promote and enhance the collective success of all Barbershops. It is expressly understood,

acknowledged, and agreed that in all phases of such advertising and promotion, including, without limitation, type, quantity, timing, placement and choice of media, market areas, selection of advertising agencies and public relations firms, Franchisor's decision shall be final and binding. Area Representative will be required to participate actively in such advertising, public relations, and sales promotion programs, but only in full and complete compliance with such terms and conditions as may be established by Franchisor for each program.

8. USE OF SYSTEM AND MARKS

8.1 No Right to Marks. This Agreement does not grant Area Representative any right to use the Licensed Marks, except in connection with the recruiting of third-party prospective franchisees once Area Representative is able to exercise those rights pursuant to this Agreement. Area Representative acknowledges that the mark SCISSORS & SCOTCH® and all other Licensed Marks licensed hereunder or subsequently developed are owned by Franchisor, and that only Franchisor, Franchisor's affiliates, and their respective franchisees, licensees, and designees have the right to use such Licensed Marks and such other trade names, trademarks, service marks, and copyrights as may presently exist or be acquired and licensed for use by Franchisor, along with ancillary signs, symbols, or indicia used in connection or conjunction with said Licensed Marks. Area Representative further acknowledges that valuable goodwill is attached to such trade names, trademarks, and service marks and that it will use such Licensed Marks only in the manner and to the extent specifically licensed by this Agreement and Area Representative's individual franchise agreements. All goodwill resulting from Area Representative's use of the Licensed Marks pursuant to Area Representative's individual franchise agreements and otherwise will inure to the benefit of Franchisor, and Area Representative hereby waives any right to compensation for such goodwill.

8.2 No Contest or Infringement. Area Representative acknowledges, and will not contest, infringe, or harm Franchisor's exclusive ownership and rights to each and every aspect of the System, including the Licensed Marks. Area Representative's right to market the System is specifically limited to the AR Territory, and is subject to the supervision and control of Franchisor as provided herein. Area Representative acknowledges that the Licensed Marks constitute a significant aspect of the System and Area Representative agrees that such Licensed Marks will not be used as the name, or part of the name, of any corporation, partnership, or any entity under which Area Representative or any entity formed to operate a Barbershop within the AR Territory transacts any business. Area Representative's use of the Licensed Marks is subject to the control and approval of Franchisor in every other respect.

8.3 Rights to Licensed Marks upon Termination. Area Representative's rights to use the Licensed Marks will immediately terminate upon the expiration or termination of this Agreement for any reason whatsoever.

8.4 Identification of Area Representative Business. Area Representative must conspicuously display a sign that states that "WE ARE AN INDEPENDENTLY OWNED AND OPERATED AREA REPRESENTATIVE OF SCISSORS & SCOTCH FRANCHISING, LLC". Area Representative's business cards, stationery, purchase order forms, invoices, leases, tax returns, and other documents used in Area Representative's business dealings with prospective

franchisees, suppliers, lessors, government agencies, employees, and customers must clearly identify Area Representative as an independent legal entity.

8.5 Goodwill. Any and all goodwill arising from Area Representative's use of the Licensed Marks and other of Franchisor's proprietary materials shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Area Representative's use of the System, the Licensed Marks, or any other proprietary materials.

8.6 Modification or Substitution of Marks. If in Franchisor's reasonable determination, the use of Licensed Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Licensed Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Licensed Marks, then upon notice from Franchisor, Area Representative will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Licensed Marks in any manner, Franchisor will not reimburse Area Representative for any out-of-pocket expenses that Area Representative incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages.

8.7 Notification of Infringement. Area Representative shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Licensed Marks licensed hereunder. Area Representative will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Area Representative acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Licensed Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Licensed Marks, Area Representative agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.

8.8 Indemnification. Franchisor will indemnify and defend Area Representative against any third-party claim brought against Area Representative that arises solely out of Area Representative's authorized use of the Licensed Marks licensed under this Agreement in connection with the Barbershop, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Area Representative notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Area Representative must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.

9. REMUNERATION OF AREA REPRESENTATIVE

Area Representative's principal source of income under this Agreement will be derived from its share of the revenues generated by the sale and operation of Barbershops within the AR Territory.

9.1 Revenue Flow. All initial franchise fees due for all Barbershops within the AR Territory, including any AR Shops and Barbershops that do or will serve as Training Centers pursuant to the terms herein, are due and payable to Franchisor under the terms of individual franchise agreements. Area Representative shall pay any and all federal, city, state, or local taxes, fees, fines, or assessments arising out of the operation of the Barbershops or the Area Representative Business. Area Representative shall comply with all federal, state, and local laws, ordinances and orders, and codes applicable to the Area Representative Business. In connection with Area Representative's share of any receipts collected by Franchisor from the AR Territory, Area Representative shall pay any applicable excise or gross receipts taxes, or other charges payable under applicable law for its share of the fees collected from any Barbershop located within the AR Territory.

9.2 Remuneration. Area Representative expressly acknowledges that Franchisor retains the right to employ the services of franchise brokers to assist Franchisor in generating franchise sales on a regional or national basis, both within and outside of the AR Territory. Subject to Area Representative providing the services and otherwise complying with the obligations hereunder, the parties agree and acknowledge that Area Representative will be entitled to the following remuneration:

9.2.1 Initial Fees.

9.2.1.1 In the event that Area Representative provides a lead and facilitates the sale of a franchise in the AR Territory and such prospect signs a franchise agreement, Area Representative will receive fifty percent (50%) of any initial franchise fees actually received from such franchisees, within fifteen (15) days of the date Franchisor actually receives such fees from that franchisee;

9.2.1.2 In the event that (i) Franchisor or its affiliates discover a prospect within the AR Territory and such prospect signs a franchise agreement or (ii) Franchisor's third-party brokers present a prospect within the AR Territory and such prospect signs a franchise agreement, Area Representative will receive fifty percent (50%) of the net amount that Franchisor receives after the payment of any broker fees or other costs incurred by Franchisor or its affiliates in generating the lead, within fifteen (15) days of the date Franchisor actually receives such fees from that franchisee.

9.2.2 Renewal Fees and Transfer Fees. Area Representative will also be entitled to receive fifty percent (50%) of the net renewal or transfer fees actually received from a franchisee located within the AR Territory, less any broker fees or other costs incurred by Franchisor or its affiliates in generating the lead or effectuating the

renewal/transfer at issue, within fifteen (15) days of the date Franchisor actually receives such fees from that franchisee.

9.2.3 Ongoing Royalty Fees. Subject to the adjustment in the following sentence, Area Representative will receive an amount equal to thirty-five percent (35%) of all royalty fees (as described in the individual franchise agreements of each franchisee operating in the AR Territory) collected from franchisees within the AR Territory, which will be calculated based on the amounts Franchisor actually collects from these franchisees in the form of ongoing royalty fees, less any broker fees. Franchisor will remit these amounts to Area Representative in accordance with Franchisor's standard royalty fee collection process and based on the royalty fees actually collected during the preceding month. If Area Representative (i) fails to meet the requirements of the Development Schedule during any period this Agreement is in effect and Franchisor does not elect to terminate this Agreement, or (ii) is in default or threatened default of any item listed in Section 13 below, the percentage of ongoing fees due to Area Representative may be reduced by an amount determined by Franchisor, potentially to zero percent (0%).

9.2.4 Training Fees. Area Representative will receive an amount equal to the then-current pre-opening training fee for any Barbershops at which Area Representative's Training Team is solely responsible for administering Franchisor's pre-opening training program (in accordance with Franchisor's then current requirements for trainer certification). Such amount may be prorated, in Franchisor's discretion, if Area Representative's Training Team is partially or jointly responsible for administering certain portions of the pre-opening training program.

9.3 Use of Brokers.

9.3.1 Area Representative's Brokers. Notwithstanding anything contained in this Agreement to the contrary, if Area Representative engages or involves a broker in the franchise sales process, then any broker fees and expenses charged by that broker in connection with any franchise sale within the AR Territory will be the sole responsibility of Area Representative and will come completely out of Area Representative's remuneration described in this Section. Franchisor will not be responsible for any such broker fees unless it directly contracted or engaged said broker in the franchise sales process.

9.3.2 Prohibition on Use of Non-Approved Brokers. Area Representative may not use any third-party brokers in connection with the recruitment of prospective franchisees within the AR Territory, except for the broker(s) that Franchisor approves or designates in writing. Area Representative represents and warrants that any third-party broker that Franchisor approves under this Section will not have any exclusive broker rights unless specifically approved by Franchisor.

9.4 Remuneration Conditioned Upon Compliance. Area Representative acknowledges and agrees that Area Representative's share of any fees due under Section 9.2 above is conditioned upon its provision of the pre-signing, initial, and ongoing services set forth in Section 6 of this Agreement and its fulfillment of its obligations under the Development Schedule.

9.5 Franchisor's Reporting Requirements. Franchisor shall provide a monthly report on or before the fifteenth (15th) day of each month, or otherwise make a report accessible to Area Representative, describing the Gross Sales reported from each franchisee in the AR Territory, the royalty fees received from each franchisee in the AR Territory, and the monies payable to Area Representative.

9.6 No Share of Other Fees. Area Representative agrees and acknowledges that it shall not be entitled to any portion of advertising contributions/fees of any kind, training fees (except as otherwise noted in this Agreement), or any other fees collected by Franchisor (or its affiliates) from franchisees within the AR Territory (including but not limited to the Brand Building Fund fees, Community Impact Fund fees, technology fees or recruiting fees), other than those specified in Section 9.2 above. Area Representative further acknowledges and agrees that its rights to receive the amounts contemplated by this Section are conditioned on Area Representative's full, prompt, and complete performance of its duties and obligations under the terms of this Agreement. The responsibility for collection of all payments due under the individual franchise agreements from franchisees rests with Franchisor, but Area Representative shall use its best efforts to ensure that all payments and reports are submitted to Franchisor on a timely basis.

9.7 Financing and Impounds. In the event that Franchisor, in its sole discretion, provides financing, through a commercial note or otherwise, of any portion of an initial franchise fee paid by a franchisee within the AR Territory, or if an impound condition is imposed by any state regulatory agency, Area Representative acknowledges and agrees that it shall receive its portion of the initial franchise fee that Franchisor has actually collected and received. Area Representative shall not be entitled to remuneration based on any interest collected by Franchisor in connection with extending such financing.

9.8 Inspection of Books and Records. Area Representative must maintain accurate business records, reports, accounts, books, and data relating to the operation of the Area Representative Business. Franchisor and Franchisor's designees have the right to inspect and/or audit Area Representative's business records at any time during normal business hours, whether announced or unannounced, to determine whether Area Representative is current with suppliers and is otherwise operating in compliance with the terms of this Agreement and the Manuals. If any audit reveals that Area Representative has: (a) improperly allocated revenues and expenses between any Training Center or the Area Representative Business and any other business; (b) understated royalty or local advertising expenditures by more than one percent (1%) for any Training Centers; or (c) failed to submit timely reports and/or remittances for any two (2) reporting periods within any 12-month period, Area Representative must pay the reasonable cost of such audit and/or inspection, including the cost of outside auditors and attorneys (to the extent Franchisor incurs such costs), together with amounts due for royalty and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees, interest which may otherwise be due under this Agreement, and any related administrative fees Franchisor reasonably charges in Franchisor's sole discretion.

9.9 Pre-Existing Franchisees and Franchisor-Owned Barbershops. Notwithstanding anything contained in this Section, Area Representative acknowledges and agrees that Area Representative shall not be entitled to any portion of initial franchise fees in connection with: (i) Barbershops operated by a franchisee who signed an agreement with Franchisor prior to

the Effective Date; or (ii) Barbershops operated by Franchisor, Franchisor's affiliates, or Franchisor's designees. Furthermore, Area Representative acknowledges and agrees that these Barbershops in (i) and (ii) shall not count toward any of Area Representative's obligations under this Agreement, including the Development Schedule.

9.10 Right of Set-Off. Area Representative grants Franchisor the irrevocable right of set-off against any fees or accounts payable to Area Representative from any and all fees or other monies collected by Franchisor for which a portion is to be paid to Area Representative as remuneration under this Section.

9.11 Refunds. Franchisor shall have sole discretion as to the terms and conditions of collections from System franchisees, including the right to defer or refund initial franchise fees. In no event shall any such deferred payments become payable to Area Representative until and unless such fees are paid to Franchisor by System franchisees. In the event Franchisor refunds any amount collected, Franchisor shall have the right, as it deems appropriate, to either deduct from any payments due to Area Representative its portion of any amount so refunded, or to require Area Representative to remit any such portion of the refunded amount to Franchisor immediately upon request. Franchisor shall have no liability to Area Representative for payments under this Section in the event that any System franchisee, for any reason, fails to pay any fee owed to Franchisor.

9.12 Expiration, Termination, or Transfer of this Agreement. Area Representative's right to receive remuneration or any payments under this Section will expire and end upon termination, expiration, or transfer of this Agreement.

10. RELATIONSHIP OF THE PARTIES

10.1 Independent Contractor Status. The appointment of Area Representative pursuant to this Agreement does not make Area Representative an agent, partner, legal representative, or employee of Franchisor and the parties expressly agree that Area Representative is an independent contractor. Area Representative does not have the right to bind Franchisor, to transact any business or make any promises or representations on behalf of Franchisor, or to incur any indebtedness on behalf of Franchisor, except as expressly provided herein. Area Representative will at all times represent himself only as an independent contractor who has been appointed and licensed as an Area Representative. Neither this Agreement nor the relationship between the parties hereto constitutes a partnership or a joint venture between Area Representative and Franchisor. It is understood, acknowledged, and agreed by the parties hereto that they do not intend to create by this Agreement any type of franchise relationship. The relationship that exists between the parties is one of contracting for the services of Area Representative as an independent representative for franchise sales and support. This Agreement is strictly a method to develop a program to sell franchises and coordinate the provision of ongoing services to franchisees. This Agreement is not a franchise agreement, master franchise, subfranchise, or any other type of franchise relationship of any kind or nature. If any state regulatory agency deems Area Representative to be a subfranchisee, Area Representative assumes responsibility for all necessary franchise registration filings with such agency and all costs for such filings.

10.2 Operation of Barbershops. Subject to any provisions contained in this Agreement to the contrary, the relationship of Franchisor and Area Representative with respect to the

ownership and operation by Area Representative of Barbershops within the AR Territory, if applicable, will be governed by the individual franchise agreement(s) executed in connection therewith.

10.3 Maintenance of Independent Contractor Status. Franchisor will not violate Area Representative's status as an independent contractor and will provide only such supervision and training as is necessary and essential to protect the goodwill, reputation, Licensed Marks, copyrights, trade secrets, confidential information, and standards of quality of the System, and as may be necessary to enable Area Representative to operate its own Barbershops and Training Centers, and to support franchisees within its AR Territory.

11. INDEMNIFICATION

Area Representative and Area Representative's principals agree to indemnify, defend, and hold Franchisor, Franchisor's affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees ("**Indemnitees**") harmless against and to reimburse them for all claims, obligations, liabilities, and damages ("**Claims**"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) Area Representative's solicitation of prospective franchisees and the provision by Area Representative of ongoing services to franchisees in the AR Territory; (ii) the operation of the Area Representative Business, including the use, condition, construction and buildout, equipping, decorating, maintenance, or operation of any Barbershop, Training Center, or other training facility Area Representative may operate now or in the future; (iii) Area Representative's advertising; (iv) the use of the Licensed Marks and other proprietary materials; (v) the transfer of any interest in this Agreement or Area Representative's Barbershop(es) in any manner not in accordance with this Agreement; (vi) the infringement, alleged infringement, or any other violation or alleged violation by Area Representative or any of Area Representative's principals of any patent, mark, or copyright, or other proprietary right owned or controlled by third parties; or (vii) libel, slander, or any other form of defamation of Franchisor, the System, or other area representatives or franchisees operating under the System, by Area Representative or by any of Area Representative's principals or employees. For purposes of this indemnification, "Claims" shall include all obligations, actual, consequential, punitive, and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available through Area Representative to Franchisor. Franchisor shall have the right, though not the obligation, to defend any such Claim against it in such manner as Franchisor deems appropriate or desirable in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Area Representative's and each of Area Representative's principals' obligations to indemnify the Indemnitees and to hold them harmless. Area Representative will be responsible for all loss or damage originating from or arising in connection with the operation of Area Representative's headquarters and individual Barbershops, and for all Claims related to damages to property or for injury, illness, or death of persons, directly or indirectly resulting from said operation, and agrees to indemnify and hold Franchisor harmless against and from any such Claim. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration, termination, or transfer of this Agreement.

12. INSURANCE

Area Representative agrees to purchase/procure and maintain the following types of insurance covering the operation and location of the Area Representative Business: (i) comprehensive general liability insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the minimum amount of two million dollars (\$2,000,000) combined single limit; (ii) "All Risks" coverage for the full cost of replacement of the Area Representative Business premises and all other property in which Area Representative may have an interest, with no coinsurance clause for the Area Representative Business premises; (iii) crime insurance for employee dishonesty in the amount of ten thousand dollars (\$10,000) combined single limit; (iv) automobile liability coverage, including coverage of owned, non-owned and hired vehicles, with coverage in the minimum amount of two million dollars (\$2,000,000) combined single limit; (v) workers' compensation insurance, as required by applicable law; and (vi) such other insurance as may be required by Franchisor, Area Representative's lessor, or the state or locality in which any Barbershop is located. Insurance carriers must be approved by Franchisor in advance and in writing. All insurance policies shall be issued by insurance companies with a financial rating of at least "A" status or better as rated in the most recent edition of Best's Insurance Reports. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Area Representative expressly agrees to carry such insurance as may be required by the lease of any Barbershop or office space, or by any of Area Representative's lenders or equipment lessors and such workers' compensation insurance as may be required by applicable law. Area Representative shall add Franchisor to all insurance contracts as an additional insured under the insurance policies, the cost of which will be paid by Area Representative. No insurance policy must be subject to cancellation, termination, nonrenewal or material modification, except upon at least thirty (30) calendar days' prior written notice from the insurance carrier to Franchisor. Area Representative must submit a certification of insurance which demonstrates compliance with this Section. If Area Representative fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect, and Area Representative shall pay Franchisor, on demand, the premium cost thereof and administrative costs of twenty percent (20%) in connection with Franchisor's obtaining the insurance. Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) calendar days' prior written notice to Area Representative, and Area Representative shall comply with any such modification within the time specified in said notice.

13. DEFAULT AND TERMINATION

The rights, licenses, and territorial exclusivity granted to Area Representative under this Agreement have been granted in reliance on Area Representative's representations and assurances, among others, that the conditions and obligations set forth in this Agreement will be met and performed in a timely manner.

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

13.1.1 Voluntary Bankruptcy. If Area Representative makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is 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 Area Representative, the Area Representative Business, or any individual Barbershop operated by Area Representative.

13.1.2 Involuntary Bankruptcy. If proceedings are commenced to have Area Representative adjudicated bankrupt or to seek Area Representative'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 Area Representative or the Area Representative Business without Area Representative's consent, and the appointment is not vacated within sixty (60) days.

13.1.3 Unauthorized Transfer. If Area Representative purports to sell, transfer, or otherwise dispose of its interest in the Area Representative Business in violation of Section 14 hereof.

13.1.4 Final Judgment. If a final judgment against Area Representative remains unsatisfied or of record for thirty (30) calendar days or longer (unless supersedeas bond is filed).

13.1.5 Dissolution of Area Representative. If Area Representative is dissolved and not reformed within thirty (30) calendar days thereafter.

13.2 With Notice and Without Opportunity to Cure. Franchisor has the right to terminate this Agreement upon notice without providing Area Representative an opportunity to cure for any of the following breaches or defaults:

13.2.1 Criminal Acts. If Area Representative or Area Representative's principals are convicted of or plead guilty or no contest to any felony, or take part in any criminal misconduct related to the operation of the Area Representative Business.

13.2.2 Fraud. If Area Representative or Area Representative's principals commit any fraud or misrepresentation.

13.2.3 Misrepresentation. If Area Representative or Area Representative's principals make any material misrepresentation or omission in connection with Area Representative's application, including but not limited to any misrepresentations regarding Area Representative's financial and managerial capability to operate and support Barbershops pursuant to the Development Schedule. The term "application" includes any information or materials provided to Franchisor or Franchisor's agents and third-party designees in connection with Area Representative's purchase of the Area Representative Business.

13.2.4 Failure to Complete Training. If Area Representative fails to complete initial training as required under Area Representative's individual franchise agreement(s) or this Agreement.

13.2.5 Repeated Breaches. If Franchisor sends Area Representative two (2) or more or more written notices to cure pursuant to Sections 13.3 or 13.4 hereof within any given twelve (12) month period.

13.2.6 Failure to Maintain Cumulative Number of Barbershops Open. If Area Representative fails to keep the cumulative number of Barbershops required under the Development Schedule open and operating during the term of this Agreement.

13.2.7 Breach of Other Agreements. If Area Representative or Area Representative's principals materially breach any of Area Representative's franchise agreements, or any other agreement with Franchisor or any of Franchisor's affiliates or designated suppliers, or threaten any material breach of any such agreements and fail to cure such breach within any permitted period for cure.

13.2.8 Misuse of the Licensed Marks or Confidential Information. If Area Representative or Area Representative's principals materially violate any provision hereof pertaining to the Licensed Marks or Confidential Information (as defined in Section 15 of this Agreement) or otherwise misuse the Licensed Marks or Confidential Information.

13.2.9 Violation of In-term Restrictive Covenant. If Area Representative violates the in-term restrictive covenant contained in Section 15.1 of this Agreement, or the respective in-term restrictive covenants of Area Representative's individual franchise agreements.

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

13.2.11 Insolvency. If Area Representative or any of Area Representative's principals become insolvent.

13.2.12 Government Regulations. If Area Representative fails, within fifteen (15) calendar days after notification of non-compliance by federal, state, or local government authorities, to comply with any law or regulation applicable to the Area Representative Business or an individual Barbershop.

13.2.13 Government Actions. If any government action is taken against Area Representative that results in any obligation upon Franchisor which in Franchisor's sole judgment is uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

13.2.14 Anti-Terrorist Activities. If Area Representative fails to comply with the provisions of Section 21.5 of this Agreement.

13.2.15 Improper Guidance. If Area Representative advises, guides, or otherwise provides information to any franchisee that (i) causes the franchisee to breach any term, covenant, or other obligation under its individual franchise agreement, or (ii) causes the franchisee to be temporarily or permanently denied any standard operating

license, including but not limited to a liquor license, barbershop license, salon license, or similar.

13.2.16 Failure to Obtain Written Consent. If Area Representative fails to obtain Franchisor's prior written approval or consent for any occasion when such approval or consent is required.

13.2.17 Cease to Operate. If Area Representative ceases to operate and/or support any of the Barbershops opened pursuant to the terms of this Agreement.

13.2.18 Opening Prior to Execution of Agreement. If Area Representative opens any Barbershop for business before a franchise agreement for such Barbershop has been fully executed and the initial franchise fee due to Franchisor has been paid.

13.2.19 Failure to Obtain or Maintain Required Licensing, Permits or State Approvals. If Area Representative fails to apply for, obtain and maintain any required permits, licenses, or state approvals associated with being a franchise broker and/or franchise sales agent under any state or federal law applicable within any portion of the AR Territory.

13.2.20 Promotion of Alternate Franchise Entities. If Area Representative attempts to promote or sell franchises for any other system or business entity other than Franchisor, unless otherwise pre-approved by Franchisor in writing.

13.2.21 Alternative and Unapproved Profit Centers. If Area Representative creates an alternative profit center, or otherwise derives revenue from the System in a manner that is not specifically described herein or has not otherwise been expressly approved in writing by Franchisor. If Area Representative wishes to derive revenue in any previously unapproved manner, Area Representative must request to do so in writing, and Franchisor may withhold or subsequently revoke its approval at any time for any reason.

13.2.22 Failure to Comply with Disclosure Laws. If Area Representative makes any financial misrepresentation or illegal disclosure in the solicitation of prospective franchisees that would violate any federal, state, or local law governing franchise sales and/or disclosure.

13.3 Upon 15 Days' Notice to Cure. Franchisor has the right to terminate this Agreement if any of the following defaults remains uncured following notice and the expiration of a fifteen (15) day cure period:

13.3.1 Nonpayment. If Area Representative fails to pay as and when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's major suppliers or vendors;

13.3.2 Improper Allocations, Failure to Submit Reports. If any audit reveals that Area Representative has (a) improperly allocated revenues and expenses between any AR Shop or the Area Representative Business and any other business; (b) understated royalty or other fee payments, or local advertising expenditures, by more than three percent

(3%) for any AR Shop; or (c) failed to submit timely reports and/or remittances for any two (2) reporting periods within any 12-month period;

13.3.3 Failure to Maintain Sufficient Working Capital. If Area Representative fails to maintain sufficient levels of working capital to adequately meet its obligations under this Agreement;

13.3.4 Failure to Obtain Approval of Advertising. If Area Representative fails to obtain Franchisor's prior written approval for any and all advertising, marketing, or promotional plans and materials used by Area Representative in connection with its promotion of the System and the recruitment of franchisees, or if Area Representative otherwise violates any provision of this Agreement relating to advertising;

13.3.5 Failure to Comply with Section 6. If there is substantial noncompliance with Section 6 of this Agreement relating to duties of an Area Representative;

13.3.6 Failure to Service Franchisees. If franchisees representing seventy-five percent (75%) of the Barbershops in the AR Territory submit a written petition to Franchisor stating that Area Representative is not providing the franchisees with support as outlined in their individual franchise agreements; or

13.3.7 Failure to Maintain Training Center(s). If, after the Training Deadline, Area Representative fails to consistently maintain the number of Training Centers required by Franchisor.

13.4 Upon 30 Days' Notice to Cure. Except as provided for in Sections 13.1, 13.2, and 13.3 above, Franchisor has the right to terminate this Agreement after providing notice and after expiration of a thirty (30) day cure period if Area Representative fails to perform or comply with any one or more of the terms or conditions of this Agreement or any other agreements between Area Representative and Franchisor or Franchisor's affiliates.

13.5 Additional Grounds. The events of default and grounds for termination described in this Section will be in addition to any other grounds for termination and remedies contained elsewhere in this Agreement or in any individual franchise agreement executed between Franchisor and Area Representative.

13.6 AR Territory Rights upon Termination. Upon termination of this Agreement, Area Representative will not have further rights to receive any portion of any remuneration described in Section 9 above, and Franchisor will have complete and exclusive rights to all fees collected from each Barbershop within the AR Territory, including Training Centers owned by Area Representative.

13.7 Nonwaiver. 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 Area Representative.

13.8 Post-Termination Obligations. Upon termination of this Agreement, Area Representative's rights to any Barbershops for which Area Representative and Franchisor have not executed a franchise agreement, as well as Area Representative's exclusivity in the AR Territory, will terminate immediately. In the event this Agreement is terminated, Area Representative will retain the right to develop and operate Barbershops for which Area Representative has signed a franchise agreement, provided that this Agreement was not terminated as a result of Area Representative's failure to comply with the terms of Area Representative's existing franchise agreement(s). Upon termination, Franchisor shall have the right to develop the AR Territory itself, or through its franchisees, licensees, or otherwise, at its sole discretion.

14. TRANSFERABILITY

14.1 Ownership and Transfer. Area Representative shall not sell, transfer, assign or encumber Area Representative's interest in the Area Representative Business without Franchisor's prior written consent, which consent will not be unreasonably withheld or delayed. Any sale, transfer, assignment, or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein. Prior or contemporaneously with the execution of this Agreement, Area Representative must provide a completed Data Sheet, the terms of which are incorporated herein by reference, stating the name, address, and percentage ownership of all of Area Representative's present partners, shareholder(s), or member(s), as applicable. In addition, before entering into any note or loan agreement with any party pursuant to which the debt is convertible into an ownership interest impacting Area Representative's present owners' voting rights or control over Area Representative, Area Representative will submit to Franchisor the name and address of the lender, as well as the terms of the loan agreement.

14.2 Rights Personal to Area Representative. Area Representative understands and acknowledges that the rights and duties set forth in this Agreement are personal to Area Representative and are granted in reliance upon the individual or collective character, skill, aptitude, business, and financial capacity of Area Representative and its principals. Area Representative has represented to Franchisor that Area Representative is entering into this Agreement with the intention of complying with its terms and conditions, and not for the purpose of resale of its rights and obligations hereunder.

14.3 Effectiveness of Transfer. Area Representative acknowledges and agrees that the restrictions on transfer imposed herein are reasonable and necessary to protect the System and Licensed Marks, as well as Franchisor and Franchisor's affiliates, franchisees, and other area representatives. Any assignment or transfer permitted by this Section shall not be effective until Franchisor receives a completely executed copy of all transfer documents and Franchisor consents in writing thereto.

14.4 Death or Disability.

14.4.1 Representative's Right to Continue as Area Representative. In the event of Area Representative's death, disability, or incapacitation (or the death, disability, or incapacitation of Area Representative's principals or personal guarantors), Area Representative's legal representative, or Area Representative's principal's or guarantor's

respective legal representative, as applicable, shall have the right to continue the operation of the Area Representative Business as Area Representative under this Agreement if: (i) within forty-five (45) days from the date of death, disability or incapacity (the “**45-Day Period**”), such person has obtained Franchisor’s prior written approval and has executed Franchisor’s then-current form of area representative agreement for the unexpired term of this Agreement, and has furnished a personal guaranty of any partnership, corporate or limited liability company for Area Representative’s obligations to Franchisor and Franchisor’s affiliates; and (ii) such person successfully completes Franchisor’s training program, if any, which Franchisor will provide at Franchisor’s then-current tuition rate. Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by Franchisor’s area representative agreement and are acceptable to Franchisor. In the event that Area Representative’s legal representative, or Area Representative’s principal’s or personal guarantor’s respective legal representative, as applicable, is unable to comply with subsections (i) or (ii) herein, such person shall have six (6) months within which to transfer its interest pursuant to the conditions listed in Section 14.7 below, or to find a party approved of by Franchisor to manage such party’s interest on the legal representative’s behalf.

14.4.2 Area Representative Business Operation During and After 45-Day Period. Franchisor is under no obligation to operate the Area Representative Business, or incur any obligation on behalf of any incapacitated Area Representative, during or after the 45-Day Period. If necessary, Area Representative (or Area Representative’s legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Barbershop during the 45-Day Period or any subsequent period in which Area Representative’s legal representative, or Area Representative’s principal’s or guarantor’s respective legal representative, as applicable, attempts to transfer such person’s interest or find a party approved of by Franchisor to manage such person’s interest. In the event of Area Representative’s death, disability, absence, or otherwise, Franchisor may (but is not required to) operate the Area Representative Business on Area Representative’s behalf and at Area Representative’s expense for such period of time (and under such terms and conditions) as Franchisor determines, including transferring title to or liquidating the Area Representative Business’s assets and/or paying out the revenues of the Area Representative Business to cover any or all past, current and/or future obligations of the Area Representative Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines from time-to-time in Franchisor’s sole and absolute discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor’s management services and other costs. Franchisor may obtain approval of a court or mediator for any such arrangements, the attorneys’ fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Area Representative Business. Area Representative (and/or Area Representative’s estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Area Representative Business; provided, however, such indemnity shall not apply to any costs and/or liabilities that result from Franchisor’s gross negligence or intentional misconduct.

14.5 Change in Ownership. A sale, transfer, or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Area Representative is a corporation, upon any assignment, sale, pledge, or transfer of any fractional portion of Area Representative's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership; (ii) if Area Representative is a partnership, upon the assignment, sale, pledge, or transfer of any fractional partnership ownership interest; or (iii) if Area Representative is a limited liability company, upon the assignment, sale, pledge, or transfer or any interest in the limited liability company. Any new owner, partner, shareholder, or member or manager of Area Representative will be required to personally guarantee Area Representative's obligations under this Agreement. A transfer pursuant to (i) and (iii) above in accordance with Section 14.8 below shall not be subject to Franchisor's right of first refusal as set forth in Section 14.6.

14.6 Franchisor's Right of First Refusal. If Area Representative proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Area Representative Business or Area Representative's Barbershops, Area Representative shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Area Representative shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Area Representative, of the terms of the offer ("**Letter of Intent**"). If Franchisor elects not to accept the offer within a thirty (30) day period, Area Representative shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth herein. Area Representative shall effectuate no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer shall be deemed a new proposal subject to Franchisor's right of first refusal. So long as Area Representative has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer as a result of the death, disability or incapacitation of a shareholder or partner, or a transfer to a corporation or limited liability company for purposes of convenience of ownership, in accordance with Section 14.4 or Section 14.8 respectively, is not subject to Franchisor's first right of refusal.

14.7 Conditions for Approval. Franchisor may condition Franchisor's approval of any transfer as described in this Section upon satisfaction of the following occurrences:

14.7.1 All of Area Representative's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors are satisfied;

14.7.2 Area Representative must cure all existing defaults under this Agreement, all franchise agreements, Area Representative's leases or other agreements with landlords for AR Shops, and Training Centers, and any other agreement between Area Representative and Franchisor, Franchisor's affiliates, or Franchisor's designated/approved suppliers and vendors, within the period permitted for cure, and Area Representative must have substantially complied with such agreements during their respective terms;

14.7.3 Area Representative and Area Representative's principals (if Area Representative is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's

affiliates), must execute a general and mutual release, pursuant to which Area Representative and Franchisor agree to release each other and their respective officers, directors, agents, and employees, from all claims arising out of or related to this Agreement or any related agreements between the Area Representative and Franchisor or their affiliates; provided, the mutual release shall not be inconsistent with any applicable state statute regulating franchises;

14.7.4 Area Representative or transferee shall provide Franchisor with a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of, and agreement to faithfully perform all of Area Representative's obligations under this Agreement;

14.7.5 The transferee will demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards, possesses a good moral character, business reputation and credit rating, has the financial and managerial aptitude and ability to conduct the Area Representative Business and to develop Barbershops pursuant to the Development Schedule, and has adequate financial resources and capital; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other Barbershop or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee or area representative of Franchisor. Franchisor retains the right to disapprove any existing franchisee or area representative who does not have the financial or managerial capability to take on the additional responsibility of operating the Area Representative Business;

14.7.6 Area Representative and/or transferee will provide any additional or substitute personal guaranties deemed necessary by Franchisor to ensure Area Representative's obligations are met under this Agreement;

14.7.7 The transferee will execute Franchisor's then-current form of area representative agreement, which will contain the Development;

14.7.8 Area Representative or the transferee will pay Franchisor a transfer fee of Ten Thousand Dollars (\$10,000);

14.7.9 The transferee will satisfactorily complete Franchisor's training program for area representatives, if any, at the transferee's expense within the time frame Franchisor sets forth;

14.7.10 Area Representative (and Area Representative's principals if Area Representative is a partnership, corporation, or limited liability company) and the members of their respective families must agree to comply with the post-termination provisions of this Agreement;

14.7.11 The transferee must obtain, within the time limits set forth by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Area Representative Business and all AR Shops and Training Centers;

14.7.12 To the extent required by the terms of any leases, loans, notes, or other agreements, all lessors, creditors, or other parties, as applicable, must have consented to the proposed transfer;

14.7.13 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises and any bulk sales laws or regulations;

14.7.14 The purchase price and terms of the proposed transfer are not so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Area Representative Business and performance under any individual franchise agreements transferred hereunder;

14.7.15 Area Representative must request that Franchisor provide the prospective transferee with Franchisor's then-current form of franchise disclosure document, and Franchisor shall not be liable for any representations not included in said franchise disclosure document;

14.7.16 Area Representative must obtain Franchisor's approval prior to using any materials describing Franchisor, the System, the Area Representative Business, or any Barbershops, in connection with any purported transfer. Franchisor's approval of any such materials will not be deemed to be Franchisor's recommendation or approval of any proposed sale, or Franchisor's avowal that Franchisor has verified all of the information regarding Area Representative contained in any such materials;

14.7.17 Franchisor's approval of the transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party;

14.7.18 Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Area Representative, the Area Representative Business, AR Shops that Area Representative has supplied Franchisor hereunder, and Area Representative agrees to make no false or misleading statements in connection with any purported transfer;

14.7.19 Area Representative trains the transferee for two months prior to the transfer and another two months after the transfer, or for another period of time specified by Franchisor at the time of transfer (this is in addition to the requirement that the transferee completes Franchisor's training); and

14.7.20 In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.

14.8 Transfers to an Entity. If Area Representative is an individual and desires to assign its rights under this Agreement to an entity, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee set forth in Section 14.7.8 above, and such assignment will not be subject to Franchisor's right of first refusal:

14.8.1 The entity is newly organized and its activities are confined to operating the Area Representative Business;

14.8.2 Area Representative is, and at all times remains, the owner of 50.001% or more of the outstanding equity interests in the entity;

14.8.3 The entity agrees in writing to assume all of Area Representative's obligations hereunder;

14.8.4 All owners of the entity personally guarantee the obligations of the entity to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Area Representative and Franchisor and/or Franchisor's affiliates, and execute a non-compete agreement as set forth in Section 14 hereof; and

14.8.5 If Area Representative chooses to transfer Area Representative's interest in the Area Representative Business to an entity more than one-hundred eighty (180) days after executing this Agreement, Franchisor reserves the right to charge a fee of Seven Thousand Five Hundred Dollars (\$7,500) to approve of the transfer, payable upon request for transfer.

14.9 Subsequent Transfer of Voting Rights in Corporate Entity. If Area Representative is an entity, or if Area Representative's rights hereunder are assigned to an entity, the individuals disclosed in the Data Sheet attached hereto must be the legal and beneficial owner(s) of at least fifty-one percent (51%) of the outstanding equity of said entity. Any subsequent transfer of voting rights of the equity of the entity or assignee entity, and any transfer or issuance of equity of the entity or assignee entity shall be subject to Franchisor's prior written approval. Franchisor will not unreasonably restrict the issuance or transfer of equity, provided that Area Representative complies with the provisions of this Section, and provided that in no event shall any equity of such entity or assignee entity be sold, transferred, or assigned to a business competitor of Franchisor's. The governing documents of the entity or assignee entity shall reflect that the issuance and transfer of equity is restricted, and all certificates shall bear the following legend, which shall be legibly and conspicuously on each certificate: "The transfer of this certificate is subject to the terms and conditions of an Area Representative Agreement with Scissors & Scotch Franchising, LLC dated _____. Reference is made to said Area Representative Agreement and related franchise agreements and to restrictive provisions of the governing documents of the entity."

14.10 Public Offering. The entity or assignee entity's records shall indicate that a stop transfer order be in effect against the transfer of any equity, except for transfers permitted by this Section. In addition to the foregoing, the equity of such entity or assignee entity shall not be publicly sold or traded without Franchisor's prior express written consent, which shall be provided at Franchisor's sole discretion. In the event that Franchisor approves a public offering of Area Representative, Area Representative shall present the applicable disclosure document or prospectus to Franchisor for review within a reasonable time prior to such offering becoming effective. In no event shall Area Representative offer its securities by use of the name "Scissors & Scotch" or any name deceptively similar thereto; provided, however, that Area Representative may make appropriate reference to the fact that Area Representative has an Area Representative

Agreement with Franchisor, Area Representative shall not relinquish control of the new public company. Area Representative agrees to indemnify and hold Franchisor harmless for and against any and all claims, suits, actions, or otherwise which arise out of or from such public offering.

14.11 Franchisor's Right to Transfer. 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. Area Representative further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restricting. With regard to such sales, assignments, and dispositions, Area Representative expressly and specifically waives any and all other claims, demands, or damages arising from or related to the loss of Franchisor's name, Licensed Marks (or any variation thereof), and System and/or the loss of association with or identification with Franchisor under this Agreement. Area Representative specifically waives any and all other claims, demands, or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract, or breach of the implied covenant of good faith and fair dealing.

14.12 Franchisor's Purchase Option. Area Representative hereby grants to Franchisor an option (the "**Option**") to purchase the assets used in connection with the operation of the Area Representative Business, including but not limited to, all furniture, fixtures, and equipment, if any, and this Agreement (the "**Assets**"). The parties acknowledge and agree that the Option set forth herein is independent of Franchisor's option to purchase contained in any individual franchise agreement Area Representative may execute pursuant to this Agreement.

14.12.1 Option Period. Franchisor may exercise the Option at any point after the five (5) year anniversary of this Agreement. The Option shall remain open during the term of this Agreement.

14.12.2 Purchase Price. In the event that Franchisor elects, at its sole discretion, to exercise the Option, the purchase price (the "**Purchase Price**") will be either of the following, as selected by Franchisor:

- (a) **250% of the Area Representative Fee** specified in Section 3.1 of this Agreement; or
- (b) **four times (4x)** the amount of all remuneration received by Area Representative from Franchisor pursuant to Section 9 of this Agreement in Area Representative's previous Calendar Year. For purposes of this Section, a "**Calendar Year**" is the twelve (12) complete months prior to the month in which Franchisor chooses to exercise the Option.

14.12.3 Exercise of Option and Closing. Franchisor will notify Area Representative in writing pursuant to the notice provision set forth in Section 18 below of Franchisor's intent to exercise the Option. Thereafter, Franchisor will have a one-hundred twenty (120) day period within which to conduct its due diligence upon the Assets. In the

event that Franchisor elects to purchase the Assets after the satisfactory conclusion of Franchisor's due diligence, Franchisor will have an additional sixty (60) days from the completion of its due diligence investigation within which to tender the Purchase Price and close on the transaction ("**Closing**"). At Closing, Area Representative agrees to deliver possession and title to the Assets to Franchisor, free and clear of all liens and encumbrances. Franchisor may elect to rescind its election to exercise the Option at any time prior to Closing. Franchisor's failure to exercise the Option on one or more occasions will not preclude Franchisor from exercising the Option at a later date.

14.12.4 Right of Offset. Franchisor will not be obligated to assume any liabilities in connection with Franchisor's purchase of the Assets. Franchisor shall be entitled to offset the Purchase Price by (i) any amounts owed by Area Representative to Franchisor; and (ii) any liabilities (contingent or otherwise) which Franchisor agrees, at its absolute discretion, to undertake in connection with exercising the Option.

14.12.5 Representations and Warranties. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor's purchase of the Assets, including, without limitation, representations, and warranties as to ownership and condition of and title to the Assets; liens and encumbrances on the Assets; validity of contracts and agreements; and liabilities affecting the Assets, contingent or otherwise.

14.12.6 Post-Term Obligations. In the event Franchisor elects to repurchase the Area Representative Business pursuant to this Section, this Agreement will be deemed terminated, and Area Representative agrees to comply with the confidentiality provisions set forth in Section 15 of this Agreement, as well as its post-term obligations set forth in Section 13.8 of this Agreement and the covenants against competition set forth in Section 15 of this Agreement.

14.12.7 Reasonableness. The parties acknowledge and agree that the Option and the Purchase Price set forth herein are fair and reasonable.

15. RESTRICTIVE COVENANTS & CONFIDENTIALITY

Area Representative acknowledges that as a participant in the System, Area Representative will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which Franchisor has developed. Therefore, to protect Franchisor and all of Franchisor's other Area Representatives and franchisees, and in addition to any restrictive covenants against competition and confidentiality agreements contained in Area Representative's individual franchise agreements, Area Representative agrees to the restrictive covenants in this Section:

15.1 Restrictive Covenants During the Term of This Agreement. During the term of this Agreement, neither Area Representative, Area Representative's officers, directors, or principals, nor any members of the immediate family of Area Representative or Area Representative's officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity:

15.1.1 Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, principal, or consultant of any traditional barbershop, male-focused salon, chain haircutting establishment, or other business offering similar services and products which offers and sells products or services now or in the future offered and sold by the Scissors & Scotch® Barbershops or any business which looks like, copies, imitates, or operates in a manner similar to a Scissors & Scotch® Barbershop (“**Competing Business**”), or any business that offers franchises or licenses for Competing Businesses; provided, however, that this Section does not apply to Area Representative’s operation of any other Barbershop under the Licensed Marks and System;

15.1.2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee or Area Representative, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereafter; or

15.1.3 Divert or attempt to divert any business or customers of Area Representative’s individual Barbershops 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 Licensed Marks or the System.

15.2 Restrictive Covenants After the Term of This Agreement.

15.2.1 For a period of two (2) years after the expiration, transfer, or termination of this Agreement, regardless of the cause, neither Area Representative, Area Representative’s officers, directors, principals, nor any member of the immediate family of Area Representative or Area Representative’s officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity:

15.2.1.1 Enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate Competing Businesses at the time this Agreement is terminated, transferred, or expires; provided, however, that this Section does not apply to Area Representative’s operation of any S&S Barbershop;

15.2.1.2 Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, principal, or consultant of any Competing Business: (i) within the AR Territory; or (ii) within a radius of forty (40) miles of the perimeter of (a) the AR Territory being granted hereunder, or (b) any other AR Territory or protective territory licensed by Franchisor as of the date of expiration or termination of this Agreement; or

15.2.1.3 Solicit business from customers of Area Representative’s former Barbershop (s) (if Franchisor elects to exercise its cross-default rights under this Agreement) or contact any of Franchisor’s suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor’s employees, the employees of

Franchisor's affiliates, or any other System franchisees' or Area Representatives' employees to discontinue employment.

15.2.2 In the event that Franchisor chooses to exercise the Option set forth in Section 14.12 of this Agreement, the parties acknowledge that the transaction will be deemed the sale of a business. Accordingly, the duration of Area Representative's post-term covenants against competition contained in this Section will be extended to five (5) years in consideration for the Purchase Price, as tolled during any period of default by Area Representative.

15.3 Confidentiality.

15.3.1 Nondisclosure. During the term of this Agreement, Area Representative will receive information which Franchisor considers its trade secrets and confidential information, including, but not limited to, standards and specifications for the buildout of a Barbershop, information about proprietary merchandise, any proprietary software Franchisor may now or in the future create, and Franchisor's Manuals ("**Confidential Information**"). Area Representative shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information, which shall also include, without limitation, trade secrets, proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Barbershop, standards and specifications for the furniture, fixtures and equipment located within a Barbershop, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Barbershop ; and other techniques and know-how concerning the of operation of a Barbershop which may be communicated to Area Representative or of which Area Representative may be apprised by virtue of Area Representative's operation of the Area Representative Business or any Training Centers. Area Representative may divulge such Confidential Information only to such of Area Representatives employees as must have access to it in order to operate the Area Representative Business or a Barbershop. Area Representative also acknowledges and agrees that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will also be deemed Confidential Information for purposes of this Agreement.

15.3.2 New Concepts. If Area Representative or Area Representative's employees or principals develop any new concept, process or improvement in the operation or promotion of the Area Representative Business or a Barbershop, Area Representative shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process or improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all patents,

patent applications, trademarks, copyrights, and other intellectual property rights related thereto. Area Representative and Area Representative's principals hereby assign to Franchisor any rights Area Representative may have or acquire therein, including the right to modify such concept, process, or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Area Representative and Area Representative's principals agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process, or improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentations for obtaining and enforcing such rights. Area Representative and Area Representative's principals hereby irrevocably designate and appoint Franchisor as Area Representative's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process, or improvement. In the event that the foregoing provisions of this Section are found to be invalid or otherwise unenforceable, Area Representative and Area Representative's principals hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the concept, process, or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Area Representative's rights therein.

15.4 Employees. Area Representative shall ensure that Area Representative's principals, employees, and members of their immediate families who have access to Franchisor's Confidential Information, including all of Area Representative's managers and other key employees, execute confidentiality and non-compete agreements, in the form attached to Area Representative's first franchise agreement, or as Franchisor, in Franchisor's sole discretion, otherwise prescribes. Area Representative must furnish Franchisor a copy of each executed confidentiality and noncompetition agreement.

15.5 Intent and Enforcement. It is the parties' intent that the provisions of this Section be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section by Area Representative, any of Area Representative's principals, or any member of the immediate family of Area Representative or Area Representative's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Area Representative agrees that in the event of the actual or threatened breach of this Section, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. Area Representative acknowledges and agrees on Area Representative's own behalf and on behalf of the persons who are liable under this Section that each has previously worked or been gainfully employed in other careers and that the provisions of this Section in no way prevent any such person from earning a living. Area Representative further acknowledges and agrees that the time limitations of Section 15.2 shall be tolled during any default under this Section.

15.6 No Defense. Area Representative hereby agrees that the existence of any claim Area Representative may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this

Section. Area Representative agrees to pay all costs and expenses (including reasonable attorneys' fees) which Franchisor incurs in connection with the enforcement of this Section.

16. RIGHTS AND OBLIGATIONS OF THE PARTIES UPON TERMINATION

16.1 Post-Term Obligations. Area Representative agrees that after the termination or transfer of this Agreement, for any reason, Area Representative shall:

16.1.1 De-identify. Not directly or indirectly at any time or in any manner identify itself or any business as a current or former Area Representative, franchisee, or licensee of, or as otherwise associated with Franchisor, or directly or indirectly use any of Franchisor's Licensed Marks, any colorable imitation thereof or other indicia of a Barbershop in any manner or for any purpose, or utilize for any purpose any trade name, trademark, service mark or other commercial symbol that suggests or indicates a connection or association with Franchisor or its affiliates, franchisees, or area representatives;

16.1.2 Return Proprietary Materials. Promptly return to Franchisor all signs, the Manuals, brochures, advertising materials, forms, invoices, and other materials containing any Licensed Marks or otherwise identifying or relating to the System or the operation of a Barbershop, and allow Franchisor, without liability, to remove all such items from the Area Representative's offices and Barbershops;

16.1.3 Close or Transfer Software Accounts. Under Franchisor's direction, promptly transfer, close, or otherwise disengage all software and other digital platforms relating to the System and used in the operation of the Area Representative Business, or provide the necessary login credentials, as requested, for Franchisor to accomplish the same;

16.1.4 Cancel Fictitious Name. Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to Area Representative's use of the System or any Licensed Marks;

16.1.5 Disconnect Telephone Number and Listing. Immediately cease using all telephone numbers and listings, facsimile numbers and listings, and Internet listings used in connection with the operation of the Area Representative Business, and direct the applicable company to transfer all such numbers and listings to Franchisor or Franchisor's designee pursuant to the Conditional Assignment of Telephone Numbers, Facsimile Numbers, and Domain Names attached hereto as Exhibit D or, if Franchisor directs, to disconnect the numbers and delete or remove the listings;

16.1.6 Turn Over All Prospect Lists and Other Proprietary Information. Within five days of the termination or expiration of this Agreement, Area Representative must turn over all lists, names and other data (including contact information) with respect to all third parties that Area Representative solicited, contacted or otherwise communicated with during the term of this Agreement regarding the purchase or potential purchase of a Barbershop, including, without limitation, all information for those third parties that

ultimately entered into a franchise agreement with Franchisor (collectively, the “**Prospect Information**”);

16.1.7 Furnish Proof of Compliance. Furnish to Franchisor, within thirty (30) days after the effective date of termination or expiration, evidence satisfactory to Franchisor of Area Representative’s compliance with the foregoing obligations; and

16.1.8 Pay Damages, Costs, and Expenses. Pay Franchisor: (i) any past amount due under this Agreement; and (ii) all damages, costs, and expenses, including reasonable attorneys’ fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for enforcement of any provisions of this Section.

16.2 Permission to Continue Agreement. In the event Area Representative does not fulfill its obligations to develop Barbershops under the Development Schedule, Franchisor may, but is not obligated to, permit Area Representative to continue operating under this Agreement with respect to all Barbershops that are under signed leases, under construction or opened and operating within the AR Territory, but Area Representative shall no longer have any rights with respect to opening new franchises within the AR Territory. As a result of such default, Franchisor shall have the right to open Barbershops, sell franchises or grant area representative rights to any third party with respect to the undeveloped portion of the AR Territory.

16.3 Survival. All obligations of Area Representative which expressly or by their nature survive the transfer, expiration or termination of this Agreement, including indemnification obligations and the restrictive covenants set forth in Section 15.2 herein, will continue in full force and effect subsequent to and notwithstanding the termination, expiration, or transfer of this Agreement, and until such obligations are satisfied in full or by their nature expire. The franchise agreements Area Representative has executed for its Barbershops shall remain in full force and notwithstanding the termination of this Agreement.

17. CHANGES AND MODIFICATIONS

Franchisor or Area Representative may modify this Agreement only upon the execution of a written agreement by Franchisor and Area Representative. Franchisor reserves and will have the sole right to make changes in the Manuals, System, and the Licensed Marks at any time and without prior notice to Area Representative. Area Representative must 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 Franchisor’s revised specifications. Area Representative expressly understands and agrees that Franchisor may from time to time change the components of the System, including but not limited to: (a) altering the programs, services, methods, standards, forms, policies, and procedures of that System; (b) adding to, deleting from, or modifying those programs, products and services which Barbershops are authorized to offer; and (c) changing, improving or modifying the Licensed Marks. Subject to the other provisions of this Agreement, Area Representative expressly agrees to abide by any such modifications, changes, additions, deletions, and alterations at Area Representative’s expense.

18. NOTICES

All notices and requests to be given under this Agreement are to be in writing, and delivered by either hand delivery or overnight mail by a recognized carrier offering a delivery receipt, to the following addresses (which may be changed by written notice):

Area Representative's Address: _____

E-mail: _____
Attn: _____

Franchisor's Address: Scissors & Scotch Franchising, LLC
5400 Johnson Drive, Suite 150
Mission, Kansas 66205
E-mail: sean@scissorscotch.com
Attn: Sean Finley

With a copy to: John D. Moore, Esq.
Husch Blackwell LLP
4801 Main Street, Suite 1000
Kansas City, Missouri 64112
E-mail: john.moore@huschblackwell.com

19. CHOICE OF LAW; DISPUTE RESOLUTION

19.1 Choice of Law. This Agreement shall be deemed to have been made in the State of Kansas and shall be construed in accordance with the laws of the State of Kansas.

19.2 Internal Dispute Resolution. Area Representative shall be required to first bring all disputes arising out of or relating to this Agreement or any other agreement with Franchisor to Franchisor's chief executive officer and/or president prior to bringing any action before a third party. This agreement to first attempt resolution of disputes internally shall survive the termination or expiration of this Agreement.

19.3 Mediation. At Franchisor's option, all claims or disputes between Area Representative and Franchisor and/or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth in Section 19.2 above, must be submitted first to non-binding mediation, at Franchisor's then-current headquarters, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any arbitration or other legal action against Franchisor or its affiliates with respect to any such claim or dispute, Area Representative must submit a notice to Franchisor that 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 Area Representative as to whether Franchisor or its affiliates elect to exercise Franchisor's option to submit such claim or dispute to mediation. Area Representative may not commence any legal action or other proceeding 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 may specifically enforce Franchisor's mediation rights under this Section. Each party shall bear its own cost of mediation, except that Franchisor and Area Representative shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of this Agreement.

19.3.1 The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 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):

19.3.1.1 Any federally protected intellectual property rights in the Licensed Marks, System, trade secrets, or Confidential Information;

19.3.1.2 Any claims arising out of or pertaining to any warranty issued;

19.3.1.3 Any of the restrictive covenants contained in this Agreement; or

19.3.1.4 Any claims arising out of or related to fraud or misrepresentation by Area Representative, or Area Representative's insolvency.

19.4 Jurisdiction and Venue. Subject to the provisions of Section 19.3 above, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion only in any state court of competent jurisdiction closest to Franchisor's then-current headquarters, or, if appropriate, the United States Federal District Court having jurisdiction over the same geographical area.

19.5 Third-Party Beneficiaries. Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by Area Representative.

19.6 Injunctive Relief. Nothing contained in Section 19.4 or any other provision of this Agreement herein shall prevent Franchisor from applying to, or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or judicial proceeding or pending the trial or handing down of a decision or award pursuant to any mediation, arbitration or other proceeding conducted hereunder. Area Representative consents to such injunctive relief, where appropriate, without the necessity of Franchisor posting a bond or other security.

19.7 JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS

RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR AREA REPRESENTATIVE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

19.8 Limitation on Action. Area Representative further agrees that no cause of action arising out of or related to this Agreement may be maintained by Area Representative unless initiated in a court of law before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Area Representative becomes aware of facts or circumstances reasonably indicating that such Area Representative may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

19.9 Waiver of Punitive Damages. Area Representative waives, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which it may have 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, Area Representative's recovery shall be limited to 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, Area Representative's waiver of any right to claim any consequential damages. Nothing in this Section will be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default.

19.10 Costs and Attorneys' Fees. If Area Representative is in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between Area Representative and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Area Representative must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Area Representative institutes any legal action to interpret or enforce the terms of this Agreement, and Area Representative's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

19.11 Nonwaiver. Franchisor's failure to insist upon strict compliance with any provision of this Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

19.12 Release of Prior Claims. By executing this Agreement, Area Representative, individually and on behalf of its heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever release and

discharge Franchisor, its officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants from any and all claims relating to or arising under any franchise agreement or any other agreement between the parties executed prior to the date of this Agreement, including, but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any state or territory thereof.

20. CONSTRUCTION

20.1 Entire Agreement. This Agreement contains the entire Agreement of the parties. There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties. Nothing in the Agreement is intended to disclaim the representations Franchisor made in the FDD that Franchisor furnished to Area Representative.

20.2 Survival of Terms. Any provisions of this Agreement which may be reasonably interpreted to impose any obligation after termination or expiration hereof shall survive such termination or expiration and be binding upon the parties.

20.3 Severability. The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

20.4 Construction of Language. The language of this Agreement shall 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 Area Representative, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Area Representative's "immediate family" means Area Representative's spouse, parents, children and siblings and Area Representative's spouse's parents, children, and siblings. Reference to Area Representative's "principals" means Area Representative's partners, officers, directors, shareholders, members, and managers, as applicable. References to "Franchisor" and "Area Representative" include the party's successors, assigns or transferees.

20.5 Successors and Assigns. This Agreement, and any subsequent franchise agreements entered into under this agreement, shall be binding upon the parties and their heirs, executors, personal representatives, successors, and assigns. All signatories to this Agreement and

all partners of a partnership Area Representative, all officers, directors and shareholders of a corporate Area Representative, and all members and managers of a limited liability company Area Representative, shall be jointly and severally liable for the performance of all terms, covenants and conditions hereof, regardless of any agreements between the Area Representative's owners, shareholders, members or partners (as applicable) addressing the allocation of liabilities among the parties.

20.6 State Law Applies. 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 the AR Territory is located, then the valid law or regulation of that state applicable to the Area Representative Business shall supersede any provision of this Agreement that is less favorable to Area Representative.

20.7 Additional Documentation. Area Representative must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Area Representative fails to comply with the provisions of this Section, Area Representative hereby appoints Franchisor as Area Representative's attorney-in-fact to execute any and all documents on Area Representative's behalf reasonably necessary to effectuate the transactions contemplated herein.

20.8 Force Majeure. Neither Area Representative, Franchisor, nor Franchisor's affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its 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, 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.

21. ACKNOWLEDGEMENTS

21.1 Independent Investigation. Area Representative acknowledges that Area Representative has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that it involves business risks which make the success of the venture largely dependent upon Area Representative's business abilities and efforts. Area Representative acknowledges that Area Representative has been given the opportunity to clarify any provision of this Agreement that Area Representative may not have initially understood and that Franchisor has advised Area Representative to have this Agreement reviewed by an attorney.

21.2 No Guarantee of Earnings. Area Representative understands that Franchisor and any of Franchisor's representatives and/or agents with whom Area Representative has met have not made and are not making any guarantees as to the extent of success in Area Representative's business venture, and have not and are not in any way representing or promising any specific amounts of earnings or profits in association with Area Representative's business venture. The success of the business venture contemplated to be undertaken by Area Representative by virtue

of this Agreement is speculative and depends, to a large extent, upon the ability of the Area Representative as an independent businessman, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not make any representations or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

21.3 Receipt of Franchise Disclosure Document. Area Representative acknowledges that this Agreement and Franchisor's FDD have been in Area Representative's possession for at least fourteen (14) calendar days before Area Representative signed this Agreement and that any material changes to this Agreement were in writing in this Agreement for at least seven (7) calendar days before Area Representative signed this Agreement.

21.4 No Personal Liability. Area Representative agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor shall be personally liable to Area Representative for any reason. Area Representative agrees that nothing that Area Representative believes Area Representative has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

21.5 Anti-Terrorist Provision. Area Representative certifies that neither Area Representative, nor Area Representative's owners, principals, employees, or anyone associated with Area Representative is listed in the Annex to Executive Order 13224 (the "**Annex**"). Area Representative agrees not to hire or have any dealings with a person listed in the Annex. Area Representative certifies that Area Representative has no knowledge or information that, if generally known, would result in Area Representative, Area Representative's owners, principals, employees, or anyone associated with Area Representative being listed in the Annex. Area Representative agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Area Representative certifies, represents, and warrants that none of Area Representative's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Area Representative and Area Representative's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Area Representative is solely responsible for ascertaining what actions must be taken by Area Representative to comply with all such Anti-Terrorism Laws, and Area Representative specifically acknowledges and agrees that Area Representative's indemnification responsibilities as provided in Section 11 of this Agreement pertain to Area Representative's obligations under this Section. Any misrepresentation by Area Representative under this Section or any violation of the Anti-Terrorism Laws by Area Representative, Area Representative's owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Area Representative has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 13.2.14 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists

and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

22. GUARANTEE OF PRINCIPALS

If Area Representative is an entity or if Area Representative assigns this Agreement to an entity, then all owners, shareholders, members, managers, partners, and their spouses hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Area Representative's monetary obligations under this Agreement and any other agreement between Area Representative and Franchisor and/or Franchisor's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Area Representative's activities upon transfer, termination, or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors and their spouses must execute a continuing personal guaranty in the form attached hereto as Exhibit C. Additionally, any individual required to execute a personal guaranty under this Section must also, upon Franchisor's request, execute a confidentiality and non-competition agreement, substantially in the form attached to Area Representative's franchise agreement(s).

[Signatures on next page]

IN WITNESS WHEREOF the parties have executed, sealed, and delivered this Agreement in duplicate on the date recited in the first paragraph.

S&S:

Scissors & Scotch Franchising, LLC

AREA REPRESENTATIVE:

(Name of Individual, Corporation, Limited Liability Company or Partnership)

By: Sean Finley
Title: Managing Member

By: _____
Title: _____

EXHIBIT A

DEVELOPMENT SCHEDULE

Number of Barbershops to be Developed. You must develop ten (10) Barbershops during the Term.

Development Schedule. You must open and maintain in operation the following cumulative minimum number of Barbershops operating in the AR Territory as of the last day of each Development Year:

Barbershops to be Developed in the AR Territory	Signing Deadline (Date by which Franchise Agreement must be signed)	Development Deadline (Date by which Barbershop must be open)	Cumulative Number of Barbershops Operating in the Territory by each Development Deadline
1			1
1			2
1			3
1			4
1			5
1			6
1			7
1			8
1			9
1			10

S&S:

Scissors & Scotch Franchising, LLC

AREA REPRESENTATIVE:

(Name of Individual, Corporation, Limited Liability Company or Partnership)

By: _____ Sean Finley
Title: Managing Member

By: _____
Title: _____

EXHIBIT B

**FORM OF SINGLE UNIT FRANCHISE AGREEMENT
AS OF EXECUTION OF AREA REPRESENTATIVE AGREEMENT**

EXHIBIT C

PERSONAL GUARANTY

PERSONAL GUARANTY

NOTE: IF AREA REPRESENTATIVE IS A CORPORATION, EACH OF AREA REPRESENTATIVE'S SHAREHOLDERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF AREA REPRESENTATIVE IS A PARTNERSHIP, EACH OF AREA REPRESENTATIVE'S GENERAL PARTNERS MUST EXECUTE THE FOLLOWING UNDERTAKING. IF AREA REPRESENTATIVE IS A LIMITED LIABILITY COMPANY, EACH OF AREA REPRESENTATIVE'S MEMBERS AND MANAGERS MUST EXECUTE THE FOLLOWING UNDERTAKING. FRANCHISOR MAY REQUIRE THE RESPECTIVE SPOUSES OF THESE INDIVIDUALS TO ALSO SIGN THIS PERSONAL GUARANTY AS IT DEEMS NECESSARY IN ITS SOLE DISCRETION.

ARTICLE I PERSONAL GUARANTY

[_____, _____, and _____]
(individually and collectively "**you**") hereby represent to Scissors & Scotch Franchising, LLC ("**Franchisor**") that you are all of the shareholders of _____ ("**Area Representative**"), or all of the general partners or limited partners of the Area Representative, or all of the members and manager of Area Representative, and all of the spouses of such individuals. In consideration of the grant by Franchisor to the Area Representative as herein provided, each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the Area Representative Agreement entered into between Area Representative and Franchisor ("**Area Representative Agreement**"), all franchise agreements executed pursuant to the Area Representative Agreement, and any other agreement between Area Representative and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Area Representative of each and every obligation of Area Representative under the aforesaid Area Representative Agreement or other agreement between Franchisor and Area Representative, including, without limitation, any indebtedness of Area Representative arising under or by virtue of the aforesaid Area Representative Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Area Representative owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Area Representative Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Area Representative Agreement (the "**Guaranty**").

ARTICLE II CONFIDENTIALITY

During the term of the Area Representative Agreement, any related franchise agreements, and this Guaranty, you will receive information, which Franchisor considers its trade secrets and confidential information including, without limitation, standards, and specifications for the build

out of a Barbershop and any proprietary software Franchisor may now or in the future create, and the Operations Manual (“**Confidential Information**”). You shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: proprietary methodology and procedures for the establishment and operating procedures; site selection guidance and criteria; specifications for the design, layout and construction of the interior of the Barbershop; standards and specifications for the furniture, fixtures and equipment located within a Barbershop; established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Barbershop; and other techniques and know-how concerning the operation of SCISSORS & SCOTCH® Barbershops in a AR Territory, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Area Representative’s obligations under the Area Representative Agreement. Any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential, will be deemed Confidential Information for purposes of this Agreement.

ARTICLE III NON-COMPETITION

You acknowledge that as a participant in the System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor’s franchisees, you agree as follows:

1) **During the Term of the Area Representative Agreement and this Guaranty.** During the term of the Area Representative Agreement and this Guaranty, neither you, nor your officers, directors, or principals, nor any members of their immediate family may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, or corporation:

(a) Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, principal, or consultant of:

(i) any traditional barber shop, male-focused salon, chain haircutting establishment, and other business offering similar services and products which offers and sells products or services now or in the future offered and sold by the Scissors & Scotch® Barbershops or any business which looks like, copies, imitates, or operates in a manner similar to a Scissors & Scotch® Barbershop (a “**Competing Business**”), with the exception of (1) the ownership or operation of a barbershops by or pursuant to written agreements with, or written authorization from, S&S or its Affiliates or (2) the ownership of shares of a class of securities that are listed on a stock exchange or traded on the over-the-counter markets and that represent less than one percent (1%) of that class of securities; or

(ii) any business that offers franchises or licenses for Competing Businesses.

(b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates, or any other System franchisee or Area Representative, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereafter; or

(c) Divert or attempt to divert any business or customers of any Area Representative's individual Barbershops 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 Licensed Marks or the System.

2) After the Term of the Area Representative Agreement.

(a) For a period of two (2) years after the expiration, transfer, or termination of the Area Representative Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of their immediate family may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, enter into any business competing in whole or in part with Franchisor in granting franchises or licenses to operate Competing Businesses at the time the Area Representative Agreement is terminated, transferred or expires; provided, however, that this Section does not apply to Area Representative's operation of any other System Barbershop.

(b) For a period of three (3) years after the expiration, transfer, or termination of the Area Representative Agreement, regardless of the cause, neither you, your officers, directors, or principals, nor any member of their immediate family may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, or corporation:

(i) Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, principal, or consultant of any Competing Business: (1) within the AR Territory; or (2) within a radius of forty (40) miles of the perimeter of (a) the AR Territory being granted under the Area Representative Agreement, or (b) any other AR Territory or protected territory licensed by Franchisor as of the date of expiration or termination of the Area Representative Agreement;

(ii) Solicit business from customers of Area Representative's former Barbershop(s) (if Franchisor elects to exercise its cross-default rights under the Area Representative Agreement) or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's employees, the employees of Franchisor's affiliates, or any other System franchisees' or Area Representatives' employees to discontinue employment;

(c) In the event that Franchisor chooses to exercise the Option set forth in Section 14 of the Area Representative Agreement, the parties acknowledge that the transaction will be deemed the sale of a business. Accordingly, the post-term covenants against competition contained in this Article will be extended to five (5) years in consideration for the Purchase Price (as defined in the Area Representative Agreement), as tolled during any period of default by Area Representative or you.

3) **Intent and Enforcement.** It is the parties' intent that the provisions of this Article be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of an actual or threatened breach of this Article, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree on your own behalf and Area Representative's behalf that each of you have previously worked or been gainfully employed in other careers and that the provisions of this Article in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article shall be tolled during any default under this Guaranty.

ARTICLE IV DISPUTE RESOLUTION

1) **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2) **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Kansas.

3) **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Area Representative Agreement or this Guaranty to Franchisor's Chief Executive Officer, President, Managing Member, or designated equivalent. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to resolve all disputes internally shall survive expiration or termination of the Area Representative Agreement.

4) **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor arising out of, or in any way relating to, this Guaranty or the Area Representative Agreement or any other agreement by and between you and the Franchisor, or any of the parties' respective rights and obligations arising from such agreements, which are not first settled by the internal dispute resolution procedure set forth in Article IV, Section 3 above, must be submitted first to non-binding mediation, at Franchisor's then-current headquarters, under the auspices of the American Arbitration Association ("AAA"), in accordance with 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, you 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 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. You 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 set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and the parties shall share the cost of mediator. This agreement to mediate at Franchisor's option shall survive termination or expiration of the Area Representative Agreement. There will be no class action mediation. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 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):

- (i) Any federally protected intellectual property rights in the Licensed Marks, the System, trade secrets, or in any Confidential Information;
- (ii) Any claims arising out of or pertaining to any warranty issued;
- (iii) Any of the restrictive covenants contained in this agreement; or
- (iv) Any claims arising out of or related to fraud or misrepresentation by you or the Area Representative, or your or the Area Representative's insolvency.

5) **Third-Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of the Area Representative Agreement and this Guaranty, and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

6) **Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or judicial proceeding or pending the trial or handing down of a decision or award pursuant to any mediation or judicial proceeding conducted hereunder.

7) **Jurisdiction and Venue.** With respect to any proceeding not subject to Article IV, Section 4 of this Agreement, the parties expressly agree to submit the jurisdiction and venue of any court of general jurisdiction closest to Franchisor's then-current headquarters, or, if appropriate, the United States Federal District Court having jurisdiction over the same geographical area. The parties agree that all proceedings, via mediation or litigation, will be conducted on an individual, not a class-wide basis, and that any proceeding between Area Representative and Area Representative's principals, or you and Franchisor or its affiliates or employees may not be consolidated with any other proceeding between Franchisor and any other person or entity.

8) **Jury Trial Waiver.** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE AREA REPRESENTATIVE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR

YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS, WHETHER LITIGATION OR MEDIATION, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN AREA REPRESENTATIVE AND AREA REPRESENTATIVE'S PRINCIPALS AND YOU, AND FRANCHISOR OR ITS AFFILIATES OR EMPLOYEES, MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER PERSON OR ENTITY.

9) **Waiver of Punitive Damages.** You waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, your recovery shall be limited to actual damages. If any other term of this Personal Guaranty 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.

10) **Limitation on Action.** You agree that no cause of action arising out of or related to this Guaranty or the Area Representative Agreement may be maintained by you unless initiated in the appropriate court of law before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

11) **Attorneys' Fees.** If either party institutes any judicial or litigation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Guaranty and the Area Representative Agreement, and Franchisor prevails in such action, you shall be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

12) **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Personal Guaranty and the Area Representative Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13) **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and

partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

14) **Construction of Language.** Any term defined in the Area Representative Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Area Representative Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty 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.

15) **Successors.** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ successors, assigns or transferees.

16) **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in this Guaranty or in the Area Representative Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Area Representative or you for any reason.

Guarantor(s):

Percentage of Franchisee Ownership:

Spouses:

EXHIBIT D

CONDITIONAL ASSIGNMENT OF AREA REPRESENTATIVE'S TELEPHONE NUMBERS, FACSIMILE NUMBERS AND DOMAIN NAMES

1. (“**Assignor**”), in exchange for valuable consideration provided by Scissors & Scotch Franchising, LLC (“**Assignee**”), receipt of which is hereby acknowledged, hereby conditionally assign to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its area representative business specified in the area representative agreement (the “**Assigned Property**”), entered into by and between Assignor and Assignee (the “**Area Representative Agreement**”). The Assigned Property includes the following:

Telephone Number(s): _____

Facsimile Number(s): _____

Domain Name(s) (as permitted by Franchisor under the Area Representative Agreement):

2. The conditional agreement will become effective automatically upon termination, expiration, or transfer of the Area Representative Agreement. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this Assignment, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

EXHIBIT E

ELECTRONIC FUNDS WITHDRAWAL AND DEPOSIT AUTHORIZATION



The undersigned, _____ (“**Area Representative**”), hereby authorizes Scissors & Scotch Franchising, LLC (“**S&S**”) to initiate debit entries to the undersigned’s checking account or savings account (circle one) indicated below at the financial institution named below (the “**Bank**”), and to debit same by electronic funds transfer for any and all amounts due to S&S under the Franchise Agreement between S&S and Franchisee including, without limitation, amounts due for royalty fees, interest, purchases from S&S or its affiliates, Brand Building Fund or advertising contributions, or any other amounts owed by Franchisee to S&S or its affiliates.

Bank Name: _____ Branch: _____

City: _____ State: _____ Zip Code: _____

Routing Number (9 digits): _____

Account Number: _____

This authorization is to remain in full force and effect until S&S and Bank have received written notification from the undersigned of its termination in such time and manner as to afford S&S and Bank a reasonable opportunity to act on it.

This authorization shall be effective on _____, 2021. A facsimile or electronic signature on this authorization shall be deemed an original signature.

Area Representative Name (Printed): _____

Signature

Title (if applicable)

Please attach a voided check if payments will be made from a checking account or a deposit slip if payment will be made from a savings account.

Please return this authorization form, completed and signed, to sean@scissorsscotch.com

EXHIBIT C
STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR	ADDRESS
California	Department of Business Oversight	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 Toll Free Telephone #: 1-866-275-2677
Hawaii	Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Office of The Attorney General	500 South Second Street Springfield, IL 62706
Indiana	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Maryland	Office of The Attorney General Securities Division	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Consumer Protection Division Franchise Section	525 West Ottawa 670 Law Building Lansing, MI 48913
Minnesota	Department of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York	NYS Department of Law Investor Protection Bureau	28 Liberty St. 21 st Floor New York City, NY 10005 Phone: 212-416-8236
North Dakota	North Dakota Securities Department	600 East Boulevard Avenue State Capitol Fifth Floor Dept. 414 Bismarck, ND 58505-0510 Phone: 701-328-4712
Rhode Island	Department of Business Regulation Securities Division	1511 Pontiac Ave Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia	Virginia State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9th Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division	150 Israel Rd. S.W. Tumwater, WA 98501
Wisconsin	Department of Financial Institutions Securities Division	345 W. Washington, 4th Floor Madison, WI 55103

EXHIBIT D
AGENTS FOR SERVICE OF PROCESS

STATE	AGENT	ADDRESS
California	Commissioner of Business Oversight	320 West 4 th Street, Suite 750 Los Angeles, CA 90013-1105
Hawaii	Commissioner of Securities	335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana	Indiana Secretary of State	302 W Washington Street, Room E-111, Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
Michigan	Michigan Department of Commerce Corporations and Securities Bureau	525 West Ottawa 670 Law Building Lansing, MI 48913
Minnesota	Commissioner of Commerce	85 7 th Place East, Suite 280 St. Paul, MN 55101-2198
New York	Secretary of State	99 Washington Avenue Albany, NY 12231
North Dakota	Securities Commissioner	600 East Boulevard Fifth Floor Bismarck, ND 58505
Rhode Island	Director of the Department of Business Regulation	1511 Pontiac Avenue Cranston, RI 02920
South Dakota	Department of Labor and Regulation Division of Securities	124 S. Euclid, Suite 104 Pierre, SD 57501
Virginia	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions	150 Israel Rd. S.W. Tumwater, WA 98501
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 345 W. Washington Ave., 4th Floor Madison, WI 53701

EXHIBIT E
TABLE OF CONTENTS OF MANUALS

Subject	Number of Pages
Preface	6
Introduction	20
Pre-Opening Procedures	95
Human Resources	70
Managing the Business	83
Daily Shop Procedures	145
Marketing and Promotion	38
Total	457

EXHIBIT F
DISCLOSURE ACKNOWLEDGEMENT AGREEMENT

[NAME OF FRANCHISOR] (“_____”), through the use of this document, desires to confirm that [Name of Franchisee] (“**You**”) fully understand and comprehend that the purchase of an Scissors & Scotch® franchise is a business decision, complete with its associated risks, and that it is our company policy to verify that you have received certain required documents and that you are not relying upon any unauthorized statements, representations, promises or assurances by any representative of _____ in the purchase of the franchise.

1. You recognize and understand that business risks, which exist in the purchase of any business, make the success or failure of the franchise subject to many variables, including your skills and abilities, the hours you work, competition, interest rates, the economy, inflation, labor costs, lease terms, and your marketing and management skills. You acknowledge your willingness to undertake these business risks.

2. You acknowledge receipt of the following documents: (a) _____ Franchise Disclosure Document, (b) _____, and (c) audited financials of _____. You acknowledge and agree that you have personally and carefully reviewed each document and have been advised to (i) seek professional assistance, (ii) have professionals review these documents, and (iii) consult with your professional advisors regarding the risks associated with the purchase of a Scissors & Scotch® franchise.

3. You acknowledge and agree that you were in receipt of the _____ Franchise Disclosure Document at least 14 calendar days prior to signing the Franchise Agreement or paying the initial franchise fee.

4. You acknowledge and agree that you were in receipt of the _____ Franchise Agreement containing all material terms at least 7 calendar days prior to signing the Franchise Agreement.

5. Except as set forth at Item 19 of the _____ Franchise Disclosure Document, you acknowledge and agree that you have not received, and that your decision to purchase a franchise is not otherwise predicated upon, either (a) any oral or written representations, assurances, warranties, guarantees or promises made by _____ or any of its employees or other representatives as to the likelihood of success of the franchise or (b) any information concerning actual, average, projected or forecasted sales, profits or earnings.

If you believe that you have received any of the above, please describe these in the space provided below or write “None.”

Acknowledged and accepted this _____ day of _____, 20____.

FRANCHISEE:

[Name of Franchisee]

EXHIBIT G
GENERAL RELEASE

[For Renewal of Franchise]

This Release (the “**Release**”) is made and entered into this ____ day of _____, 20____, by and between Scissors & Scotch Franchising, LLC, a Kansas limited liability company, (hereinafter referred to as “**S&S**”), and _____, a [insert jurisdiction of incorporation or organization] [corporation/limited liability company] (“**Franchisee**”) and [names of shareholders or members] (“**Guarantors**”).

WITNESSETH:

WHEREAS, S&S and Franchisee are parties to a S&S Franchise Agreement dated _____ (the “**Franchise Agreement**”) granting Franchisee the exclusive right to open a S&S franchise (“**Franchise Business**”) under said Franchise Agreement within an area described in Exhibit A to the Franchise Agreement; and

WHEREAS, Guarantors are the sole [shareholders/members] of Franchisee; and

WHEREAS, Guarantors personally guaranteed the obligations of Franchisee under the Franchise Agreement; and

WHEREAS, Franchisee and Franchisor desire to renew the term of the Franchise Agreement.

WHEREAS, Franchisee and Guarantors desire to release S&S from certain obligations, claims, rights and privileges which may have accrued or been established by S&S, Franchisee, and Guarantors as a result of said Franchise Agreement and the Guaranty and Assumption of Obligations Agreement and relative to the renewal of the terms of the Franchise Agreement.

NOW THEREFORE, in consideration of the premises outlined herein and the payment of the required renewal fee and the execution of this Release, it is hereby agreed by the parties as follows:

1. The provisions of the recital paragraphs outlined are hereby incorporated by reference as if set out fully and shall have full force and legal effect.

2. Franchisee and Guarantor on behalf of themselves, their predecessors, successors, assigns, officers, agents, employees, representatives, partners, directors, servants, officers, parents, affiliates and attorneys do hereby RELEASE AND FOREVER DISCHARGE S&S and its predecessors, successors, assigns, officers, agents, employees, representatives, partners, directors, servants, officers, parents, affiliates and attorneys and all persons or entities which might be liable from any and all actions, causes of action, claims, demands, damages, costs, expenses and compensation arising out of any event, known or unknown, occurring prior to the date of this Release and specifically, without restricting said Release, release S&S and its predecessors, successors, assigns, officers, agents, employees, representatives, partners, directors, servants, officers, parents, affiliates and attorneys and all persons or entities which might be liable from any and all actions, causes of action, claims, demands, damages, costs and expenses directly or indirectly arising out of (a) the Franchise Agreement and any performance required by S&S under the Franchise Agreement; (b) any obligation to buy back or repurchase any franchise unit covered by the Franchise Agreement, or any property owned by Franchisee and Guarantors, whether arising under the Franchise Agreement or otherwise; and (c) any facts, claims or representations of the sale of said Franchise Agreement to Franchisee.

3. This Release shall be binding upon and shall inure to the benefit of all parties hereto, their heirs, executors, administrators, successors, and assigns, and parties hereby agree for themselves and their heirs, executors, administrators, successors and assigns to execute any and all instruments and to perform any acts which may be necessary or proper to carry out the purpose of this Release.

4. This Release sets forth the entire understanding between the parties. No change or modification hereto shall be valid unless made in writing and signed by all parties hereto.

5. The provisions of this Release are severable. If any paragraph, section, subdivision, sentence, clause, or phrase of this Release is for any reason held to be contrary to law or contrary to any rule or regulation having the force and effective law, such decision shall not affect the remaining provisions of this Agreement.

6. This Release may be executed in any number of copies, the copies of which shall be deemed an original, but all of which shall constitute one and the same Release.

7. This Release shall be governed by the substantive laws of the State of _____

8. The terms hereof are contractual and not mere recitals and they state the entire agreement between the parties.

9. In the event any party to this Release makes a claim relating to any conflict, omission, or ambiguity in this Release, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Release was prepared by or at the request of a particular party or its counsel.

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

FRANCHISOR:

Scissors & Scotch Franchising, LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

(Corporate or LLC name)

By: _____
Name: _____
Title: _____

GUARANTORS:

GENERAL RELEASE

[For assignment/transfer of Franchise Agreement]

This Release (the “**Release**”) is made and entered into this ____ day of _____, 20____, by and between Scissors & Scotch Franchising, LLC, a Kansas limited liability company, (hereinafter referred to as “**S&S**”), and _____, a [insert jurisdiction of incorporation or organization] [corporation/limited liability company] (“**Franchisee**”) and [names of shareholders or members] (“**Guarantors**”).

WITNESSETH:

WHEREAS, S&S and Franchisee are parties to a S&S Franchise Agreement dated _____ (the “**Franchise Agreement**”) granting Franchisee the exclusive right to open a S&S franchise (“**Franchise Business**”) under said Franchise Agreement within an area described in Exhibit A to the Franchise Agreement; and

WHEREAS, Guarantors are the sole [shareholders/members] of Franchisee; and

WHEREAS, Guarantors personally guaranteed the obligations of Franchisee under the Franchise Agreement; and

WHEREAS, Franchisee has transferred the rights to the Franchise Agreement and sold the assets of the Franchise Business to _____, assigning unto _____, all rights, privileges and goodwill in said Franchise Agreement, subject to the terms and conditions thereof which included, the agreement by _____ to pay S&S the required transfer fee; and

WHEREAS, S&S has agreed to approve the assignment of the Franchise Agreement and the sale of the assets to _____ upon the express condition that Franchisee and Guarantors release S&S as provided in this Release; and

WHEREAS, Franchisee and Guarantors desire to release S&S from certain obligations, claims, rights and privileges which may have accrued or been established by S&S, Franchisee, and Guarantors as a result of said Franchise Agreement and the Guaranty and Assumption of Obligations Agreement and relative to the sale and purchase of the franchise rights to _____.

NOW THEREFORE, in consideration of the premises outlined herein and the payment of the required transfer fee and the execution of this Release, it is hereby agreed by the parties as follows:

1. The provisions of the recital paragraphs outlined are hereby incorporated by reference as if set out fully and shall have full force and legal effect.

2. S&S agrees to approve the sale of assets and the assignment of the Franchise Agreement to _____.

3. Franchisee and Guarantor on behalf of themselves, their predecessors, successors, assigns, officers, agents, employees, representatives, partners, directors, servants, officers, parents, affiliates and attorneys do hereby RELEASE AND FOREVER DISCHARGE S&S and its predecessors, successors, assigns, officers, agents, employees, representatives, partners, directors, servants, officers, parents, affiliates and attorneys and all persons or entities which might be liable from any and all actions, causes of action, claims, demands, damages, costs, expenses and compensation arising out of any event, known or unknown, occurring prior to the date of this Release and specifically, without restricting said Release, release S&S and its predecessors, successors, assigns, officers, agents, employees, representatives, partners, directors, servants, officers, parents, affiliates and attorneys and all persons or entities which might be liable from any and all actions, causes of action, claims, demands, damages, costs and expenses directly or indirectly arising out of (a) the Franchise Agreement and any performance required by S&S under the Franchise Agreement; (b) any obligation to buy back or repurchase any franchise unit covered by the Franchise Agreement, or any property owned by Franchisee and Guarantors, whether arising under the Franchise Agreement or otherwise; and (c) any facts, claims or representations of the sale of said Franchise Agreement to Franchisee.

4. This Release shall be binding upon and shall inure to the benefit of all parties hereto, their heirs, executors, administrators, successors, and assigns, and parties hereby agree for themselves and their heirs, executors, administrators, successors and assigns to execute any and all instruments and to perform any acts which may be necessary or proper to carry out the purpose of this Release.

5. This Release sets forth the entire understanding between the parties. No change or modification hereto shall be valid unless made in writing and signed by all parties hereto.

6. The provisions of this Release are severable. If any paragraph, section, subdivision, sentence, clause, or phrase of this Release is for any reason held to be contrary to law or contrary to any rule or regulation having the force and effective law, such decision shall not affect the remaining provisions of this Agreement.

7. This Release may be executed in any number of copies, the copies of which shall be deemed an original, but all of which shall constitute one and the same Release.

8. This Release shall be governed by the substantive laws of the State of _____.

9. The terms hereof are contractual and not mere recitals and they state the entire agreement between the parties.

10. In the event any party to this Release makes a claim relating to any conflict, omission, or ambiguity in this Release, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Release was prepared by or at the request of a particular party or its counsel.

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

FRANCHISOR:

Scissors & Scotch Franchising, LLC

By: _____
Name: _____
Title: _____

FRANCHISEE:

(Corporate or LLC name)

By: _____
Name: _____
Title: _____

GUARANTORS:

EXHIBIT H
STATE ADDENDA

CALIFORNIA

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Business Oversight before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains a mediation provision. The parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator's fees.

The Franchise Agreement requires the application of the law of Franchisor's Choice of Law State. This provision may not be enforceable under California law.

Neither Franchisor nor any other person listed in Item 2 of the FDD 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 such persons from membership in such association or exchange.

California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

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

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

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement may not be enforceable.

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

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

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.dbo.ca.gov.

ILLINOIS

Addendum to FDD and Area Development Agreement

Based on our financial condition, the Illinois Attorney General's Office, has required that all initial fees be deferred until such time as we have completed our initial obligations to you and your first AR Business is open for business.

The State Cover page shall be amended by the addition of the following Risk Factor:

1. **THE FRANCHISOR IS IN THE EARLY STAGES OF DEVELOPMENT AND HAS LIMITED EXPERIENCE WITH FRANCHISING. THEREFORE, THE FRANCHISE OPPORTUNITY PRESENTS MORE RISK THAN THAT OF A COMPANY WITH A LONGER OPERATING HISTORY.**
2. **FRANCHISOR'S FINANCIAL CONDITION AS REFLECTED IN ITS FINANCIAL STATEMENTS (see Item 21) CALLS INTO QUESTION THE FRANCHISOR'S FINANCIAL ABILITY TO PROVIDE SERVICES AND SUPPORT TO YOU**

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

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Franchisee's rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Illinois law governs the franchise agreement.

For info about obtaining a liquor license in Illinois, see:
<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>.

INDIANA

Item 13 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted

in its place: No competing business for two (2) years within the Protected

Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor's Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor's Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

MARYLAND

FDD

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Act, the Franchise Disclosure Document of **SCISSORS & SCOTCH FRANCHISING, LLC** for use in the State of Maryland shall be amended as follows:

1. The State Cover page shall be amended by the addition of the following Risk Factor:

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY MEDIATION OR LITIGATION ONLY IN JOHNSON COUNTY, KANSAS. OUT-OF-STATE MEDIATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY

ALSO COST YOU MORE TO MEDIATE OR LITIGATE WITH US IN KANSAS THAN IN YOUR OWN STATE.

2. Item 5 and Item 7 shall be amended by the addition of the following language:

“Based on our financial condition, the State of Maryland, Office of the Attorney General, Securities Division, has required that all initial fees be deferred until such time as we have completed our initial obligations to you and your first AR Business is open for business. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development fee opens.”

3. Item 17(h) under the heading “‘Cause’ defined – defaults which cannot be cured” shall be amended by the addition of the following language at the end of each Summary Section:

“The provision for termination upon bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).”

4. Item 17(v) entitled “Choice of Forum” shall be amended by the addition of the following language at the end of each Summary Section:

“You may bring suit in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.”

5. Item 17 entitled “RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION” shall be amended by the addition of the following paragraphs at the end of Item 17:

“The general release required as a condition of renewal, sale and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

6. The Disclosure Acknowledgement Agreement is amended to state:

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

AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Act, the parties below agree to enter into this Addendum (the “Addendum”) to amend the Area Development Agreement of **SCISSORS & SCOTCH FRANCHISING, LLC** for use in the State of Maryland as follows:

1. The “Whereas” clauses on the first page shall be amended with the addition of the following language:

“WHEREAS, 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 uncured under the Maryland Franchise Registration and Disclosure Law.”

2. Section 9, under the heading “DEVELOPMENT FEE” shall be amended by adding the following language to the end of Section 9:

“Based on our financial condition, the State of Maryland, Office of the Attorney General, Securities Division, has required that all initial fees be deferred until such time as we have completed our initial obligations to you and your first AR Business is open for business. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development fee opens.”

3. Section 16.C, under the heading “TRANSFER OF INTEREST” shall be amended by adding the following language to the end of Section 16.C:

“The general release required as a condition of renewal, sale, and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

4. Section 20.G. under the heading “EXCLUSIVE JURISDICTION” shall be amended by adding the following language to the end of Section 20.G:

“You may bring suit in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claim arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.”

5. Section 23.K, under the heading "CONSTRUCTION/INTEGRATION CLAUSE" shall be amended by adding the following language to the end of Section 23.K.:

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

6. Section 24 under the heading ‘CAVEAT’ shall be amended by adding the following language to the end of Section 24:

“The representations made in this Agreement requiring a franchisee to assent to a release, estoppel or waiver are not intended to, nor do they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The general release required as a condition of renewal, sale, and/or assignment shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.”

7. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Act and the regulations promulgated thereunder are independently met without

reference to this Addendum. This Addendum shall have no force or effect if such jurisdictional requirements are not met.

8. To the extent this Addendum shall be deemed inconsistent with any terms or conditions of the Area Development Agreement, the terms of this Addendum shall govern.

9. Any capitalized terms that are not defined in this Addendum shall have the meaning given to them in the Area Development Agreement.

IN WITNESS WHEREOF, the parties to this Addendum have duly executed, sealed, and delivered this Addendum to the Area Development Agreement simultaneously with the signing of the Area Development Agreement.

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. 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.
3. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
4. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J.
5. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.17, Subd. 5, which requires that no action may be commenced more than three years after the cause of action accrues.
6. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your

use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.

7. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
8. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.

9. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
10. Item 6 of the FDD and Section I of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence pursuant to Minnesota Statute 604.113.

NEW YORK

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT FOR NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

SOUTH DAKOTA

The cover page and Items 5 and 7 of the FDD and Section 3 of the Area Representative Agreement are supplemented with the following language: “Based on our financial condition, the South Dakota Securities Regulation Office has required that all initial fees be deferred until such time as we have completed our initial obligations to you and your Franchised Business is open for business.”

VIRGINIA

Item 17(h). The following is added to Item 17(h):

“Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for NM Franchise Operations or use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement 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.

WASHINGTON FRANCHISE AGREEMENT ADDENDUM

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

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

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

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

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

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

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

This addendum may also be used as a rider to the Franchise Disclosure Document.

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document and the Franchise Agreement are amended accordingly.

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

<u>State</u>	<u>Effective Date</u>
<u>California</u>	<u>Pending</u>
<u>Illinois</u>	<u>Pending</u>
<u>Indiana</u>	<u>Pending</u>
<u>Maryland</u>	<u>Pending</u>
<u>Michigan</u>	<u>Pending</u>
<u>Minnesota</u>	<u>Pending</u>
<u>New York</u>	<u>Pending</u>
<u>Rhode Island</u>	<u>Pending</u>
<u>Virginia</u>	<u>Pending</u>
<u>Washington</u>	<u>Pending</u>
<u>Wisconsin</u>	<u>Pending</u>

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 K **RECEIPTS**

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with proposed franchise sale.

Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the signing of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or ten 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 signing of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains or 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 appropriate state agency identified on Exhibit D.

The franchisor corporation is located at 1908 Main Street, Kansas City, MO 64108,. Its telephone number is (913) 981-8004.

The name, principal address and telephone number of each franchise seller offering the franchise is: Erik Anderson, 1908 Main Street, Kansas City, Missouri 64108, (402.332.7122); Tanner Wiles, 1908 Main Street, Kansas City, Missouri 64108 , (308.360.1217); Sean Finley, 1908 Main Street, Kansas City, Missouri 64108 , (913.530.1287).

FTC Issuance date: April 30, 2022

See Exhibit E for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 30, 2022, that included the following exhibits:

Exhibit A – Financial Statements	Exhibit B – Area Development Agreement
Exhibit C – State Administrators	Exhibit D – Agents for Service of Process
Exhibit E – Table of Contents of Manuals	Exhibit F – Disclosure Acknowledgement Agreement
Exhibit G – General Release	Exhibit H – State Addenda
Exhibit K – Receipts	

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name
(Date, sign and return this Receipt to S&S)

RECEIPTS

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with proposed franchise sale.

Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the signing of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or ten 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 signing of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains or 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 appropriate state agency identified on Exhibit D.

The franchisor corporation is located at 1908 Main Street, Kansas City, Missouri 64108 (913) 981-8004.

The name, principal address and telephone number of each franchise seller offering the franchise is: Erik Anderson, 1908 Main Street, Kansas City, Missouri 64108, (402.332.7122); Tanner Wiles, 1908 Main Street, Kansas City, Missouri 64108, (308.360.1217); 1908 Main Street, Kansas City, Missouri 64108, (913.530.1287.

FTC Issuance date: April 30, 2022

See Exhibit E for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 30, 2022, that included the following exhibits:

Exhibit A – Financial Statements	Exhibit B – Area Development Agreement
Exhibit C – State Administrators	Exhibit D – Agents for Service of Process
Exhibit E – Table of Contents of Manuals	Exhibit F – Disclosure Acknowledgement Agreement
Exhibit G – General Release	Exhibit H – State Addenda
Exhibit K – Receipts	

Date: _____

(Do not leave blank)

Signature of Prospective Franchisee

Print Name

(Date, sign and keep this Receipt for your Records)