FRANCHISE DISCLOSURE DOCUMENT

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.scissorscotch.com
Franchise website: www.franchise.scissorsscotch.com
Email: franchise@scissorsscotch.com

The franchise is to operate a high-end barbershop and lounge under the name, Scissors & Scotch®, which caters to male customers, offers 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 hosts client events that include liquor and wine tastings, beer tap takeovers, wedding groups, trunk shows, sporting event watch parties, small business gatherings and private rentals ("***Scissors & Scotch® Barbershop***" or "***Barbershop***").We will refer to the Scissors & Scotch® Barbershop franchise that you will operate as the "***Franchised Business***".

The total investment necessary to begin operation of a Scissors & Scotch® Barbershop franchise is $~~581,300~~631,800 to $~~798,250~~845,250. This includes $~~188,000~~181,500 to $~~221,000~~204,500 that must be paid to us or our affiliates.

The total investment necessary to operate multiple Barbershops under our form of Development Agreement depends on the number of franchises we grant you the right to open. The total investment necessary to enter into ~~an~~a Development Agreement for the right to develop three (3) Barbershops is $~~671,300~~691,800 to $~~858,250~~905,250, which includes (1) an initial development fee of $110,000 that is paid to us, and (2) the total investment to open and commence operations of your initial Barbershop. Under the Development Agreement, the Development Fee is calculated as follows: (i) $50,000 for the initial Franchised Business; plus (ii) $40,000 for the second Franchised Business; plus (iii) $20,000 for each additional Franchised Business that you are granted the right to open and operate under the Development Agreement.

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@scissorscotch.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, ~~2023~~2024

How to Use This Franchise Disclosure Document

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

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

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, or litigate with the franchisor in Kansas than in your own state.

2. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

3. **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.

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

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

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Exhibits:

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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 1908 Main Street, Kansas City, Missouri 64108. We conduct business under our corporate name and under the trade name and trademark, Scissors & Scotch®.

We began offering franchises in July of 2017.

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

We currently do not, but reserve the right in the future to, operate Scissors & Scotch® businesses of the type being offered. We have not previously offered franchises for the same type of business as that to be operated by you.

We do not offer franchises in any other line of business.

Predecessor

We have no predecessors.

Parent

Our parent company, S & S Franchise Holdings, LLC, ("***S&S Holdings***"), is a Kansas limited liability company organized on July 7, 2017, and has a principal business address of 1908 Main Street, Kansas City, Missouri 64108.

Our parent does not own and operate a business similar to the type being franchised 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 1908 Main Street, Kansas City, Missouri 64108 ("***S&SD***")[1]. S&SD is the sole provider of certain products and services to franchisees, as described in Item 8. SS&D does not own or operate the type of business that is being franchised and has not offered franchises in this or any other 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 1908 Main Street, Kansas City, Missouri 64108. 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. You will be required to purchase gift cards from S&SGC and offer Scissors & Scotch® gift cards for sale and/or redemption in your Barbershop. S&SGC does not own or operate the type of business that is being franchised 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 19, 2021, and has a principal business address of 1908 Main Street, Kansas City, Missouri 64108 ("***S&S Products***")[2]. S&S Products does not own or operate the type of business that is being franchised 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 1908 Main Street, Kansas City, Missouri 64108 ("~~***Mission Moonshot***~~***M²***")[3]. ~~Mission Moonshot~~M² is the sole provider of the ~~pre-opening targeted advertising program. Mission Moonshot~~Pre-Opening Digital Advertising Program and Post-Opening Digital Advertising Program. M² does not own or operate the type of business that is being franchised and has not offered franchises in this or any other line of business.

In addition, we have ~~four~~twelve affiliates that operate Scissors & Scotch® Barbershops as described below. None of these affiliates offer products or services to our franchisees and none of these affiliates have offered or sold 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[4]	1610 SW Main Street, Suite 103 Ankeny, IA 50023	Iowa	December 19, 2021
Scissors & Scotch WDM, LLC[4]	440 S. 68th St., Suite 105 West Des Moines, IA 50266	Iowa	December 19, 2021
Scissors & Scotch Ventures, LLC[5]	1908 Main Street Kansas City, MO 64108	Delaware	September 1, 2022

(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.
(5) Our Managing Members own, collectively, 100% of Scissors & Scotch Ventures, LLC, a Delaware limited liability company, which owns 100% of the following entities, each operating a Scissors & Scotch® Barbershop at the respective address provided:

- S&S Arlington LLC, a Virginia limited liability company (4000 Fairfax Dr., Arlington, VA 22203);
- S&S Castle Rock LLC, a Colorado limited liability company (20 N Wilcox St., Suite C-104, Castle Rock, CO 80104);
- S&S Highlands Ranch LLC, a Colorado limited liability company (1493 Park Central Drive, Suite 200, Highlands Ranch, CO 80129);
- S&S Lowry LLC, a Colorado limited liability company (7111 E Lowry Blvd, Suite 106, Denver, CO 80230);
- S&S Navy Yard LLC, a District of Columbia limited liability company (1 M Street SE, Suite 100, Washington, DC 20003);
- S&S Parker LLC, a Colorado limited liability company (12227 Pine Bluffs Way, Suite 109, Parker, CO 80134);
- S&S Reston LLC, a Virginia limited liability company (1902 Reston Metro Plaza, Reston, VA 20190); and
- S&S Union Market LLC, a District of Columbia limited liability company (331 N St. NE, Washington, DC 20002).

The Franchise Offered

We grant franchises for Barbershops operating under the "Scissors & Scotch®" name and other marks (the "***Licensed Marks***"). The Scissors & Scotch® Barbershops cater to male customers and offer men's grooming services that include haircuts, straight-razor shaves, facial hair trims, hair coloring, waxes, hand repairs, lounge and bar services, and host client events that include liquor and wine tastings, local brewery tap takeovers, wedding parties, trunk shows, networking events, private gatherings and other authorized services (collectively, the "***Services***"). We currently do not, but reserve the right in the future to, sell certain hair and skin treatment products and other authorized products. The Services and any such products we authorize for sale in the future are referred to in this disclosure document collectively as the "Approved Products and Services." The form of franchise agreement that you will sign is attached to this disclosure document as Exhibit C (the "***Franchise Agreement***"). You will not have the right to grant franchises to others or to sub-franchise.

We have developed (and continue to develop and modify) policies and procedures, confidential information, intellectual property, and a distinctive and comprehensive operating system for the operation, identification, and promotion of Scissors & Scotch® Barbershop (the "***System Standards***"). Our parent, S & S Franchise Holdings, LLC, owns the Licensed Marks, and has licensed us to use and sublicense that intellectual property for Scissors & Scotch® Barbershop. You must operate the Franchised Business according to the business formats, methods, procedures, designs, layouts, standards, and specifications developed and prescribed by us.

You must offer and sell rights of access or service packages to your Barbershop (each a "***Membership***") as we require. You must comply with our System Standards regarding

Memberships. All Memberships must be evidenced by a written agreement (a "***Membership Agreement***").

If you enter into ~~an~~a Development Agreement, you must sign a Franchise Agreement for your first Scissors & Scotch Barbershop at the same time that you sign the Development Agreement. For each future Scissors & Scotch Barbershop, you will be required to sign our then-current form of Scissors & Scotch Franchise Agreement that may be different from the form of franchise agreement included in the Franchise Disclosure Document being used to offer the area development franchise.

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, however, is growing quickly and still in its early stages of development.

The market for the Services does not fluctuate seasonally.

Conditions of Competition

Your Franchised Business will 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 Scissors & Scotch® 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. It is your sole responsibility to investigate, understand, and comply with all applicable laws, regulations, and requirements applicable to you and the Barbershop you operate. 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. You are solely responsible for investigating such regulations in your state.

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, both located in Overland Park, Kansas. 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, both located in Overland Park, Kansas. 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, both located in Overland Park, Kansas. 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 2017. From January 2015 to July 2017, she was Director of Grooming Operations for Scissors & Scotch, LLC, located in Omaha, Nebraska. From May 2010 to December 2014, she was a Barber for Garbo's Salon, located in Omaha, Nebraska. From August 2007 to December 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 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 served as Vice President of MidFirst Bank in Oklahoma City, Oklahoma. 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 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 Digital Strategy and Technology since April 2021. From February 2017 to April 2021, John was the Founder and CEO of Simmel Group, Inc., a website personalization and digital marking 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 2022. From February 2022 to June 2022. Azalia is headquartered in Kansas City, MO. Azalia was Director of Marketing for the Beauty Division of WellBiz Brands, Inc., located in Dallas-Fort Worth, Texas. From June 2019 to February 2022, she was the Director of Brand Marketing for Amazing Lash Studio, located in Dallas-Fort-Worth, Texas. From January 2017 to June 2019, Azalia was the Vice President of Marketing for Busch Global, LLC, located in Dallas-Fort Worth, Texas.

Director of Brand Standards: Felicia Anderson

Felicia has been our Director of Brand Standards since January 2023. From January 2015 to January 2023, Felicia acted in several leadership roles for S&S and was actively involved in the growth, operations and management of multiple Scissors & Scotch® affiliate-owned shops. Felicia is headquartered in Kansas City, MO.

Director of Culture: Melody Paigo

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

~~**Director of Support: Tara Norman**~~

~~Tara has been our Director of Support since July 2022. From June 2019 to July 2022, she was the Director of Franchise Operations for the Central Region of WellBiz Brands, Inc. From June 2016 to June 2019, Tara was the Director of Franchise Support for Busch Global, LLC.~~

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

Initial Franchise Fee

You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. Our standard initial franchise fee ("***Initial Franchise Fee***") currently is $50,000 for each Barbershop.

Military veterans will receive a $5,000 discount on all franchises. To qualify, military veterans will be required to provide a certified copy of DD Form 214 "Certificate of Release or Discharge from Active Duty." The Initial Franchise Fee is deemed fully earned on your execution of the Franchise Agreement and is not refundable under any circumstances.

Pre-Selected Furniture, Fixtures and Equipment

You must purchase pre-selected furniture, fixtures and equipment, such as barber chairs, shampoo bowls, stylist stations, bar equipment, lighting and various millwork and specialty finishes (collectively, the "***Custom Package Items***") for a standard 10-chair shop from our affiliate, S&SD. The collective cost of the Custom Package Items is approximately $125,000 to $145,000. To simplify scheduling and ordering, the Custom Package Items are broken into six sub-packages: the Grooming Equipment Package, the Bar Equipment Package, the Millwork Package, the Specialty Finishes Package, the Lighting Package and the Furniture Package.

Pre-Opening Digital Advertising Program Setup Cost

As described in Item 11, you must purchase the Pre-Opening Digital Advertising Program from our affiliate, Mission Moonshot, LLC ("***M²***"). The setup cost for the Pre-Opening Digital Advertising Program ~~Setup Cost~~ is currently $~~5,000~~3,500. We reserve the right to reduce or increase this cost in the future.

Initial Grooming Training Fee

The "Initial Grooming Training Fee" covers grooming training at your Barbershop for your first group of stylists and barbers ("***Initial Grooming Training***"). For subsequent Barbershops, the

Initial Grooming Training Fee may be reduced or waived entirely, in our sole discretion, if (a) the Barbershop will be operated entirely by previously trained operators; and/or (b) local certified trainers have been approved by us to oversee Initial Grooming Training. The Initial Grooming Training Fee is $6,000. For grooming trainee groups larger than eight individuals, an additional certified trainer may be required, who will incur charges at our standard rates (See "***Additional Grooming Training Fee***" in Item 6). This fee includes all travel, lodging and meal costs and expenses for our training staff.

Once your Barbershop is open, we will certify a stylist who has completed our Trainer Certification program to provide the stylist training to subsequent stylists from and at your own Barbershop.

Development Fee

If we grant you the right to open multiple Barbershops under ~~an~~a Development Agreement, you must pay us a development fee that is based on the number of franchises we grant you the right to open within your Development Area (the "***Development Fee***").

Under the Development Agreement, you must open a minimum of three (3) Barbershops. The total initial fees payable under the Development Agreement for three (3) Barbershops is $110,000. The Development Fee is due upon execution of your Development Agreement and is calculated as follows: (i) $50,000 for the Initial Franchised Business, plus (ii) $40,000 for the second Franchised Business, plus (iii) $20,000 for each additional Franchised Business that you are granted the right to open and operate under the Development Agreement. If you qualify for the military veteran's discount, the Development Fee associated with each Barbershop will be reduced by $5,000. The Development Fee is paid as consideration for the territorial rights you are granted within your Development Area and is not tied to any pre-opening obligations that we must otherwise perform.

You will not be required to pay us an Initial Franchise Fee in connection with any Franchised Business we grant you the right to open as part of your Development Agreement, but the Development Fee must be timely paid as described in this Item. The Development Fee is deemed fully earned and non-refundable upon execution of your Development Agreement.

Uniformity

Except as otherwise disclosed in this Item, all fees described herein are calculated and imposed uniformly on franchisees and are non-refundable.

ITEM 6
OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty	4.00% to 6.50%[2] of Gross Sales[3].	Upon commencement of operations, the Royalty fee is payable on each Monday for the preceding week.	Paid by electronic funds transfer.

Type of Fee[1]	Amount	Due Date	Remarks
Brand Building Fund ("***BBF***")	2.00% of Gross Sales.	Upon commencement of operations, the BBF fee is payable on each Monday for the preceding week.	Paid by electronic funds transfer. See Item 11 for a full description of the BBF and your required contributions.
~~Targeted~~Post-Opening Digital Advertising ~~Expenditure~~Expenditures	(i) $4,000 per month for (18) months, commencing on your opening day, and 2.00% of Gross Sales each month thereafter; plus (ii) $750 per month for administration.	As incurred.	All advertising materials must be approved by us prior to use/publication. We require you to work with our designated marketing affiliate, ~~Mission Moonshot~~M^2, for administration of the ~~Targeted~~Pre-Opening Digital Advertising ~~Expenditure~~Program.
Community Impact Fund ("***CIF***")[4]	$25.00 per week.	Upon commencement of operations, the CIF fee is payable on each Monday for the preceding week.	Paid by electronic funds transfer.
Trainer Certification[5]	$250 to $1,500 per trainee, depending on which certification areas (haircut, barbering, and/or elements) are requested.	As incurred.	You may certify a qualified person to train new barbers and stylists. The person must complete our certification training. A person may be certified in up to three training areas. The cost of certification depends on which and how many of the areas the person is trained in. The cost does not include travel, meals and lodging, which you are responsible for.
Conference Fees[6]	Then-current conference registration fees for at least two people (up to a $500 per person, or $1,000 total).	On demand.	If we schedule a conference, we will require you and your operator to attend and pay registration fees.
Training Fee[7]	Then-current training fee (our "***Training Fee***").	Prior to training.	This fee is paid in connection with training/instruction that we may provide on an ongoing basis in connection with the overall operation and

Type of Fee[1]	Amount	Due Date	Remarks
	Currently, $500 per day per trainer.		development of your Barbershop.
Additional Grooming Training Fee	Then-current Additional Grooming Training Fee. Currently, $275 per day per trainer.	Prior to training.	This fee is only payable to us in connection with (a) any additional stylists (in excess of eight) that receives Grooming Training prior to opening your Barbershop, or (b) any additional stylist that you request to have trained by us after your Barbershop commences operations. Once designated stylist(s) employed at your Barbershop have completed our Trainer Certification program, they may provide additional stylists with Grooming Training and no amount shall be payable to us.
Renewal Franchise	25% of then-current franchise fee for a single Barbershop.	When you acquire renewal franchise after initial term expires.	Due at the time you give S&S notice of your desire to renew.
Transfer Fee	25% of then-current franchise fee for a single Barbershop; $5,000 for each additional Barbershop as part of the same transaction.	Upon transfer of the franchise.	Payable when you sell the Barbershop. No charge if the Barbershop is transferred to a corporation or other entity that you control.
Relocation Fee	Actual costs and expenses.	Prior to relocating.	Payable when you relocate the Barbershop with our consent and approval.
Technology Fee[8]	Up to $250 per week. Currently, $150 per week.[8]	Payable on each Monday for the preceding week.	Paid by electronic funds transfer.
Audit	Cost of inspection or audit.	As incurred.	Due if you do not give us reports and records or understate Gross Sales by more than 3%.
Indemnification	Varies.	As incurred.	Subject to state law.

Type of Fee[1]	Amount	Due Date	Remarks
Costs and Attorneys' Fees	Varies.	As incurred.	Due upon failure to cure any default within the applicable cure period.
Temporary Management Fee	10% of Gross Sales, plus reasonable costs.	As incurred.	Due if we determine, in our reasonable discretion, that we must temporarily manage your Franchised Business, then you shall pay all costs incurred by us to manage your Franchised Business, including any and all travel expenses, room and board and compensation of our employees.
Supplier/Product Evaluation	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.
Insurance	Will vary according to circumstance.	Upon demand.	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you a service fee to do so. Otherwise, these payments are made directly to ~~you~~your third-party insurance provider.
Late Fee	$100.	When billed.	Due for each late or dishonored payment. Subject to state law.
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.

Type of Fee[1]	Amount	Due Date	Remarks
Liquidated Damages	An amount equal to the greater of $25,000 or three times the Royalty Fees and other fees which became due to S&S from Franchisee during the 12 months immediately preceding such termination.	Upon termination.	
Interest	Lesser of 1.5% per month or highest rate allowed by law.	15 days after billing.	Due on all overdue amounts more than 7 days late.

Notes

1. All fees in this Item 6 are collected by and payable to us and are non-refundable. Except as otherwise stated, all fees are charged uniformly and are non-refundable under any circumstance. "***Gross Sales***" means all revenue that you derive from operating the Franchised Business, including, without limitation, from the sale or provision of the Approved Products and Services, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit transactions, and also includes all proceeds from business interruption insurance but (1) excludes all federal, state, and municipal sales use or service taxes collected from customers and paid to the appropriate taxing authority, (2) is reduced by the amount of documented refunds and credits the Franchised Business in good faith gives to customers (if those amounts originally were included in calculating Gross Sales), (3) excludes tips or gratuities paid directly to your employees by customers of your Barbershop or paid to you and turned over by you to your employees in lieu of direct tips or gratuities, and (4) excludes the sale of gift certificates and gift cards (the redemption value will be included in Gross Sales at the time of redemption or on the date that we specify in the Operations Manual or otherwise in writing after the gift certificate or gift card is purchased). We will auto-debit your bank account (known as "***ACH***") for all fees you are required to pay us under the Franchise Agreement. Your ACH will remain in effect throughout the term of the Franchise Agreement. You must ensure that funds are available in your bank account to cover our withdrawals. Some banks charge fees for us to ACH your account; you must pay those fees. We may require you to pay any amounts due under the Franchise Agreement or otherwise by means other than ACH (e.g., by check or credit card) whenever we deem appropriate, and you must comply with our payment instructions. If you fail to comply with our payment instructions, we reserve the right to exclude you from participating in certain programs. In addition, your failure to comply with our payment instructions will be considered a default under the Franchise Agreement.

2. The royalty fee is 4.00% of Gross Sales for the first six (6) months following commencement of operations. After that, the royalty fee is 6.50% of Gross Sales. The Barbershops owned and operated by our affiliates pay a royalty fee equal to 2.00% of Gross Sales, due to a significantly reduced demand on the franchise system support structure and resources. To boost brand loyalty and customer engagement, we have established a

system-wide gift card program with uniform policies and procedures for all Barbershops, including yours. The royalty fee on any amount paid at your Barbershop with an approved gift card is 6.50%, regardless of how long your Barbershop has been operating. ~~To boost brand loyalty and customer engagement, we've established a system-wide gift card program with uniform policies and procedures for all Barbershops, including yours. Our affiliate pays a 2.0% royalty due to a much lower demand on the franchise system support structure and resources.~~

3. In unique circumstances, royalty fees have been discounted. For example, our first franchised Barbershop, located in Kansas City, is used for discovery days and training. In exchange for its additional ongoing obligations and responsibilities, the royalty fee for this location has been reduced by 50%.

4. CIF contributions are used to make a positive impact on, and are for the benefit of, the communities that support us. 100% of the CIF contributions are passed through to deserving groups and ideas.

5. For quality control, we require that all new stylists are to be trained by a certified trainer. There are two levels of trainers—Certified Trainers and Elite Educators. Certified Trainers ("***CTs***") can train up to four trainees at a time in the area(s) they're certified. To become a CT, the individual must complete the Certified Trainer Program. CTs cannot lead pre-opening training for full teams. Elite Educators ("***Elites***") can train any number of employees, including teams at new shops. To become an Elite, you must first be a CT and then pass our Elite Educator Program.

   For CT Certification, there is no training fee, but you are responsible for your CT Certification trainee's travel, lodging and expenses during the trip.

   For Elite certification, there is no training fee. We will cover an Elite trainee's travel and lodging during the trip.

   If you do not have the appropriate CT or Elite on staff, you may request one from us, and we will send the trainer(s) to your Franchised Business, as necessary. You must pay a certified trainer fee, plus travel and lodging for the trainer(s).

6. We may schedule and hold an annual conference, as we deem advisable in our sole discretion. If we schedule an annual franchise conference, we will require your Key Personnel (up to 2 people total) to attend and pay our then-current registration fees. You will also be responsible for the costs and expenses you incur in connection with any annual conference (lodging, travel, meals, etc.).

7. We may provide, and may require your Key Personnel to attend and successfully complete each year, up to four days of additional training. This additional training may be held at our headquarters or other place that we designate. It may include remedial and refresher courses, as well as instruction in new hair-styling techniques, the use of new products, and our System Standards and policies. We may charge a fee or tuition of $500 per trainer per day for Remedial Training and you are responsible for all training-related expenses, including travel, lodging, and dining expenses for these individuals and wages and salaries payable during training. Although only your Key Personnel are required to attend and complete such

additional training, we may permit additional employees to attend training with your Key Personnel. We reserve the right to charge this fee in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the franchise owner and/or Operating Manager, (b) any training we require you to complete to cure a default under your Franchise Agreement with us ("***Remedial Training***"), (c) training you request we provide (other than the kind of day-to-day assistance described below), or (d) training we provide on-site at your Franchised Business. In addition to our then-current training fee, you will always be responsible for the costs and expenses that are incurred in connection with you and your personnel (and/or our trainer) attending training.

We will not charge any training fee in connection with minor, day-to-day assistance that we provide remotely over the phone or via email, subject to our availability.

8. The technology fee is designed to save you time and money by consolidating shop-level technology needs into a single account. Proceeds are used for system-wide technology-related items, as determined by us, which may include maintaining an intranet, extranet, online portal, website, brand-wide online advertising tools, software platforms, mobile application and/or any other technology for use in connection with the Franchised Business. We collect this fee instead of passing through actual costs that we incur in providing ~~technology~~technological support to all Barbershops. We strive to keep the technology fee as low as possible, while still providing industry-leading technology solutions. The technology fee is currently $100 per week, but we reserve the right to increase it, at any time, up to $250 per week.

ITEM 7
ESTIMATED INITIAL INVESTMENT

Franchise Agreement

Type of Expenditure	Estimated Amount	Method of Payment	When Payment Is Due	To Whom Payment Is Made
Initial Franchise Fee[1]	$50,000 (Single Barbershop) $20,000 to $50,000 (Multi-Unit)	Lump sum	When you sign the franchise agreement	S&S
Initial Training Expenses[2]	$250 to $2,000, per trainee (up to 2 total)	As incurred	Prior to opening	Third Parties
Initial Grooming Training Fee[3]	$3,000 to $6,000	As incurred	Prior to opening	S&S
Architect & Permitting Fee[4]	$15,000 to $17,000	As incurred	Prior to opening	Approved Supplier
Custom Package Items (FF&E)[5]	$125,000 to $145,000	As incurred	Prior to opening	Affiliate
Leasehold Improvements (net	$300,000 to $390,000	As incurred	Prior to opening	Contractors

Type of Expenditure	Estimated Amount	Method of Payment	When Payment Is Due	To Whom Payment Is Made
tenant improvement allowance)[6]				
Signage[7]	$9,000 to $12,000	Lump Sum	Prior to opening	Supplier
Other Furniture[8]	$3,000 to $5,000	As incurred	Prior to opening	Supplier
POS Hardware and Software[9]	$5,000 to $6,000	As incurred	Prior to opening	Approved Supplier
Initial Inventory and Supplies[10]	$21,000 to $31,000	As incurred	Prior to opening	Approved Suppliers, Third Parties
Lease and Utility Deposits[11]	$4,750 to $11,750	Lump sum	Prior to opening	Approved Supplier
Business Permits and Licenses[12]	$1,500 to $12,000	As incurred	Prior to opening	Local and state agencies
Low Voltage (Phones, Music, Cable, Security)[13]	$4,500 to $9,000	As incurred	Prior to opening	Approved Suppliers, Third Parties
Professional Fees[14]	$4,000 to $8,000	As incurred	Prior to opening	Third Parties
Print Materials[15]	$2,500 to $4,000	Lump sum	Prior to opening	Approved Supplier
Insurance[16]	$800 to $1,500	Lump sum	Prior to opening	Approved Supplier
New Staff Expenses[17]	$~~12,000~~15,000 to $~~18,000~~25,000	As incurred	Prior to opening	Employees and Suppliers
Pre-Opening Digital Advertising[18]	$10,000 to $20,000	As incurred	Prior to opening	Affiliate, Approved Suppliers
Grassroots Marketing Program[19]	$7,500 to $15,000	As incurred	Prior to opening	Approved Suppliers, Third Parties
Three Months Additional Funds[~~19~~20]	~~$40,000 to~~ $50,000 to $75,000	As incurred	As needed	N/A
Total Investment[~~20~~21]	**$~~581,300~~631,300 to $~~798,250~~845,250 (Single Barbershop)**			

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

Explanatory Notes to Chart 7.A

1. We describe the initial franchise fee, and when the fee is payable, in Item 5. For a single-unit franchise, the non-refundable initial franchise fee is $50,000. If you enter into an Area Development Agreement for multiple locations, the initial franchise fee is reduced to $40,000 for your second Franchise Agreement and $20,000 for

each additional Franchise Agreement under the Area Development Agreement. See Chart 7.B below. Qualified military veterans will receive a $5,000 discount on all franchises.

2. You are not required to pay any fee to us in connection with the management and leadership training for your Barbershop operator(s) ("***Operator Training***"). The estimated amount includes the travel, lodging, meal and incidental expenses for one (1) person or two (2) persons to attend our required initial training program. The low-end estimate reflects the costs for a franchisee located near our designated training center.

3. The "***Initial Grooming Training Fee***" covers grooming training—at your Barbershop—for your first group of stylists and barbers ("***Initial Grooming Training***"). For subsequent Barbershops, the Initial Grooming Training Fee may be reduced or waived entirely, in our sole discretion, if local trainers have been approved and certified by us to conduct the Initial Grooming Training. For grooming trainee groups larger than eight individuals, an additional certified trainer may be required, which may cause you to incur additional charges at our standard rates (See "***Additional Grooming Training Fee***" in Item 6). The Initial Grooming Training Fee includes all travel, lodging and meal costs and expenses for our training staff.

4. You must use one of our designated architects, unless another is approved by us, to prepare all architectural plans and drawings for your Barbershop. The standard agreement includes architectural, mechanical, electrical and plumbing drawings. Structural drawings are not included, but generally are not required. Expedited permitting fees are not included. We do not require using an expeditor firm to obtain your building permit, but you may choose to do so to reduce the timeframe to obtain your building permit. The timeframe to obtain a building permit will vary by municipality.

5. You must purchase pre-selected construction materials, furniture, fixtures and equipment from S&SD through a Grooming Equipment Package, Bar Equipment Package, Millwork Package, Specialty Finishes Package, Lighting Package and Furniture Package. Collectively, those items are referred to as the "***Custom Package Items***". The estimated range provided is for a standard 10-chair Barbershop. The Custom Package Items are broken into six sub-packages: the Grooming Equipment Package, the Bar Equipment Package, the Millwork Package, the Specialty Finishes Package, the Lighting Package and the Furniture Package.

6. Scissors & Scotch® shops are typically located in commercially zoned shopping or entertainment areas, including large multi-use developments consisting of retail and living. Due to the cost of land acquisition and construction, we anticipate that you will lease the premises for your Barbershop. The estimated amounts assume the Barbershop will follow our prototypical architectural and design plans and be 1,800 to 2,200 square feet. The cost of a building permit, paid to the local municipality, is included. The estimated amounts are based on completed construction projects for which we have cost information, and do not contain non-typical additions such as a mezzanine, patio or any other "amenities" not required to operate your Barbershop. Leasehold improvement costs will be affected by various factors such as the location of your Barbershop, local market and economic conditions, local labor requirements including union labor, conditions of the existing facility, scope of landlord work and several other smaller factors. The estimates above assume that the landlord will provide connections to adequate electrical, gas, water and sewage services. Additionally, the estimated range is your expected expenditure after being reimbursed by the landlord for your tenant improvement allowance and any other building credits. From ~~2016~~2019 through ~~2022~~2023, the range of tenant improvement allowance for all Scissors & Scotch Barbershops was $~~25~~31 to $110 per square foot. A higher tenant improvement allowance is generally provided for "first generation" spaces in which you'll be the first occupying tenant, however these spaces also generally require higher leasehold improvement costs. Your actual costs may vary based on your local market and the tenant improvement allowance negotiated with your landlord.

7. This is the estimated cost for one standard-sized sign. Your storefront sign must conform to our system standards and requires our written approval. Additionally, your sign will need to comply with local zoning ordinances, as well as landlord requirements. The cost of your sign will vary depending on type, size, location and quantity of signs. We generally recommend you build the largest sign allowed by code, which is typically calculated using the lineal storefront of your leased space. If you are permitted to install multiple signs, we generally recommend installing as many as possible to maximize visibility, which will increase your cost.

8. This amount includes items purchased from third-party suppliers other than S&SD and S&S Products, such as break room appliances and furniture, office furniture, TVs and TV mounts.

9. You must use our designated suppliers for the point-of-sale platforms in operating your Franchised Business. We reserve the right, in our sole discretion, to change the designated suppliers at any time. You must purchase the required hardware and software package from each respective supplier, including merchant processing terminals. You must purchase two desktop computers with our designated minimum screen size and processing requirements. We recommend that you purchase an iPad for portable point-of-sale processing.

10. We will provide, in the Operating Manual or elsewhere in writing, a minimum retail inventory, back bar, and barware list to be purchased from certain approved suppliers and third parties.

11. We anticipate that you will lease, rather than purchase, the real estate for the Franchised Business. The size of a Barbershop can vary, but these estimates assume your Barbershop will be within the suggested and standard range of 1,800 to 2,200 square feet. Estimated monthly lease payments for a standard shop range from $~~7,000~~8,000 to $~~13,000~~14,000. Lease costs will vary based upon geographic location, size, comparable local rental rates, businesses in the area, demand for the site among prospective lessees, and other factors, and could be considerably higher in large metropolitan areas. Your landlord may require a lease deposit before leasing the premise to you, which typically is equal to one month's rent. Your utility deposit may cost up to $750. Security and utility deposits may be refundable, as arranged with the landlord or utility supplier.

12. License, permit, and fee requirements vary by city and state. The Franchised Business will likely need to be licensed with the state cosmetology board, barber board and liquor board. The franchisee will also likely be required to pay a health department fee and city permit application fee. The amount necessary to obtain a liquor license varies greatly depending on the licensing authority involved and the local liquor license resale market, if any. If you are able to obtain a license from the licensing authority, your costs should fall in the range provided, however, in some states the cost to obtain a liquor license on the resale market can be much more expensive, in some instances as much as $500,000 or possibly more. This can occur in areas that use quota-based systems to grant the licenses. If the number of available licenses is limited to a quota and that quota has already been reached, the licensing authority will not issue new licenses until an existing permit expires or is revoked or the quota is increased. When the quota is reached, parties seeking licenses often purchase the license from an existing licensee on the resale market and the cost of obtaining the license can increase dramatically, based on market conditions. You should carefully evaluate the liquor licensing requirements in your area. Certain locations may also require zoning, building or land-use approvals, Sunday sale permits, sales and use tax permits, special tax stamps, fire department permits, health permits, alarm permits, county occupational permits, retail sales licenses, or wastewater discharge permits. There may be other laws, rules, or regulations that affect your Barbershop, including ADA, OSHA, and EPA considerations. You may choose to hire an expediter, at additional cost, to shorten the processing time for one or more requirements.

13. We will provide, in the Operating Manual or elsewhere in writing, minimum requirements for the cable package, phone system, internet package, security system and sound system.

14. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity and our franchise documents. We recommend you have an attorney or other professional help you review and negotiate the language used in your lease. Depending on location, you may require legal assistance for obtaining your liquor license.

15. This amount includes the estimated cost of various print materials, including but not limited to brochures, pamphlets, flyers, pre-launch event and opening advertisements, gift cards and holders, other promotional items and in-shop employee resources. All print materials are pre-designed. Any changes require pre-approval.

16. We will provide, in the Operating Manual, the minimum insurance requirements for each Barbershop. If you fail to obtain the insurance required, we may (but are not required to) obtain insurance on your behalf and at your expense and charge you a service fee to do so.

17. This amount includes (i) employee wages prior to opening; (ii) costs for meals and a team event prior to opening; and (iii) optional additional employee acquisition costs, such as signing bonuses or relocation incentives. This amount does not include paying a General Manager for an extended period of more than one month prior to opening your Barbershop.

18. Prior to your Barbershop's opening date, you will be required to engage our affiliate marketing firm, Mission Moonshot, LLC ("***M²***"), to carry out an ongoing targeted digital advertising program on your behalf. M2 will administer an initial marketing spend during approximately the three months before your Barbershop's opening date (the "***Pre-Opening ~~Targeted~~Digital Advertising Program***"). As part of the Pre-Opening ~~Targeted~~Digital Advertising Program, you must spend, under the direction of M², at least $15,000 on predefined targeted digital advertising. We reserve the right to decrease this amount to account for pre-existing Scissors & Scotch® brand awareness in your market, or increase this amount if your Barbershop is located in certain markets with elevated advertising costs (see Item 11). Further, you must pay M² a one-time fee of $~~5,000~~3,500 to cover the customized setup for, and ~~management of~~a monthly fee of $750 to cover the administration of, your Barbershop's advertising on Google, YouTube, Facebook, Instagram and other online platforms included in the Pre-Opening ~~Targeted~~Digital Advertising Program.

19. Prior to your Barbershop's opening date, you may also be required to participate in local marketing efforts directed by, or in conjunction with, our team (the "***Grassroots Marketing Program***"). The Grassroots Marketing Program is designed to complement your digital advertising efforts and enhance your market presence and local visibility. The Grassroots Marketing Program may require additional costs for labor, production of marketing materials, event registration fees and more (collectively the "***Grassroots Marketing Program Expenditures***"). We estimate the Grassroots Marketing Program Expenditures to be between $7,500 and $15,000 and reserve the right to increase that amount if your Franchised Business is located in a market with more advertising competition than other markets.

~~19~~20. This amount is an estimate of the funds needed to cover your initial expenses for the first three (3) months of operations (other than the items identified separately in the table). This estimate does not include any owner's draw or salary or financing costs. It is possible you will need additional funds during the first three (3) months you operate the Franchised Business and for a longer time period after that, especially if sales are low or fixed costs are high. This 3-month period is not intended, and should not be interpreted, to identify a point at which the Franchised Business will break even. Your costs will depend on how much you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the prevailing wage rate; competition; and the Franchised Business's sales during the initial period. We relied on our own and our affiliates' experience developing and operating Barbershops to compile this estimate.

~~20~~21. Total Initial Investment figures should be reviewed carefully with your professional advisors, including financial and legal advisors, before making any decision to purchase a Barbershop. The amounts may vary based on your geographic location. You should consider the costs of each of the items described in this Franchise Disclosure Document in your geographic location. Fees paid to us are not refundable under any circumstances. Fees or costs due to any other entity are subject to the terms set under their agreements. Inflation, discretionary expenditures, fluctuating interest rates and other factors may affect your actual costs to open your Barbershop. You are responsible for all costs and variances from the estimated costs in this Item 7, or variances from any other estimates we may provide during any phase of the development of your Barbershop. The availability and terms of financing depend on the availability of financing generally, your creditworthiness, your available collateral, and lending policies of financial institutions. The estimate does not include any finance charge, interest, or debt service obligation. We do not currently finance any portion of the initial investment.

Development Agreement

The total investment necessary to enter into a development agreement for the right to develop three (3) Barbershops is $~~671,300~~691,800 to $~~858,250~~905,250, which includes (1) an initial development fee of $110,000 that is paid to us, and (2) the total investment to open and commence operations of your initial Barbershop.

YOUR ESTIMATED INITIAL INVESTMENT[1]

Type of Expenditure	Estimated Amount	Method of Payment	When Due	To Whom Payment is to be Made
Development Fee[2]	$110,000	Lump Sum	Upon Signing the Option Agreement	Us
Estimated Initial Investment Associated with **First Franchised Business** to be opened	$~~561,300~~581,800 to $~~748,250~~795,250	This figure is calculated by taking the total estimated investment disclosed in Chart 7.A above and subtracting the Initial Franchise Fee for the first franchised business, which is already included in the Development Fee.		
TOTAL	**$~~671,300~~691,800 to $~~858,250~~905,250**	This figure represents the estimated cost to open your first franchised business and secure conditional development rights for two additional Barbershops under an ADA.		

Explanatory Notes to Chart 7.B

1. **General Note.** All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing ~~an~~a Development Agreement for the right to exercise three (3) Barbershops, as well as the initial investment to open your first Franchised Business under your Development Schedule.

2. **Development Fee**. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three (3) Franchised Businesses (provided you comply with your development obligations under the Development Agreement). If you choose to open more than three (3) Franchised Businesses, your Initial Development Fee will be calculated as follows: (i) $50,000 for the initial Franchised Business; plus (ii) $40,000 for the second Franchised Business; plus (iii) $20,000 for each additional Franchised Business that you are granted the right to open and operate under the Development Agreement. If you qualify for the military veteran's discount, the Development Payments associated with each Franchised Business will be reduced by $5,000.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Standards and Specifications

To maintain uniformity and ensure high standards of quality and service offered by your Franchised Business, we issue standards and specifications to you in the Operations Manual and otherwise, including, without limitation, in writing and by e-mail. You must operate your Franchised Business in strict conformity with our standards and specifications. You must maintain ~~in~~ sufficient supply and use and sell only the Approved Products and Services, which may include products specified by us by name brand. As part of our specifications, we may

designate or approve only certain suppliers for your purchases. We may update or modify the list of Approved Products and Services in writing at any time.

If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

You shall maintain the premises in a high degree of sanitation and repair and shall make such repairs and replacements as we may require, in our sole discretion, including, without limitation, periodic repainting or replacement of signs, furnishings, decor, flooring, damaged equipment and computer systems. No alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior décor items, fixtures or furnishings shall be made in or about Franchised Business without our prior written approval.

Approved Suppliers

In developing and operating the Franchised Business, you will (a) purchase and/or lease various fixtures, furniture, furnishings, interior and exterior graphics, signs and equipment and other barbershop products and supplies required for the Franchised Business ("***Operating Assets***") from suppliers designated by us, and (b) utilize certain service providers for construction/build-out, project management and targeting advertising management services ("***Approved Suppliers***").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 the operation of your Barbershop, from our affiliate, S&S Gift Cards, LLC, the sole provider of the gift cards.

You must purchase certain products used in the operation of your Barbershop, 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~~Pre-Opening Digital Advertising Program from our affiliate, Mission Moonshot, the sole provider of the ~~pre-opening targeted advertising program~~Pre-Opening Digital 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 owns an interest in Scissors & Scotch Development, LLC, Mission Moonshot, LLC and Three Donnies, LLC.

You must use our recommended third-party real estate firm, or another third-party real estate firm we approve, in locating and obtaining a site for your Franchised Business and for lease negotiations. You must use our designated marketing firm to conduct (a) the Pre-Opening ~~Targeted~~Digital Advertising Program, and (b) facilitate your ongoing ~~Targeted~~Post-Opening Digital Advertising ~~Expenditure~~Expenditures.

As determined by us, you must use our designated project manager who will provide mandatory and suggested specifications for the Franchised Business, including requirements for dimensions, design, image, interior layout, decor and Operating Assets. We reserve the right to designate ourselves or an affiliate as your project manager.

Our design and trade dress are important and unique aspects of our brand. You must use one of our designated architects in designing the Franchised Business's layout, as well as our interior designer.

The Operations Manual includes a list of Approved Suppliers and we may update this list at any time. We may establish Approved Suppliers (which may be affiliated with us) for (1) fixtures, furniture, equipment, items of decor, (2) graphic design services, (3) advertising, point-of-purchase materials and other printed promotional materials, (4) gift certificates and gift cards, (5) stationery, business cards, contracts, and forms, and (6) bags, packaging, supplies and other merchandise bearing our Marks, (7) capes and t-shirts, (8) retail products, (9) site selection assistance and project management, (10) financial reporting software, (11) inventory and salon supplies, (12) point-of-sale system and related software, (13) public relations and advertising services, (14) gift certificates and gift cards, (15) in-service products, and (16) retail products. We reserve the right to add or substitute Approved Suppliers at any time, with or without notice.

For those certain Operating Assets for which there are currently no Approved Suppliers, you may purchase the item from any supplier, but the item must meet our standards and specifications. We estimate that the percentage of the purchase or lease of products and services from Approved Suppliers in relationship to all purchases in establishing Scissors & Scotch® Barbershops will range from 35% to 45% ~~to 55%~~. In the operation of the Franchised 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.

In addition to those items described above, in the operation of your Scissors & Scotch® franchise, you are also currently required to purchase the following items from suppliers specified in our Operations Manual:

- Point-of-sale system
- Scheduling software
- Bar software
- In-shop music platform
- Internal communication platform
- Office work and email platform
- HR platform
- Bookkeeping software

Designation and Revocation of Approved Suppliers

We will identify all Approved Suppliers in the Operations Manual or other written or electronic communications. We will issue and modify standards and specifications based on our experience and our franchisees' experiences in operating Scissors & Scotch® Barbershops. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design and appearance. Our Operations Manual or other communications will identify our standards and specifications for you and (where appropriate) suppliers or only for suppliers (in the latter case where, for example, we give our standards and/or specifications to a supplier under a confidentiality agreement). There might be situations where you can obtain items from any supplier who can satisfy our requirements and therefore would be an approved supplier. We will provide written notice of any revocation of supplier approval.

If you wish to either (i) offer any products or services in connection with your Barbershop that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier, you must submit samples and other information we request to determine if the item or supplier meets our standards and specifications. We may charge you a reasonable fee for the inspection and evaluation (see Item 6) based on our actual costs and expenses of evaluating your proposal and will decide within a reasonable time (no more than 60 days). Failure to notify you within 60 days shall constitute our denial of your request. Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service and/or a supplier's willingness to pay us, our affiliates and/or our system for the right to do business with our system. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Licensed Marks.

We may enter into arrangements with suppliers which provide discounts and/or rebates on purchases by our company-owned Scissors & Scotch® Barbershops and by franchisee-owned Scissors & Scotch® Barbershops franchises. You will be offered the opportunity to participate in these programs on the same basis as our company-owned Scissors & Scotch® Barbershops.

We and our affiliates have the right to receive rebates, discounts, payments or other material consideration from suppliers on account of their actual or prospective dealings with us and our franchisees and to use all revenue we or our affiliates receive to benefit S&S in our sole judgment.

During the fiscal year ended, December 31, ~~2022~~2023, our affiliate Scissors & Scotch Development, LLC received revenues of $~~922,698.99~~787,813 from all required purchases by our franchisees.

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.

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 were 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

You 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 higher damage awards, or relevant changes in circumstances. We may obtain insurance coverage for your S&S 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.

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 franchise and other agreements. 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 Agreement	Disclosure Document Item(s)
a. Site selection and acquisition/lease	Section 1 and Exhibit A in Development Agreement. Section 4 in Franchise Agreement.	Item 11
b. Pre-opening purchases/leases	Not applicable in Development Agreement. Section 5 in Franchise Agreement.	Items 7, 8
c. Site development and other pre-opening requirements	Sections 1 and Exhibit A in Development Agreement. Section 4 in Franchise Agreement.	Items 7, 8, 11
d. Initial and ongoing training	Not applicable in Development Agreement Section 6 in Franchise Agreement.	Items 5, 6, 11
e. Opening	Not applicable in Development Agreement. Sections 5 and 6 in Franchise Agreement.	Item 11
f. Fees	Section 2 in Development Agreement. Section 11 in Franchise Agreement.	Items 5, 6 Items 5, 6, 7
g. Compliance with standards and policies/ operating manual	Not applicable in Development Agreement. Sections 5, 6 and 12 in Franchise Agreement.	Items 8, 11
h. Trademarks and proprietary information	Not applicable in Development Agreement. Section 7 and 9 in Franchise Agreement.	Items 13, 14
i. Restriction on products/services	Not applicable in Development Agreement.	Items 8, 11, 16

Obligation	Section(s) in Agreement	Disclosure Document Item(s)
offered	Section 12 in Franchise Agreement.	
j. Warranty and customer service requirements	Not applicable in Development Agreement. Section 12 in Franchise Agreement.	Item 11
k. Territorial development and sales quotas	Section 1 and Exhibit A in Development Agreement. Section 2 in Franchise Agreement.	Item 12
l. Ongoing product/service purchases	Not applicable in Development Agreement. Section 12 in Franchise Agreement.	Item 8
m. Maintenance, appearance and remodeling requirements	Not applicable in Development Agreement. Section 12 in Franchise Agreement.	Item 11
n. Insurance	Not applicable in Development Agreement. Section 12 in Franchise Agreement.	Items 7, 8
o. Advertising	Not applicable in Development Agreement. Section 14 in Franchise Agreement.	Items 6, 7, 11
p. Indemnification	Not applicable in Development Agreement. Section 10 in Franchise Agreement.	Item 6
q. Owner's participation / management / staffing	Not applicable in Development Agreement. Section 12 in Franchise Agreement.	Items 11, 15
r. Records/reports	Not applicable in ~~in~~the Development Agreement. Sections 11 and 15 in Franchise Agreement.	Item 11
s. Inspections/audits	Not applicable in ~~in~~the Development Agreement. Sections 15 and 16 in Franchise Agreement.	Items 6. 11
t. Transfer	Section 8 in Development Agreement. Section 17 in Franchise Agreement.	Items 6, 17
u. Renewal	Not applicable in Development Agreement. Section 18 in Franchise Agreement.	Item 17
v. Post-termination obligations	Not applicable in Development Agreement. Section 20 in Franchise Agreement.	Item 17
w. Non-competition covenants	Not applicable in Development Agreement.	Items 15, 17

Obligation	Section(s) in Agreement	Disclosure Document Item(s)
	Section 21 in Franchise Agreement.	
x. Dispute resolution	Sections 11 through 19 in Development Agreement. Sections 22 and 23 in Franchise Agreement.	Item 17
y. Guaranty and Assumption of Obligations	Section 3 in Development Agreement. Sections 17 and 18 in Franchise Agreement.	Not Applicable

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your loan, note, lease or obligation.

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.

Before you open the Franchised Business and after you sign each Franchise Agreement, we will:

a. Provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the premises for each of your Franchised Business(es). The site you select should meet our general criteria for demographics, including population of the work force or residents within your Protected Area, character of the neighborhood, household income of residences within your Protected Area, ingress and egress to the site, proximity to and the nature of other businesses, and other physical and commercial characteristics. We consider the following factors when approving sites: zip codes, streets, landmarks (both natural and man-made) or county lines. We will also review, and subsequently approve/reject, any proposed lease or purchase agreement for each location that you propose as a premises for any Franchised Business. (Franchise Agreement, Section 4(B));

b. You must select a site within 180 days of signing the Franchise Agreement. If we cannot agree on a site, your Franchise Agreement will be terminated and your initial fee or deposit will be forfeited;

c. We will exert our best efforts to deliver written notification of approval or disapproval of the site within 30 days of the receipt of any information and materials we may reasonably require. (Franchise Agreement, Section 4(B));

d. Once you secure a premises that we approve for a Franchised Business, we will define your Protected Area for that Franchised Business and include its boundaries in Exhibit A to your Franchise Agreement. (Franchise Agreement, Section 4(B));

e. We will provide you with online access to, or otherwise loan you, one (1) copy of our confidential and proprietary Operations Manual. You must operate your Franchised Business in accordance with the Operations Manual and all applicable laws and regulations. The Operations Manual may be amended or modified by us to reflect changes in the System. You must keep the Operations Manual confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Operations Manual at your Premises, and if there is a dispute relating to the contents of the Operations Manual, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Operations Manual in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. (Franchise Agreement, Section 6(G));

f. We will provide you with a list of required Operating Assets and Approved Suppliers (to the extent we have designated them), either as part of the Operations Manual or otherwise in writing, and will help coordinate the procurement and delivery process (Franchise Agreement, Section 4);

g. We will review and approve the proposed layout and design of your premises as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Sections 8(G) and 8(H));

h. We will provide you and up to one (1) additional individual you designate as your Operating Manager with our Initial Training Program designed to provide instruction and education on our System methods and techniques related to establishing and operating your Franchised Business. We require that your operating principal and your Operating Manager, if applicable, attend the Initial Training Program. Your payment of the Initial Franchise Fee will cover the tuition associated with you and one (1) additional trainee to participate in our Initial Training Program, and you will be responsible for all costs and expenses you (and other attendees) incur in connection with attending or otherwise participating in our Initial Training Program (including any travel, lodging, meals and other expenses associated with attending those portions of the program that are provided from our designated training facility in Portland, Oregon or other location we designate). The details of our Initial Training Program are set forth in the Chart below;

i. We and our designated supplier will assist you in designing exterior signage that maximizes visibility while meeting the standards of our brand, the landlord and the local governing authority;.

j. We will provide pre-designed advertising materials and build them into specific marketing channels that maximize your Barbershop's visibility to high-potential customers;

k. We will provide copy and messaging assistance for national and local announcements, along with leading related correspondence with landlords, building owners, and content creators;

l. We will customize website pages—including booking, staff, coming soon, and others we may designate—and software platforms and integrate them into our company-wide website;

m. To optimize your virtual appearance, we'll guide you through best practices for where to be online and how to present your Barbershop;

n. With the help of our designated customer analytics firm, we will help identify nearby businesses and groups to target for soft opening events and will provide related marketing materials and logistics guidance; and

o. We will assist with the opening process, as necessary, and provide up to 6 to 8 days of on-site guidance prior to opening the Franchised Business, as well as up to 4 days of on-site assistance immediately following the grand opening of the Franchised Business. The time we spend at your location will vary at our discretion, but will typically decrease as you gain experience in opening ~~stores~~shops. This on-site assistance will include training of your stylists and lounge team, as needed. We may provide some of this training at a central training center in your market area. Assistance may be provided by us, an affiliate, or a third-party designee (Franchise Agreement, Section 8(L)).

p. We reserve the right to establish pricing of products and services offered by the Franchised Business to the fullest extent permitted by then-applicable law to enhance the competitive position and consumer acceptance of our products and services consistent with the long term interest of the System, which may include without limitation, any or all of the following: prescribing the maximum and/or minimum retail prices which you may charge customers for the products and/or services offered and sold at the Franchised Business; recommending retail prices; advertising specific retail prices for some or all products or services sold at the Franchised Business, which prices you will be required to observe; engaging in marketing, promotional and related campaigns which you must participate in and which may directly or indirectly establish your retail prices for products and services offered at the Franchised Business; and, otherwise mandating, directly or indirectly the maximum and/or minimum retail prices which you may charge the public for the products and services offered by Franchisee.

Operations Manual

We provide to you, during the term of the Franchise 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 Franchised 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 F. As of the date of this disclosure document, the total number of pages of the Operations Manual is 457.

Brand Building Fund

We will administer a Brand Building Fund (the "***Brand Building Fund***"). We direct all Brand Building Fund programs, with sole discretion over the creative concepts, materials, endorsements and media used and the placement and allocation of all advertising, marketing and public relations materials. We have the right to determine, in our sole discretion, the composition of all geographic territories and market areas for the development and implementation of advertising, marketing and public relations programs. The Brand Building Fund's programs and activities are intended to maximize the public's awareness of all Scissors & Scotch® Barbershops and we are under no obligation to ensure that you or any other franchisee benefits directly or pro rata from the placement of such advertising, marketing and public relations programs and activities (Franchise Agreement, Section 14(B)).

We and our affiliates conduct marketing programs in support of Scissors & Scotch® Barbershops nationwide. We may use any media (such as radio, television, or print) and online marketing and advertising may be national, regional, or local. We may develop advertising internally or use a national or regional advertising agency. We have no obligation to spend any amount on advertising in the area where your Franchised Business is located. (Franchise Agreement, Section 14).

We may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "***Digital Marketing***") that are intended to promote the Licensed Marks, your Barbershop, and the entire network of Barbershops.

We will make available advertising and marketing materials, merchandising materials, sales aid, point of sale materials, special promotions, direct mail materials and similar advertising and marketing materials, promotional materials and public relations materials, which may be produced by the Brand Building Fund for purchase by you and by local or regional advertising cooperatives.

The Brand Building Fund may be used to meet all costs and expenses related to the following programs and activities (Section 14(B) of the Franchise Agreement):

a. Maintaining, administering, directing, preparing and producing national, regional or local advertising materials, programs and public relations activities, including, without limitation, the cost of preparing and conducting social media, television, radio, direct mail, magazine, billboard, newspaper, email, text messages, other digital programs, Internet, point of purchase and other media programs and activities;

b. Employing advertising and marketing agencies and consultants, and utilizing our administrative personnel to perform advertising, marketing and public relations services;

c. Creative development, production and placement of video, audio and written materials, promotional brochures and advertising materials, including point of sale materials, and electronic media, for Scissors & Scotch® Barbershops and to regional and local advertising cooperatives;

d. Developing, administering, and distributing gift certificates, loyalty cards, and gift card programs, including customized promotions and the cost of products and services associated with each;

e. Conducting market research, testing and development of new products, services and equipment, for customer satisfaction surveys and for secret shopper programs;

f. Reimbursement of our administrative and personnel costs and salaries and overhead associated with advertising, marketing, telemarketing, public relations, market research, product and new menu item development and testing, and payment for consultants providing services in menu and product development, customer satisfaction, guest loyalty, consumer research and any expenses related thereto;

g. Creative development and production of signage, posters, décor items, and supporting marketing and training collateral;

h. Development and distribution of the Operations Manual;

i. Annual or Semiannual System marketing meetings and for annual franchisee convention costs;

j. Development, implementation and maintenance of website;

k. Social media costs and expenses;

l. Public relation and community activities and programs;

m. Website, extranet and/or internet development and maintenance; and

n. Creative Development and Production of materials for marketing programs to be used as a test that may result in a System-wide roll out.

The Brand Building Fund is not a trust, and we do not owe you fiduciary obligations because we maintain, direct, or administer the Brand Building Fund or for any other reason. We may spend in any fiscal year an amount greater or less than the aggregate contributions by franchisees to the Brand Building Fund in that year. If not all contributions to the Brand Building Fund are spent in the fiscal year in which they accrue, the remaining amount will be carried forward to the following year.

The media in which advertising may be disseminated includes, without limitation, print, point of purchase, social media, radio, television, direct mail, electronic, billboard, digital and other channels of communication. Other channels may be considered at the sole discretion of Franchisor. The media coverage may be local, regional or national. The source of the advertising is in-house advertising and marketing personnel, and advertising agency.

Upon commencement of the operations of your Franchised Business, you must contribute, each week, an amount equal to 2.0% of the Gross Sales of the Franchised Business~~.~~ to the Brand Building Fund. Company-owned Barbershops, if any, will also contribute an equivalent amount of their Gross Sales to the Brand Building Fund. Your contribution is payable on Monday of each week with the Royalty Fee and Community Impact Fund Fee, based upon the previous

week's Gross Sales. We will require you to pay this fee by electronic funds transfer. We reserve the right, upon 30 days' notice, to require you to contribute a greater percentage of Gross Sales to the Brand Building Fund, as we determine in our sole discretion, in an additional amount not to exceed 3.0% of Gross Sales of the Franchised Business each week. In such event you would be required to contribute up to 3.0% of Gross Sales of the Franchised Business each week to the Brand Building Fund.

We will account for the Brand Building Fund separately and it will not be used to defray any of our general operating expenses, except for salaries, administrative costs and overhead we may incur in activities related to the administration or direction of the Brand Building Fund and its programs and activities as outlined above, and for collecting and accounting for contributions to the Brand Building Fund. We will not use Brand Building Fund contributions for advertising that principally is a solicitation for the sale of franchises, however, we may include statements about the availability of information regarding the franchise opportunity and the purchase of a franchise in any advertising, promotional or other items produced, circulated and/or distributed using Brand Building Fund contributions. Vendors and suppliers may, if we permit, contribute to the Brand Building Fund.

In the fiscal year ending December 31, ~~2022~~2023, 86% of the Brand Building Fund expenditures were used for production, ~~13~~11% for administrative expenses such as personnel and systemwide marketing software platforms, and ~~1~~3% for media placement. We will prepare an unaudited annual report of the operations of the Brand Building Fund, which is available to you upon reasonable request (Section 14(B) of the Franchise Agreement).

We may, but are in no way obligated to, also use the Brand Building Fund to place advertising locally. We do not guarantee that you will benefit from the national marketing fund in proportion to your contributions to the fund.

Although the Brand Building Fund is intended to be perpetual, we may terminate the Brand Building Fund at any time in our sole discretion. The Brand Building Fund will not be terminated until all monies paid to the Brand Building Fund have been expended for the activities of the Brand Building Fund.

Franchisee Advisory Council

We may form and you agree to participate in, if requested, one or more councils of franchisees to consult with and advise us regarding operations, marketing plans, advertising programs, public relations activities, customer surveys, and marketing research. We may form a Fund Advisory Council ("***Council***") comprised of franchisees appointed by us. We retain the authority and responsibility for all matters before the Council, but will consider the recommendations of the Council. All decisions of the Franchisor will control in our absolute and sole discretion. The Council will serve in an advisory capacity only. We have the right to form, change or dissolve the Council.

Expenditures on Targeted Digital Advertising

Pre-Opening

Before you open your Franchised Business, you must engage ~~our affiliate,~~ Mission Moonshot, LLC~~, who is the~~ ("**M²**"), our affiliate and your designated digital advertising agency, to develop a pre-opening targeted advertising program (the "***Pre-Opening Digital Advertising Program***"). The setup cost ~~of the services provided by the advertising agency~~for M² to design the Pre-Opening Digital Advertising Program ~~will be~~is $~~5,000~~3,500 (the "***Pre-Opening Digital Advertising Program Setup Cost***") ~~, and you will be~~. In addition to the Pre-Opening Digital Advertising Program Setup Cost, you are required to expend at least an additional $15,000 (the "***Pre-Opening Digital Advertising ~~Expenditure~~Expenditures***") to implement the Pre-Opening Digital Advertising Program to promote and advertise the opening of your Barbershop. The Pre-Opening Digital Advertising Program will typically involve certain online platforms including Google, Facebook, Instagram, YouTube, and/or other similar platforms designated by the advertising agency. You will be required to incur the Pre-Opening Digital Advertising Expenditures during the three months immediately before the opening of your Barbershop (the "***Initial Marketing Period***"). We reserve the right to increase the amount of the required Pre-Opening Digital Advertising ~~Expenditure to an amount greater than $15,000~~Expenditures if your Franchised Business is located in a market with more digital advertising competition than other markets. For example, we expect that franchisees located in large cities will be required to incur Pre-Opening Digital Advertising Expenditures in excess of $15,000 due to the competition for digital advertising in those markets (Franchise Agreement, Section 14(C)).

During the Initial Marketing Period, you may also be required to participate in local marketing efforts directed by, or in conjunction with, our team (the "***Grassroots Marketing Program***"). The Grassroots Marketing Program is designed to complement your digital advertising efforts and enhance your market presence and local visibility. The Grassroots Marketing Program may require additional costs for labor, production of marketing materials, event registration fees and more (collectively the "***Grassroots Marketing Program Expenditures***"). We estimate the Grassroots Marketing Program Expenditures to be between $7,500 and $15,000 and reserve the right to increase that amount if your Franchised Business is located in a market with more advertising competition than other markets.

Post-Opening

After your Barbershop opens for business, we will require you to continue to spend certain minimum amounts on a post-opening targeted advertising program (the "***Post-Opening Digital Advertising Program***") that is under our direction and the direction of ~~our affiliate, Mission Moonshot, LLC, who is our designated digital advertising agency~~M². During the eighteen (18) month period immediately after the day your Barbershop opens for business, you must spend at least $4,000 per month on the Post-Opening Digital Advertising Program, and after the 18-month anniversary of the opening of your Barbershop, you must continue to spend a minimum of two percent (2%) of Gross Sales each month on the Post-Opening Digital Advertising Program (collectively, the "***~~Targeted~~Post-Opening Digital Advertising Expenditures***"). These ~~Targeted~~Post-Opening Digital Advertising Expenditures are in addition to your contribution to the Brand Building Fund described above. In certain unique circumstances, we or our designated digital advertising agency may temporarily reduce the minimum required ~~Targeted~~Post-Opening Digital Advertising Expenditures for specific Barbershops. If the amount or percentage of the

~~Targeted~~Post-Opening Digital Advertising Expenditures are reduced, we reserve all of our rights to enforce the Post-Opening Digital Advertising Program requirements described above. We also reserve the right to increase the amount of the required Target Advertising Expenditures to an amount greater than $4,000 per month during the initial 18-month period if your Franchised Business is located in a market with more digital advertising competition than other markets. For example, we expect that franchisees located in large cities will be required to incur ~~Targeted~~Post-Opening Digital Advertising Expenditures in excess of $4,000 per month due to the competition for digital advertising in those markets (Franchise Agreement, Section 14(C)).

Administrative Fees

In addition to the Pre-Opening Digital Advertising Program Setup Cost, the Pre-Opening ~~Advertising Expenditure and the Targeted~~Digital Advertising Expenditures and the Post-Opening Digital Advertising Expenditures, you must pay ~~our affiliate, Mission Moonshot, LLC~~ M^2 the then-current administrative fee, which is $750 per month as of the date of this disclosure document. We reserve the right to increase the amount of this fee throughout the term of your Franchise Agreement to cover the costs incurred in administering the Post-Opening Digital Advertising Program.

In addition to the Pre-Opening Digital Advertising Program and the Post-Opening Digital Advertising Program, we may establish other guidelines for advertising in the Operations Manual, including requirements regarding the media that you use and the type and format of the marketing materials. All marketing materials, merchandising materials, special promotions, and public relations materials and other items we designate must bear the Licensed Marks in the form, color, location and manner we prescribe. Before you use them, you must send us or our designated agency for approval samples of all advertising, promotional, and marketing materials that we have not previously prepared or approved. You may not use any advertising or marketing materials that we have not approved or have disapproved. If you have not received our written approval within 14 days after we (or our designated agency) have received the proposed samples, then we will be deemed to have disapproved them. We may require that you purchase certain marketing and promotional materials from us or our designated supplier.

Unless we consent otherwise in writing, you, your employees, and any third-party representatives or digital marketing agencies may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Licensed Marks or that relate to the Barbershop or the System. You may not establish or maintain a website, landing page, mobile or internet-based application (or any comparable future developed technology), unapproved social media profile or other presence on the Internet relating to the Franchised Business or referring to the Licensed Marks. You are responsible for ensuring that your employees and managers comply with our designated rules, guidelines, specifications, policies and procedures, which we may change, revoke or otherwise modify at any time. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, applications for mobile devices (such as iOS and Android apps), and co-branding arrangements. You must provide us with passwords and login information for all social media channels and review sites, which shall be monitored by us. We may require you to remove content that does not comply with our standards. If an inspection or report reveals that you failed to make the required ~~targeted advertising expenditures~~Post-Opening Digital Advertising Expenditures, we may, in addition to any other remedies or actions permitted under your

Franchise Agreement, require you to contribute the amount of the deficiency to the Brand Building Fund. Payment is due within 10 days of your receipt of our invoice.

Advertising Approval

Before you use them, you must send us or our designated agency for approval samples of all advertising, promotional, and marketing materials that we have not previously prepared or approved. You may not use any advertising or marketing materials that we have not approved or have disapproved. If you have not received our written approval within 14 days after we (or our designated agency) have received the proposed samples, then we will be deemed to have disapproved them. We may require that you purchase certain marketing and promotional materials from us or our designated supplier.

Local or Regional Advertising Cooperative

We currently do not, but reserve the right to, designate any geographic area in which two or more Scissors & Scotch® Barbershops are located as a region for purposes of establishing an advertising cooperative (the "***Cooperative***"). The members of the Cooperative for any area will consist of all Scissors & Scotch® Barbershops whether operated by us, our affiliates or by franchisees. We will determine in advance how each Cooperative will be organized and governed and when it must start operation. We have the right to dissolve, merge, or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purpose of administering advertising programs and public relations activities, subject to our approval for use by the members of the Cooperative. If a Cooperative has been established for a geographic area where your Franchised Business is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must sign all documents we request and become a member of the Cooperative according to the terms of the documents. Contributions to the Cooperative will be credited to your current required ~~Targeted~~Post-Opening Digital Advertising ~~Expenditure~~Expenditures. You must contribute to the Cooperative amounts the documents governing the Cooperative require. You will not have to contribute more than 1% of your Gross Sales during each week to the Cooperative. Contributions made by you to the Brand Building Fund that exceed 1% of the Franchised Business's weekly Gross Sales are credited to your required contribution to the Cooperative.

Computer System

You must purchase certain computer hardware and software for your Franchised Barbershop. The computer hardware and software will be used as your Point of Sale (POS) system for your Franchised Barbershop and will be configured by designated vendors. The hardware will include a desktop computer system, a payment terminal, a cash drawer, a receipt printer, and related accessories ("***Computer System***"). Your Computer System must be set up to accept credit card payments, tips, and gift cards that we use from time to time. In addition to offering and accepting Scissors & Scotch® gift cards and loyalty cards, you must use any credit card vendors and accept all credit cards and debit cards that we determine. The specifications and requirements of the hardware and software will vary from time to time, depending upon market conditions and other factors. The cost of purchasing the hardware and software is approximately $4,000 to $6,000.

You must pay us a weekly Technology Fee, which we will use to provide, maintain, and/or update technology-related items, as determined by us, which may include maintaining an

intranet, extranet, online portal, website, online advertising tools, mobile application and/or any other technology for use in connection with the Franchised Business. The technology fee is currently $150 per week, but we reserve the right to increase it, at any time, up to $250 per week.

You will be solely responsible for the acquisition, operation, maintenance, and upgrading of the Computer System. Neither we, nor any affiliate or third party, is obligated to provide ongoing maintenance or repairs for the Computer System. You are required to purchase certain maintenance, repair, upgrade or update service contracts for the Computer System.

You must have a functioning e-mail address so that we can send you notices and otherwise communicate with you by this method.

We reserve the right to change the Computer System at any time. There are no contractual limitations on the frequency or cost of our changes. We need not reimburse you for any of these costs.

We have independent, unlimited access to the information generated by the Computer System, within the reasonable limitations of the underlying hardware and software.

Training

Before your Franchised Business opens for business, we will provide our initial training program to you (the "***Training Program***"). We offer the Training Program continuously throughout the year. We will require franchisees to complete our guided Operating Manual self-study program prior to attending the Training Program. The Training Program will take place at a designated training facility and at your Franchised Business. We estimate the Training Program to last 3 to 5 full days. Following training at our designated facility, we may require franchisees to shadow at an operating Barbershop. We estimate the shadowing portion, if applicable, to last 4 to 5 full days. With your input, we will choose which operating Barbershop you shadow.

You and any Operating Manager(s) we approve ("***Key Personnel***") must attend and successfully complete, to our satisfaction, the off-site portion of the Initial Training Program at least 90 days before the opening of your Franchised Business.

The outline for the training program is as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Your Team	6	-	S&S Training Facility
Your Culture	4	-	S&S Training Facility
Your Clients	5	-	S&S Training Facility
Your Image	3	-	S&S Training Facility
Your Operations	8	-	S&S Training Facility

Your Performance	4	-	S&S Training Facility
Shadowing and Live Training	-	40	Operating Barbershop
Pre-Opening Assistance	-	40	Your Barbershop

Training subjects may be covered at another location that we designate. Instructors of the initial training program include all individuals listed in Item 2 herein.

The Initial Training Program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program via the Internet or webinar. Our training managers may utilize other employees to assist them with all aspects of training. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one (1) year of experience in the subject matters that they teach.

The instructional materials may include our Operation Manual and certain resources available through our intranet. Various additional individuals and firms may contribute training materials or offer in-person guidance in specific areas related to the development and operation of your Franchised Business.

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.

Franchisee Conferences

We may conduct annual franchisee conventions at a location designated by us, and up to two (2) Key Personnel, as required by us, must attend such conventions at your cost, including paying any registration fees we charge. A registration fee of up to $500 per person for such franchise conference(s) will be determined by us and invoiced to you. Unless you are the only required attendee, you will be required to pay the registration fees for a minimum of two people even if one or both of your Key Personnel fail to attend.

Opening Your Barbershop

You must not open your Barbershop for business without our written authorization, which will be conditioned upon your strict compliance with your Franchise Agreement and our other pre-opening System Standards, including that: (i) your Barbershop has been developed and outfitted to meet all of our System Standards; (ii) you and your Key Personnel have completed the Training Program to our satisfaction; (iii) you have paid us all initial fees and other amounts you owe us and our affiliates; (iv) you have provided us evidence of all required insurance coverage and policies; (v) you obtain all required supplies and inventory for your Barbershop; (vi) you have obtained releases of all construction liens and similar encumbrances; (vii) you have hired the required marketing firm to carry out the ~~Targeted~~Pre-Opening Digital Advertising Program; and (viii) you meet all regulatory and licensing requirements to operate your

Barbershop. You must notify us of the scheduled date for completion of construction no later than 45 days before such date.

We estimate that it will take approximately six (6) to twelve (12) months after you sign the Franchise Agreement and pay the initial franchise fee before you open the Franchised Business to the public (assuming you do not already have the site when you sign the Franchise Agreement). The specific timetable for opening will vary based on the specific circumstances for your Franchised Business including, but not limited to, market conditions, availability of leasable space, obtaining a site, negotiating a lease, the site's condition and the extent to which you must upgrade or remodel the site, obtaining financing, obtaining local approvals and permits, construction schedule, delivery schedule for Operating Assets and other items and supplies, completing training, and complying with local laws and regulations. If you do not open or operate your Franchised Business within the twelve (12) month period described above, then we may terminate your Franchise Agreement upon written notice (Franchise Agreement, Section 5(C)).

ITEM 12
TERRITORY

Development Agreement

If you are granted the right to open multiple Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size of your Development Area will substantially vary from other System developers based on the number of Franchised Businesses we grant you the right to open and operate and the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area 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 Development Area as more or less suitable for development 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 Development Area based on such assessments.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated from a distinct premises located within the Development Area and within its own Designated Territory that we will define once the Premises for that Franchised Business has been approved.

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

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

Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

We and our affiliates retain the right under the Development Agreement to: (1) own and operate Barbershops at any location(s) inside or outside of your Development Area under the Licensed Marks, or to license others the right to own and Barbershops at any location(s) inside or outside of your Development Area under the Licensed Marks; (2) own and operate, or license others to own and operate, barbershops under different marks at any location(s) inside or outside of your Development Area; (3) use the Licensed Marks in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of barbershop products, including the sale of products and services by Internet, email, digital cellular networks, retail stores, catalog sales or telephone sales, without regard to location; (4) own and operate, and license others to own and operate, Barbershops at "***Non-Traditional Sites***" including, but not limited to, entertainment and sports complexes, hotels, government facilities, educational institutions, and host facilities within or outside of your Development Area; and (5) use the Licensed Marks, and license others to use the Licensed Marks, to engage in any other activities not expressly prohibited by the Development Agreement. You do not have any of the foregoing rights under your Development Agreement, and we are not required to provide you any compensation in connection with conducting any of these activities.

You will not receive any options, rights of first refusal, or similar rights to acquire additional franchises within your Protected Area and Development Area or any contiguous territories. Each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement. You must meet our then-current qualifications for new franchises, as set forth in our then-current Franchise Agreement, to qualify for additional businesses.

Franchise Agreement

The Franchise Agreement grants you the right to operate a Scissors & Scotch® Barbershop at a single location that you select and that we approve within a geographic area described in Exhibit A to your Franchise Agreement (the "***Protected Area***"). The Franchise Agreement also grants certain territorial rights to you with respect to the Protected Area, and if you are in compliance with the Franchise Agreement, we are not permitted to open, or allow others to open, another Barbershop within the Protected Area except as described below in the Reservation of Rights section. If you do not have a location for your Franchised Business at the time of signing the Franchise Agreement, you will sign Alternative Exhibit A which will specify a geographic area in which the location of the Franchised Business will be established ("***Site Selection Area***"). Exhibit A will then be completed after the location has been selected and approved.

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

The Protected Area is typically defined based on a radius from the location of the Franchised Business. Our normal radius restriction is the lesser of (a) two miles, or (b) an area containing a population of approximately 25,000 people, but we reserve the right to vary the size of the radius restriction based on the demographics and development of each market.

You must operate the Franchised Business only at the approved location and may not relocate the Franchised Business without first obtaining our written consent, which will not be unreasonably withheld. At a minimum, our consent shall be required, but not be limited to, the following conditions:

1. You must not be in default of any provision of the Franchise Agreement or any other agreement between you and us, including any other franchise agreement or Development Agreement(s), or be in default of the lease for the original Franchised Business.

2. You must deliver to us a copy of the lease for the new location for your Franchised Business.

3. The new location must be constructed, located and equipped in accordance with our then-current standards and specifications.

4. You must give us written notice of the proposed relocation ninety (90) days before the relocation date.

5. Reimburse us for our actual costs and expenses reviewing your new location and otherwise considering and approving your proposed relocation.

6. You must execute our then-current form of Franchise Agreement, which may include materially different terms, including a different royalty rate, training fees and advertising fees, except that: (i) the term of such amended Franchise Agreement shall expire on the same day that the original Franchise Agreement would have expired; and (ii) there shall be no requirement for an initial franchise fee.

You may not establish or operate another Scissors & Scotch® Barbershop unless you enter into a separate Franchise Agreement for that Barbershop.

If you are in compliance with the Franchise Agreement and any other agreement you have with us or with our affiliate, we and our affiliate will not establish a Scissors & Scotch® Barbershop, and we will not authorize anyone except you to establish a Scissors & Scotch® Barbershop, at any location other than a Non-Traditional Location within the Protected Area granted you by your Franchise Agreement during its term.

You may not solicit customers by directing, deploying or otherwise using physical targeted advertising within the Protected Area of another System franchisee, however there are no other restrictions on you from soliciting or providing services to customers located outside your Protected Area. You are permitted to engage in any targeted advertising which has been approved by us and is distributed via online or digital platforms, regardless of the physical location of the viewing customer. You may provide Services only at your Franchised Business you operate under a Franchise Agreement with us.

Rights Reserved by Us

We and our affiliates retain the right under the Franchise Agreement and Development Agreement to: (1) own and operate Barbershops at any location(s) outside of your Protected Area and Development Area under the Licensed Marks, or to license others the right to own and Barbershops at any location(s) outside of your Protected Area and Development Area under the Licensed Marks; (2) own and operate, or license others to own and operate, barbershops or other businesses under different marks at any location(s) inside or outside of your Protected Area and Development Area; (3) use the Licensed Marks in connection with services and products, promotional and marketing efforts, or related items, or in alternative channels of distribution, including the sale of products and services by Internet, email, digital cellular networks, retail stores, catalog sales or telephone sales, without regard to location; (4) offer and sell the products and services authorized for the Scissors & Scotch® Barbershops under names, marks and commercial symbols other than the Licensed Marks; (5) advertise and promote and to grant others the right to advertise and promote, the System, in the Development Area granted by the Development Agreement and in the Protected Area granted by the Franchise Agreement; (6) establish and operate, and to grant to others the right to establish and operate, businesses offering dissimilar products and services without regard to location under the Licensed Marks and on any terms and conditions we deem appropriate; (7) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at Barbershops and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or the licensees of these businesses) are located or operating; (8) be acquired (whether through acquisition of assets, ownership interest or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at Barbershops, or by another business without regard to location; and (9) establish minimum performance standards for franchisees.

We are not required to pay you if we exercise any of the rights specified above within the Protected Area granted by the Franchise Agreement. 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 franchises.

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 Franchised 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
	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 Franchised Business during the remaining franchise term and during any permitted renewal franchise 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 Franchised Business indicating that your Franchised Business 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 Franchised Business' 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.

~~An~~A Development Agreement does not grant you any independent right to use the Licensed Marks. Your right to use the Licensed Marks will be governed solely by the terms and conditions of your individual Franchise Agreements with us.

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, gift cards, signs 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 Franchised 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

We do not require that you participate personally in the direct operations of your Franchised Business, but you are ultimately responsible for your Franchised Business. If you do not participate personally in the direct operations of your Franchised Business (or if you are a legal entity and your general manager does not participate personally in the direct operations of your Franchised Business), you must appoint an operating manager to oversee and supervise the development and operation of the Franchised Business(es) and to whom we may give and from whom we may receive direction (the "***Operating Manager***"). We must approve your proposed Operating Manager and your Operating Manager must have satisfactorily completed our initial training program. You or your Operating Manager must devote full-time energy and best efforts to the management and operation of the Franchised Business(es), unless otherwise approved in writing by us. You and your Operating Manager, as applicable, are referred to in this disclosure document as your "***Key Personnel***."

If your Operating Manager leaves your employment during the franchise term, you must designate a new Operating Manager (whom we must approve) and have that new Operating Manager attend and satisfactorily complete our full initial training program within the time frame we specify. Item 11 describes our training requirements for your Operating Manager.

Your Operating Manager must agree in writing to preserve confidential information to which they have access and not to compete with you, us and other franchisees.

Personal Guaranty

Your spouse and your business partners, if any, must sign the Guaranty and Assumption of Obligations which is attached to the Franchise Agreement. In the Guaranty and Assumption of Obligations, each guarantor unconditionally guarantees the full and faithful performance of the obligations under the Franchise Agreement and agrees to be personally liable for every breach by you of the Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer, provide and sell at your Barbershop all services and products designated by us (the "***Approved Products and Services***"), in a manner consistent with our comprehensive standards and requirements. In addition, you must offer, provide and sell at your Barbershop all new services and products designated by us. 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 may not offer, provide or sell any services or products at or from your Barbershop other than the Approved Products and Services, or conduct any other business at or from your Barbershop, unless we specifically approve the offering, provision and sale of those services or products. In addition, you may not offer, provide or sell any products or services specified by us in any configuration, form or manner (including items for resale) other than that specifically approved by us. You may not provide services or sell products from a location other than your Barbershop, or ship or deliver products. You may not offer, provide or sell at your Barbershop any service or product that may be injurious to our business, the goodwill associated with the Licensed Marks or your Barbershop.

Except as we expressly permit, you may not use, or authorize anyone else to use, the Licensed Marks to advertise, promote, offer or sell any services and/or products through the Internet.

You must offer and sell Memberships as we require. You must comply with our System Standards regarding Memberships. All Memberships must be evidenced by a Membership Agreement and may not be for a term that extends beyond the expiration of your Franchise Agreement. We may provide you a template form of Membership Agreement, and if we do so, you will use the template form of Membership Agreement that we provide to you, and you will not make any modifications to said form, except as required to ensure compliance with all applicable laws for your Barbershop, without our prior written consent. You are responsible for ensuring that the Membership Agreements and your offer of Memberships comply with all applicable laws for your Barbershop. We and our affiliates own all information relating to clients and members of your Barbershop. We may contact any member(s) of your Barbershop at any time for any purpose.

You must offer our gift cards and participate in our designated gift card program in your Barbershop (if and when established), in accordance with all of our standards and specifications, including the process and procedure for redeeming gift cards among Barbershops for purposes of determining Gross Sales at your Barbershop. You must purchase your gift cards from our approved supplier. The gift card program may require you to pay fees, enter into agreements or purchase equipment or other products or services from us, an affiliate or a designated third-party

supplier. You may not create or issue any gift cards or gift ~~certifies~~certificates, and you will only sell gift cards that have been issued or sponsored by us and which are accepted at all Franchised Businesses.

You will be required to participate in all customer loyalty, customer feedback, or other promotional programs that we designate. We have sole discretion over any loyalty card, voucher, and/or customized promotional receipts programs for Scissors & Scotch® Barbershops. You will be required to participate in these programs and comply with any requirements we set for participation. You must purchase your cards from our approved supplier. We reserve the right to change this policy from time-to-time.

We may select certain of our franchisees that are permitted and/or required to participate in new service or product tests, new or modified service or product offerings and other programs, initiatives and campaigns that we may, from time-to-time, develop.

As a service to you and our other franchisees, we may, but are not obligated to, utilize our experience and the data obtained from our affiliates and franchisees to establish and maintain a suggested schedule of prices for products and services at your Barbershop and, subject to applicable law, we may designate certain pricing and pricing policies with respect to the services or products offered, provided and sold at your Barbershop, which prices and policies with which you will be required to comply. In addition, we and/or our approved vendors and suppliers may establish, or have established, required maximum prices for products and services at your Barbershop and, if so established, you will be required to comply with those maximum prices. Further, we and/or our approved vendors and suppliers will be entitled to exercise the maximum level of control over resale prices and practices permitted by applicable law and, to the extent that we and/or they exercise our/their right, you will be required to comply with those controls. Subject to applicable state and federal law, if we impose a minimum price for any product or service, you may not charge less for such product or service than the minimum price we impose. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

We do not impose any other restrictions in the Franchise Agreement or otherwise as to the goods or services that you may offer or sell.

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	Section 6.1 in Development	Term in Development Agreement ends the

PROVISION	SECTION IN AGREEMENT	SUMMARY
franchise term	Agreement. Section 2 in Franchise Agreement.	earlier of (a) the last day of the calendar month that the final Barbershop is required to be opened and operating under the Development Schedule or (b) the day the final Barbershop is open. Term of Franchise Agreement is 10 years.
b. Renewal or extension	Not applicable in Development Agreement. Section 18 in Franchise Agreement.	Not applicable. At the end of the term of the Franchise Agreement, you can add an additional ten (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	Not applicable in Development Agreement Section 19 in Franchise Agreement.	Not applicable. The term "renewal" means to add an additional 10 year renewal term. You must give at least 7 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 Franchise 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 Development Agreement and/or Franchise Agreement under any grounds permitted by law.
e. Termination by franchisor without cause	Not Applicable.	Not Applicable.
f. Termination by	Section 6.2 in Development	S&S may terminate Development Agreement if

PROVISION	SECTION IN AGREEMENT	SUMMARY
franchisor with cause	Agreement.	Developer fails to meet its development obligations under the Development Schedule for any single Development Period, including any failure to pay any portion of the Development Fee and fails to cure such default within 30 days of receiving notice thereof.
	Section 19 in Franchise Agreement.	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	Not Applicable in Development Agreement. Section 19 in Franchise Agreement.	Not applicable. 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 obligation.
h. "Cause" defined – non-curable defaults	Section 6.2 in Development Agreement.	Non-curable defaults include: (i) if Developer (A) ceases development activities in the Development Area, (B) displays any intent to discontinue development activities in the Development Area, or (C) abandons its development business for three (3) consecutive months, or any shorter period that; (ii) becomes insolvent or is adjudicated bankrupt, or if any action is taken by Franchisee, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit or creditors or a receiver is appointed by the Developer; and (iii) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.
	Section 19 in Franchise Agreement.	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

PROVISION	SECTION IN AGREEMENT	SUMMARY
		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 *nolo contendere* to felony or any crime we believe will likely have adverse effect on the system (also applies to principals), if franchisee or any principal takes any action that we believe is reasonably likely to have an adverse effect on the System or the Licensed Marks or the goodwill associated therewith, 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	N/A in Development Agreement. Section 20 in Franchise Agreement.	Not applicable. 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, sign the Assignment of Contact Identifiers and Online Presences (See, Exhibit L to tis disclosure document) 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 8 in Development Agreement. Section 17 in Franchise Agreement.	No restriction on our right to assign. No restriction on our right to assign.
k. "Transfer" by	Section 8 in Development	Includes sell, assign, transfer, convey, give

PROVISION	SECTION IN AGREEMENT	SUMMARY
franchisee defined	Agreement. Section 17 in Franchise Agreement.	away, pledge mortgage or encumber any direct or indirect interest in the Development Agreement. 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 8 in Development Agreement. Section 17 in Franchise Agreement.	We have the right to approve all transfers but will not unreasonably withhold approval. We have the right to approve all transfers but will not unreasonably withhold approval.
m. Conditions for franchisor approval of transfer	Not applicable in Development Agreement. Section 17 in Franchise Agreement.	Not applicable. 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 the Barbershop 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	Not applicable in Development Agreement. Section 17 in Franchise Agreement.	Not applicable. S&S can match any offer for your business, within 30 days after notice.
o. Franchisor's option to purchase your business	Not applicable in Development Agreement. Section 17 in Franchise Agreement.	Not applicable. 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	Not applicable in Development Agreement. Section 17 in Franchise Agreement.	Not applicable. Upon death or permanent disability of franchisee, a competent manager must be appointed within 30 days, then manager must attend and successfully complete training

PROVISION	SECTION IN AGREEMENT	SUMMARY
		within 120 days of being appointed. Interest must be transferred within 12 months.
q. Non-competition covenants during the term of the franchise	Not applicable in Development Agreement. Section 21 Franchise Agreement.	Not applicable. No involvement in competing business anywhere in U.S.
r. Non-competition in covenants after the franchise is terminated or expires	Not applicable in Development Agreement. Section 21 in Franchise Agreement.	Not applicable. 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	Section 27 in Development Agreement. Sections 23 in Franchise Agreement.	No modification to Development Agreement except in writing and signed by both developer and us. Nothing in the Development Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document. 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.
t. Integration/merger clause	Section 27 in Development Agreement. Section 23 in Franchise Agreement.	Only the written terms of the Development Agreement are binding (subject to state law). Nothing in the Development 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 Development Agreement may not be enforceable. Only the written terms of the Franchise Agreement are binding (subject to state law). Nothing in the Franchise 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

PROVISION	SECTION IN AGREEMENT	SUMMARY
		and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Section 13 in Development Agreement. Section 22 & 23 in Franchise Agreement.	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. 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 15 in Development Agreement. Section 23 in Franchise Agreement.	Litigation must be in the State of Kansas (subject to state law). Litigation must be in the State of Kansas (subject to state law).
w. Choice of law	Section 9 in Development Agreement. Section 23 in Franchise Agreement.	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 is included in the Disclosure Document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet that you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following Scissors & Scotch Barbershops (the "***Operating Locations***"), listed in chronological order by opening month, were open and operating during the entire period between January 1, ~~2022~~2023, and December 31, ~~2022~~2023 (the "***Reporting Period***").

Shop	Location	Opening Month	Shop	Location	Opening Month
1	Omaha, NE	March 2015	~~10~~13	~~The Colony, TX~~Omaha, NE	May ~~2020~~2021

2	Des Moines, IA[1]	May 2016	~~11~~14	~~Brentwood~~Washington, ~~TN~~DC	August ~~2020~~2021
3	Denver, CO~~[2]~~	October 2016	~~12~~15	~~Washington, DC~~Prairie Village, KS	~~March~~July 2021
4	Oklahoma City, OK[3]	August 2017	~~13~~16	~~Omaha~~Parker, ~~NE~~CO	~~May~~September 2021
5	Overland Park, KS	November 2018	~~14~~17	~~Washington~~Arlington, ~~DC~~VA	~~August~~November 2021
6	Olathe, KS	January 2019	~~15~~18	~~Prairie Village, KS~~Franklin, TN	~~July 2021~~April 2022
7	Ankeny, IA[2]	July 2019	~~16~~19	~~Parker~~Reston, ~~CO~~VA	~~September 2021~~April 2022
8	Dallas, TX	September 2019	~~17~~20	~~Arlington~~Lowry, ~~VA~~CO	~~November 2021~~June 2022
9	Austin, TX	February 2020	21	Lenexa, KS	August 2022
10	The Colony, TX	May 2020	22	Houston, TX	September 2022
11	Brentwood, TN	August 2020	23	San Antonio, TX	September 2022
12	Washington, DC	March 2021	24	Atlanta, GA	November 2022

Table 1 to this Item 19 shows the total annual Gross Sales, total annual Appointments, and Gross Sales Per Appointment for the Operating Locations during the Reporting Period.

Table 2 to this Item 19 shows the ~~Average Daily~~Median Monthly Appointments and Average Monthly Appointments~~, by month of maturity, across all Barbershops – including the Operating Locations and seven additional Barbershops that were not operating during the entire Reporting Period (the "***Emerging Locations***")~~ for a new Barbershop during each month of its first year of operations. As a clarifying example, the "Month 3" Average Monthly Appointments total indicates the number of appointments that a new Barbershop ~~performed~~provided, on average, during its third month of operations. The figures in Table 2 were calculated using performance data from all Scissors & Scotch Barbershops that opened between January 1st, 2021 and December 31st, 2023.

Table 1 – Total Gross Sales and Appointments

Barbershop Location	~~2022~~2023 Gross Sales	~~2022~~2023 Appointments	Gross Sales Per Appt.
Denver, CO~~[3]~~[2]	~~$2,037,881~~ $2,508,909.97	~~37,057~~41,738	~~$54.99~~ 60.11
Overland Park, ~~KS~~[4]KS[3]	~~$1,756,070~~ $2,098,078.84	~~32,484~~35,531	~~$54.06~~ 59.05
Oklahoma City, OK	~~$1,707,437~~ $2,038,819.88	~~30,872~~35,030	~~$55.31~~ 58.20
~~Omaha~~Dallas, ~~NE~~TX	~~$1,524,071~~ $1,781,143.27	~~30,986~~30,413	~~$49.19~~ 58.57
~~Olathe~~Omaha, ~~KS~~NE	~~$1,356,930~~ $1,718,056.41	~~25,425~~32,611	~~$53.37~~ 52.68
Austin, TX	~~$1,192,404~~ $1,702,520.13	~~22,979~~29,687	~~$51.89~~ 57.35

[1] The Des Moines and Ankeny Barbershops were franchise locations until December 19th, 2021, when our affiliate purchased both to be operated by us as company-owned locations.

~~[2] The Denver and Oklahoma City Barbershops are operated by us as company-owned locations and used as a test location for new products, services and processes.~~

[3]~~[2]~~ Three of our Barbershops—Denver, CO; Overland Park, KS; and The Colony, TX—have more than twelve barber chairs. The remainder of the Reporting Shops follow our standard layout and operations with twelve or fewer barber chairs.

~~Dallas~~Olathe, ~~TX~~KS	$~~1,184,048~~ 1,521,437.28	~~21,624~~25,395	$~~54.76~~ 59.91
Des Moines, IA	$~~1,179,745~~ 1,359,700.34	~~23,341~~25,388	$~~50.54~~ 53.56
Washington, DC	$~~879,777.~~ 1,141,229.60	~~14,989~~19,850	$~~58.69~~ 57.49
Washington, DC	$~~801,991~~ 1,046,356.85	~~14,239~~17,978	$~~56.32~~ 58.20
~~Brentwood, TN~~The Colony, TX[3]	$~~800,803~~ 1,017,638.37	~~15,200~~17,054	$~~52.68~~ 59.67
Prairie Village, KS	$~~749,916~~ 976,607.88	~~15,374~~18,023	$~~48.78~~ 54.19
Ankeny, IA	$~~731,113~~ 937,982.54	~~15,463~~18,843	$~~47.28~~ 49.78
~~The Colony, TX~~[4]Brentwood, TN	$~~723,686~~ 958,653.39	~~12,948~~16,206	$~~55.89~~ 59.15
Arlington, VA	$ 877,243.00	14,875	$ 58.97
Lenexa, KS	$ 871,181.64	16,056	$ 54.26
Franklin, TN	$ 741,787.91	15,106	$ 49.11
Omaha, NE	$ 685,305.00	13,605	$ 50.37
Parker, CO	$~~651,608~~ 693,737.79	~~11,542~~11,702	$~~56.46~~ 59.28
Houston, TX	$ 605,802.60	10,574	$ 57.29
San Antonio, TX	$ 511,628.27	8,752	$ 58.46
~~Arlington~~Reston, VA	$~~630,937~~ 424,937.00	~~10,384~~6,757	**$~~60.76~~ 62.89**
~~Omaha~~Lowry, ~~NE~~CO	$~~419,307~~ 404,901.30	~~9,223~~8,707	$~~45.46~~ 46.50
Atlanta, GA	$ 283,005.26	5,159	$ 54.86
High:	$~~2,037,881~~ 2,508,909.97	~~37,057~~41,738	$~~60.76~~ 62.89
Median:	$~~879,777~~ 967,630.64	~~15,463~~17,516	$~~54.06~~ 57.85
Low:	$~~419,307~~ 283,005.26	~~9,223~~5,159	$~~45.46~~ 46.50

As noted in Table 1, Gross Sales Per Appointment range from a low of $~~45.46~~45.50 to a high of $~~60.76~~62.89. In our experience, the Gross Sales Per Appointment for a particular Barbershop has a direct correlation to the retail price charged by that Barbershop for our most common haircut service~~.~~, the "***~~The~~ Ten Year***". We use the term "Price Multiple" to identify the relationship between the Gross Sales Per Appointment and the retail price of the Ten Year for a particular Barbershop. During the Reporting Period, the ~~median~~average Price Multiple for all Operating Locations was ~~1.15~~[4]1.14[3], which means that the Gross Sales Per Appointment for a particular Barbershop was likely to be equal to approximately ~~1.15~~1.14 multiplied by the retail price for the Ten Year for that Barbershop. For example, if the retail price for the Ten Year for a ~~particular~~ Barbershop ~~equals~~is $~~48.00~~49.00, it was likely that the Gross Sales Per Appointment for that Barbershop was approximately $~~55.20.~~ 55.86. In our experience, a Barbershop's Price Multiple will increase as the Barbershop matures and a smaller portion of its appointments include introductory pricing offers or similar discounts.

Table 2 – ~~Average Daily and~~ Monthly Appointments[5] for New Barbershops

~~[4] In order to determine the median Price Multiple of 1.15 for the Reporting Period, we used the Gross Sales Per Appointment and retail price for the Ten Year for all of our Operating Locations during the Reporting Period. The average Price Multiple was equal to 1.15 and the range of Price Multiples was between 1.05 and 1.27.~~

[3] In order to determine the average Price Multiple of 1.14 for the Reporting Period, we used the Gross Sales Per Appointment and retail price for the Ten Year for all of our Operating Locations during the Reporting Period. The median Price Multiple was equal to 1.12 and the range of Price Multiples was between 0.97 and 1.37.

[5] ~~"***Average Daily Appointments***" is calculated as the average number of appointments, per day, per Barbershop, of all Barbershops including both the Operating Locations and Emerging~~

During Month[6]:	1	2	3	4	5	6
~~Avg. Daily Appts:~~	~~20~~	~~23~~	~~25~~	~~27~~	~~30~~	~~31~~
~~Median Daily Appts:~~	~~19~~	~~23~~	~~24~~	~~25~~	~~28~~	~~29~~
~~Avg.~~Median Monthly Appts:	~~594~~544	~~694~~686	~~761~~720	~~829~~787	~~899~~817	~~956~~847
~~Median~~Average Monthly Appts:	~~578~~565	~~700~~644	~~731~~696	~~761~~768	~~852~~775	~~883~~826
	7	**8**	**9**	**10**	**11**	**12**
~~Avg. Daily Appts:~~	~~34~~	~~37~~	~~39~~	~~43~~	~~45~~	~~50~~
~~Median Daily Appts:~~	~~33~~	~~34~~	~~38~~	~~42~~	~~42~~	~~48~~
~~Avg.~~Median Monthly Appts:	~~1,044~~1,156	~~1,113~~1,278	~~1,196~~1,288	~~1,302~~1,313	~~1,365~~1,337	~~1,511~~1,457
~~Median~~Average Monthly Appts:	~~1,004~~861	~~1,035~~902	~~1,157~~861	~~1,278~~905	~~1,279~~963	~~1,461~~984

~~During Year Two[7](Months 13 – 24)~~		~~Year Three and Later[8](Months 25+)~~	
~~Avg. Daily Appts:~~	~~55~~	~~Avg. Daily Appts:~~	~~70~~
~~Median Daily Appts:~~	~~51~~	~~Median Daily Appts:~~	~~68~~
~~Avg. Monthly Appts:~~	~~1,674~~	~~Avg. Monthly Appts:~~	~~2,133~~

~~per Barbershop, of all Barbershops – including both the Operating Locations and Emerging Locations – in a respective month of maturity. For example, the Average Daily Appointments total in "Month 1" represents how many appointments an average Barbershop performed, per day, during its first month of operations. "***Average Monthly Appointments***" is calculated as the average number of appointments, per month, per Barbershop, of all Barbershops in a respective month of maturity. For example, the Average Monthly Appointments total in "Month 1" represents how many appointments an average Barbershop performed during its first month of operations. A Barbershop's Average Monthly Appointments total is affected by how many days it is able to operate during a calendar month. For example, a Barbershop generally has fewer available days to operate in February than in January. This may affect your forecasts for your Franchised Business.~~

~~[6] Performance totals for months 1 through 12 are separated by month. The Average Monthly Appointments total during "Month 3", for example, represents the average number of appointments a Barbershop performed during its third month of operations. Each total is based on the performance of all Barbershops during their respective month of operations.~~

~~[7] Performance totals for months 13 through 24 are condensed into an annual average for Year Two. The Average Monthly Appointments total during "Year Two", for example, represents the average number of appointments a Barbershop performed, per month, during its second year of operations. Each total is based on the performance of all Barbershops during their second year of operations.~~

~~[8] Performance totals for month 25 and beyond are also condensed. The Average Monthly Appointments total for "Year Three and Later", for example, represents the average number of appointments a Barbershop performed, per month, during its third year of operations and after. Each total is based on the performance of all Barbershops during their third and subsequent years of operations.~~

~~Median Monthly Appts:~~	~~1,552~~	~~Median Monthly Appts:~~	~~2,101~~

All financial information in the tables was prepared using unaudited internal sales and expense records, but we believe them to be substantially correct.

Some Barbershops have sold and earned this much. Your individual results may differ. There is no assurance that you will achieve these results.

Written substantiation of the data presented in the preceding tables will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary[1]
For years ~~2020~~2021 to ~~2022~~2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
~~Franchised~~	~~2020~~	~~7~~	~~9~~	~~+2~~
Franchised	2021	9	13	+4
	2022	13	~~21~~20	+8
~~Company-owned[2]~~	~~2020~~2023	~~2~~20	~~2~~16	~~-~~-4
Company-owned[2]	2021	2	4	+2
	2022	4	4	-
~~Total Outlets~~	~~2020~~2023	~~9~~4	~~11~~12	~~+2~~+8
Total Outlets	2021	11	17	+6
	2022	17	24	+7
	2023	**24**	**28**	**+4**

[1] Zero outlets were permanently closed due to COVID-19. All outlets were temporarily closed for varying durations due to local government orders, but each is considered an operating outlet for purposes of this table.
[2] Company-owned outlets refer to outlets owned by Company's affiliates.

Table No. 2
Transfers of Outlets from Franchisees to
New Owners (other than Franchisor)
For years ~~2020~~2021 to ~~2022~~2023

Column 1	Column 2	Column 3

State	Year	Number of Transfers
~~Nebraska~~	~~2020~~	~~0~~
Nebraska	2021	2
	2022	0
~~Total~~	~~2020~~2023	0
Total	2021	2
	2022	0
	2023	0

Table No. 3
Status of Franchised Outlets
For years ~~2020~~2021 to ~~2022~~2023

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
~~Colorado~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
Colorado	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
~~Georgia~~	~~2020~~2023	~~0~~2	0	0	0	~~0~~2	0	0
Georgia	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
~~Iowa~~	~~2020~~2023	~~2~~1	0	0	0	0	0	~~2~~1
Iowa	2021	2	0	0	0	2	0	0
	2022	0	0	0	0	0	0	0
~~Kansas~~	~~2020~~2023	~~2~~0	0	0	0	0	0	~~2~~0
Kansas	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	0	4
~~Nebraska~~	~~2020~~2023	~~1~~4	0	0	0	0	0	~~1~~4
Nebraska	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
~~Tennessee~~	~~2020~~2023	~~1~~2	0	0	0	0	0	~~1~~2
Missouri	2021	~~1~~0	0	0	0	0	0	~~1~~0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Tennessee	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
~~Texas~~	~~2020~~2023	~~1~~2	~~2~~0	0	0	0	0	~~3~~2
Texas	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
~~Virginia~~	~~2020~~2023	~~0~~5	0	0	0	0	0	~~0~~5
Virginia	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	2	0	0
Washington~~-D.C.~~	~~2020~~2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Washington D.C.	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
~~Total~~	~~2020~~2023	~~7~~2	~~2~~0	0	0	~~0~~2	0	~~9~~0

HB: 4895-6948-1415.1

Total	2021	9	6	0	0	2	0	13
	2022	13	7	0	0	0	0	20
	2023	**20**	**2**	**0**	**0**	**6**	**0**	**16**

HB: 4895-6948-1415.1

Table No. 4
Status of Company-Owned Outlets
For years ~~2020~~2021 to ~~2022~~2023

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
~~Colorado~~	~~2020~~	~~1~~	~~0~~	~~0~~	~~0~~	~~0~~	~~1~~
Colorado	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
~~Iowa~~	~~2020~~2023	~~0~~1	~~0~~2	~~0~~2	0	0	~~0~~5
Iowa	2021	0	0	2	0	0	2
	2022	2	0	0	0	0	2
~~Oklahoma~~	~~2020~~2023	~~1~~2	0	0	0	0	~~1~~2
Oklahoma	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
~~Total~~	~~2020~~2023	~~2~~1	0	0	0	0	~~2~~1
Virginia	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	2	0	0	2
Washington D.C.	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	2	0	0	2
Total	2021	2	0	2	0	0	4
	2022	4	0	0	0	0	4
	2023	**4**	**2**	**2**	**0**	**0**	**12**

Table No. 5
Projected Openings
As of December 31, ~~2022~~2023
(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
Colorado	~~1~~2	~~1~~2	~~3~~1
~~Georgia~~Missouri	~~2~~1	1	0
~~Missouri~~	~~4~~	~~2~~	~~0~~
~~Nebraska~~	~~2~~	~~2~~	~~0~~
~~North Carolina~~Nebraska	~~2~~1	1	0
~~Tennessee~~North Carolina	1	1	0
~~Texas~~Tennessee	~~7~~0	~~3~~1	0
~~Washington~~Texas	~~2~~0	~~1~~2	0
Total	**~~21~~5**	**~~12~~8**	**~~3~~1**

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~~

See Exhibit I-2 for a list of franchisees that have left the system as of December 31, 2023 or who had not communicated with the franchisor within 10 weeks of the disclosure document.

The list of current franchisees can be found in Exhibit I.

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

The list of current franchisees and franchisees that have left the system can be found in Exhibit I.

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 Franchise Disclosure Document.

ITEM 21
FINANCIAL STATEMENTS

Exhibit A is our audited financial statements for years ending December 31, ~~2022~~2023, December 31, ~~2021~~2022, and December 31, ~~2020~~2021 and our unaudited financials dated as of April 30, 2024.

ITEM 22
CONTRACTS

The following agreements are attached to this disclosure document:

Exhibit B	Development Agreement
Exhibit C	Franchise Agreement
Exhibit G	Disclosure Acknowledgement Agreement
Exhibit ~~G~~H	General Release
Exhibit ~~L~~M	Franchise Disclosure Document Receipts

ITEM 23
RECEIPTS

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

EXHIBIT A
FINANCIAL STATEMENTS

(Added graphics)

SCISSORS & SCOTCH FRANCHISING, LLC

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

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BlandCPA.com

(Modified graphics)

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SCISSORS & SCOTCH FRANCHISING, LLC

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

bland & associates
beyond accounting

BlandCPA.com

(Modified graphics)

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bland & associates beyond accounting Certified Public Accountants

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Scissors & Scotch Franchising, LLC
Mission, Kansas
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, 2023 and 2022, and the related statements of operations and changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, 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.

Emphasis of Matters

As discussed in Note K to the financial statements, the Company has suffered recurring losses from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note K. Our opinion is not modified with respect to this matter.

As discussed in Note L to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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.

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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.

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 audits.
- 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 29, 2024

(Added graphics)

S & SCOTCH FRANCHISING, LLC
BALANCE SHEETS

ASSETS	December 31, 2023	2022 (Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,500	$ 373,332
Restricted Cash	87,764	67,442
Accounts Receivable	58,991	52,381
Franchise Fee Receivable, Net of Allowance for Credit Losses of $4,000 and $4,000, Respectively	56,000	56,000
Due From Related Parties	121,034	10,826
Due from Franchises	47,617	-
Inventory	30,778	20,160
Prepaid Expenses	46,253	62,860
Total Current Assets	450,937	643,001
PROPERTY AND EQUIPMENT		
Leasehold Improvements	92,462	-
Computers and Hardware	17,557	11,149
Furniture and Fixtures	50,732	17,350
	160,751	28,499
Less Accumulated Depreciation	(17,439)	(1,991)
Total Property and Equipment	143,312	26,508
INTANGIBLE ASSETS		
Trademark	25,000	-
OTHER ASSETS		
Operating Lease Right-of-Use Asset	1,246,950	1,374,763
	$ 1,866,199	**$ 2,044,272**

LIABILITIES AND MEMBERS' DEFICIT	December 31, 2023	2022 (Restated)
CURRENT LIABILITIES		
Bank Revolving Line of Credit	$ 156,038	$ -
Current Portion of Long-Term Debt	19,920	28,283
Accounts Payable	100,786	87,130
Accrued Expenses	28,823	38,771
Due to Related Party	30,000	-
Current Portion of Operating Lease Liability	117,347	110,492
Deferred Revenue - Franchise Fees	1,194,052	1,040,440
Deferred Revenue - Area Representative Fees	18,750	21,250
Deferred Revenue - Prepaid Royalties	-	17,836
Total Current Liabilities	1,665,716	1,344,202
LONG-TERM LIABILITIES		
Operating Lease Liability, Less Current Portion	1,222,958	1,340,304
Long-Term Debt, Less Current Portion	841,957	861,834
Total Long-Term Liabilities	2,064,915	2,202,138
Total Liabilities	3,730,631	3,546,340
COMMITMENTS AND CONTINGENCIES	-	-
MEMBERS' DEFICIT	(1,864,432)	(1,502,068)
	$ 1,866,199	**$ 2,044,272**

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

(Added graphics)SCISSORS & SCOTCH FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT

	Years Ended December 31,	
	2023	2022 (Restated)
REVENUES		
Royalties	$ 1,232,783	$ 850,478
Other	215,849	151,924
Franchise Fees	161,388	178,776
Development Fees	2,500	2,500
Total Revenues	1,612,520	1,183,678
OPERATING EXPENSES		
Salaries and Wages	519,497	487,281
Professional Fees	368,870	354,157
Meals and Entertainment	226,648	178,631
Software	175,783	166,168
Lease Cost	173,321	101,104
Insurance	170,896	100,904
Office Supplies	103,334	89,086
Training	97,297	99,735
Contract Labor	65,139	104,436
Service Agreement	51,390	27,728
Payroll Tax	27,521	18,569
Utilities	17,002	6,256
Depreciation	15,448	1,991
Repairs and Maintenance	10,155	1,015
Licenses and Permits	7,413	12,217
Employee Benefits	5,495	4,975
Bank Charges	3,283	4,253
Advertising	2,649	13,237
Total Operating Expenses	2,041,141	1,798,733
LOSS FROM OPERATIONS	(428,621)	(615,055)
OTHER INCOME (EXPENSE)		
Other Income	2,292	12,500
Interest Expense	(36,035)	(24,003)
Total Other Income (Expense)	(33,743)	(11,503)
NET LOSS	(462,364)	(626,558)
MEMBERS' DEFICIT - BEGINNING OF YEAR	(1,502,068)	(1,175,510)
Members' Contributions	100,000	300,000
MEMBERS' DEFICIT - END OF YEAR	**$ (1,864,432)**	**$ (1,502,068)**

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

(Added graphics)

SCISSORS & SCOTCH FRANCHISING, LLC
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (462,364)	$ (626,558)
Adjustments to Reconcile Net Loss to Net Cash Used In Operating Activities:		
Amortization of Right-of-Use Asset	127,813	73,426
Depreciation	15,448	1,991
Decrease in Franchise Fee Allowance for Credit Losses	-	(9,000)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(6,610)	(46,108)
Franchise Fee Receivable	-	50,000
Due from Franchises	(47,617)	-
Inventory	(10,618)	6,412
Prepaid Expenses	16,607	(48,277)
Increase (Decrease) in Liabilities:		
Accounts Payable	13,656	(50,266)
Accrued Expenses	(9,948)	38,771
Operating Lease Liability	(110,491)	2,607
Deferred Revenue - Franchise Fees	153,612	(48,776)
Deferred Revenue - Area Representative Fees	(2,500)	(2,500)
Deferred Revenue - Prepaid Royalties	(17,836)	17,836
Net Cash Used In Operating Activities	(340,848)	(640,442)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to Related Parties	(91,539)	(57,516)
Payments from Related Parties	11,331	45,494
Purchase of Trademark	(25,000)	-
Purchase of Property and Equipment	(132,252)	(28,499)
Net Cash Used In Investing Activities	(237,460)	(40,521)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on Bank Revolving Line of Credit	200,000	401,000
Payments on Bank Revolving Line of Credit	(43,962)	(483,042)
Additions to Long-Term Debt	-	858,594
Payments on Long-Term Debt	(28,240)	(13,522)
Proceeds from Members' Contributions	100,000	300,000
Net Cash Provided By Financing Activities	227,798	1,063,030
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(350,510)	382,067
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	440,774	58,707
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 90,264	$ 440,774
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 49,700	$ 6,859
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING INFORMATION		
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ -	$ 1,448,189

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

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, 2023, 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.

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 and the franchise has launched, 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.

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 $87,764 and $67,442 as of December 31, 2023 and 2022, 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 credit losses 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. Franchise fee receivables net of allowance for credit losses, at January 1, 2023 and 2022 totaled $56,000 and $97,000, respectively. Accounts receivable at January 1, 2023 and 2022 totaled $52,381 and $6,273, respectively.

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 $2,649 and $13,237 for the years ended December 31, 2023 and 2022, respectively.

Recently Adopted Accounting Pronouncement

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement (Continued)

CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Company adopted Accounting Standards Codification (ASC) Topic 326 effective January 1, 2023 using the modified retrospective approach. There was no material impact on the Company's financial statements upon implementation.

Subsequent Events

Management has evaluated subsequent events through April 29, 2024, which is the date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

The Company has financial instruments subject to credit risk. The Company maintains cash balances in a financial institution in which the balances sometime exceed the federal insured limits. The Company's receivables also 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,:

	2023	2022
Cash and cash equivalents	$ 2,500	$ 373,332
Restricted cash	87,764	67,442
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 90,264	$ 440,774

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.

NOTE D – FRANCHISE FEE RECEIVABLE

The Company has secured non-interest-bearing franchise fee receivables for various franchise store sales. These receivables mature in 2024. Franchise fee receivable consist of the following at December 31,:

	2023	2022
Franchise Fee Receivable	$ 60,000	$ 60,000
Less: Allowance for Credit Losses	(4,000)	(4,000)
	$ 56,000	$ 56,000

NOTE E – OPERATING LEASES

The Company leases office space from a related party under an operating lease agreement through December 2032. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended December 31,:

	2023	2022
Operating lease cost	$ 173,321	$ 101,104

Supplemental information related to leases is as follows for the years ended December 31,:

	2023	2022
sh paid for amounts included in measurement of lease liabilities:		
)perating cash outflows – payments on operating leases	$ (156,000)	$ (25,071)
ht-of-use assets obtained in exchange for new lease obligations:		
)perating leases	$ -	$ 1,484,189
ighted-average remaining lease term - operating	9.00 Years	10.00 Years
ighted-average discount rate - operating	3.28%	3.28%

NOTE E – OPERATING LEASES (Continued)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2023:

Years Ending December 31,	Operating Leases
2024	$ 159,120
2025	162,302
2026	165,546
2027	168,857
2028	172,234
Thereafter	724,079
Total Undiscounted Lease Payments	1,552,138
Less: Present Value Discount	(211,833)
Total Present Value of Lease Liabilities	$ 1,340,305

NOTE F – RELATED PARTY TRANSACTIONS

Scissors & Scotch Development, LLC (Development) – The members of the Holding Company are the same members of Development. The Company had a receivable of $35,000 and $0 for the years ended December 31, 2023 and 2022, respectively, for working capital.

Sandicot, LLC (Sandicot) – The members of the Holding Company are the same members of Sandicot. Sandicot owns the building the Company operates out of and the Company pays rent to Sandicot. See Footnote E for the related party operating lease details.

Ventures (Ventures) – A member of the Holding Company is the same owner of Ventures. The Company had a receivable of $0 and $8,546 for the years ended December 31, 2023 and 2022, respectively.

S&S Gift Cards, LLC (Gift Cards) – The Holding Company also owns Gift Cards. The Company has a payable of $30,000 and $0 for the years ended December 31, 2023 and 2022, respectively.

Middle Out Management, LLC (Management) – The members of the Holding Company are the same members of Management. The Company paid Management $181,500 and $0 in management fees for the years ended December 31, 2023 and 2022, respectively.

Member – The Company has a receivable of $14,328 and $2,280 from one of the Members of the Holding Company for the years ended December 31, 2023 and 2022, respectively.

Affiliated Locations (Affiliates) – The Company has a receivable of $71,706 and $0 from its affiliates for the years ended December 31, 2023 and 2022, respectively, for recruiting ads.

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 the national prime rate (8.50% and 6.25% at December 31, 2023 and 2022, respectively). As of December 31, 2022, the maximum rate allowed was 6.25%. The line of credit is due July 2024 and guaranteed by the members of the Holding Company. The Company had a balance due of $156,038 and $0 for the years ended December 31, 2023 and 2022, respectively.

NOTE H – LONG-TERM DEBT

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

	2023	2022
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. This note was paid in full in 2023.	$ -	$ 23,317
Economic Injury Disaster Loan (EIDL) payable to the U.S. Small Business Administration (SBA), payable in monthly installments of $4,325 beginning 30 months from the anniversary of the effective date of the note, including interest at 3.75%, due June 2050. This note was refinanced in April 2022 and increased to $866,800.	861,877	866,800
Total Long-Term Debt	861,877	890,117
Less Current Portion of Long-Term Debt	(19,920)	(28,283)
	$ 841,957	$ 861,834

The aggregate maturities of long-term debt for the years ending after December 31, 2023 are as follows:

Years Ending December 31,	Amount
2024	$ 19,920
2025	20,680
2026	21,469
2027	22,288
2028	23,138
Thereafter	754,382
	$ 861,877

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 2020, 2021, 2022 and 2023.

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. In 2022, the Company added a fourth key member to the Company and further diluted another 8% in collective interest for the member. 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, meaning the amount the Company sells over the $10,000,000 exit price would be allocated pro rata among the Plan members. Due to the funding coming from the sale itself and not the Company, there is no liability associated with the Plan.

NOTE K – GOING CONCERN CONSIDERATIONS

The Company sustained an operating loss for the past several years and had negative cash flows from operations in 2023 and 2022.

Management has taken several actions to ensure the Company will continue as a going concern for the next twelve months from the date these financial statements were issued.

Significant restructuring occurred in 2024, including a reduction in the franchise development budget, aiming for a shift towards strengthening existing operations. Payroll and operational costs were reduced, promoting leaner and more efficient operations. Additionally, adjustments in the brand building fund were made to rectify previous overinvestment and ensure more prudent financial management going forward. In 2023, the Company's average same-store sales growth was 35%, and every shop in their network registered year-over-year sales growth, driving up royalty revenue for the Company. In addition to this, the Company has restructured budgets and adjusted spending to reduce 2024 expenses between 10-15% with a projected operating profit in 2024. The Company will continue to monitor budgets, expenses and newly signed franchises to ensure efficient growth and sustainability. The Company believes that it currently has sufficient plans to meet its funding requirements for the next twelve months from the date these financial statements were issued.

NOTE L – PRIOR PERIOD ADJUSTMENTS

The Company's financial statements as of December 31, 2022 contained the following errors due to not recognizing deferred revenue on multiple contracts upon payment and treating guaranteed payments as distributions: (1) an understatement of Deferred Revenue – Franchise Fees of $160,000, (2) an overstatement of Members' Deficit – Beginning of Year of $160,000, (3) an understatement of Salaries & Wages of $292,244, (4) an overstatement of distributions of $292,244 which resulted in (5) an overstatement of Members' Deficit – End of Year in the amount of $160,000 for the prior period.

	Previously Reported	Increase (Decrease)	Restated Balance
Deferred Revenue – Franchise Fees	$ 880,440	$ 160,000	$ 1,040,440
Salaries and Wages	$ 195,037	$ 292,244	$ 487,281
Distributions	$ 292,244	$ (292,244)	$ -
Members' Deficit – Beginning of Year	$ (1,015,510)	$ (160,000)	$ (1,175,510)
Members' Deficit – End of Year	$ (1,342,068)	$ (160,000)	$ (1,502,068)

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Members
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, 2022 and 2021, and the related statements of operations and changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

SCISSORS & SCOTCH FRANCHISING, LLC
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note L to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note E to the financial statements, the Company adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

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.

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Responsibilities of Management of the Financial Statements (Continued)

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.

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 auditors' 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.

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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
beyond accounting
Certified Public Accountants

BLAND + ASSOCIATES, P.A.

INDEPENDENT AUDITORS' REPORT

Omaha, Nebraska
March 21, 2023
To the Members
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, 2022 and 2021, and the related statements of operations and changes in members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note L to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note E to the financial statements, the Company adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

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.

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(Modified graphics)

Responsibilities of Management of the Financial Statements (Continued)

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.

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.

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

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STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT

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
March 21, 2023

	Years Ended December 31, 2022	2021 (Restated)
REVENUES		
Royalties	$ 850,478	$ 542,239
Franchise Fees	178,776	149,245
Other	151,924	125,883
Development Fees	2,500	1,250
Total Revenues	1,183,678	818,617
OPERATING EXPENSES		
Professional Fees	354,157	131,539
Salaries & Wages	195,037	48,557
Meals and Entertainment	178,631	103,351
Software	166,168	121,313
Contract Labor	104,436	155,646
Lease Cost	101,104	1,706
Insurance	100,904	78,363
Training	99,735	52,246
Office Supplies	89,086	46,192
Service Agreement	27,728	31,029
Miscellaneous	26,990	2,222
Payroll Tax	18,569	3,654
Licenses and Permits	12,217	1,359
Advertising	13,237	24,552
Utilities	6,256	5,940
Employee Benefits	4,975	4,897
Bank Charges	4,253	1,947
Depreciation	1,991	-
Repairs & Maintenance	1,015	-
Broker Fees	-	75,000
Total Operating Expenses	1,506,489	889,513
LOSS FROM OPERATIONS	(322,811)	(70,896)
OTHER INCOME (EXPENSE)		
Other Income	12,500	-
Paycheck Protection Program Grant Revenue	-	25,100
Interest Expense	(24,003)	(2,195)
Total Other Income (Expense)	(11,503)	22,905
NET LOSS	(334,314)	(47,991)
MEMBERS' DEFICIT - BEGINNING OF YEAR	(1,015,510)	(567,918)
Members' Contributions	300,000	-
Distributions to Member	(292,244)	(399,601)
MEMBERS' DEFICIT - END OF YEAR	$ (1,342,068)	$ (1,015,510)

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

(Modified graphics)

ASSETS	December 31, 2022	December 31, 2021 (Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	$ 373,332	$ 324,314
Restricted Cash	67,442	56,207
Accounts Receivable	52,381	6,273
Franchise Fee Receivable, Net of Allowance for Doubtful Accounts of $4,000 and $13,000	56,000	73,426
Due from Related Parties	10,826	1,991
Inventory	20,160	56,321
Prepaid Expenses	62,860	20,160
Total Current Assets	643,001	148,000
		259,459
PROPERTY AND EQUIPMENT		48,277
Computers and Hardware	11,149	
Furniture and Fixtures	17,350	50,266
	28,499	38,771
Less Accumulated Depreciation	(1,991)	2,607
Total Property and Equipment	26,508	48,776
		2,500
OTHER ASSETS		17,836
Operating Lease Right-of-Use Asset	1,374,763	348,198
	$ 2,044,272	$ 259,456
		57,516
		28,499
		86,015

	December 31, 2022	December 31, 2021 (Restated)
		-
CURRENT LIABILITIES		401,000
Bank Revolving Line of Credit	$ -	$ 80,942
Current Portion of Long-Term Debt	28,283	8,694
Accounts Payable	87,130	137,585
Accrued Expenses	38,771	45,494
Due to Related Members	-	5,744
Current Portion of Operating Lease Liability	110,492	300,000
Deferred Revenue - Franchise Fees	880,440	92,315
Deferred Revenue - Area Representative Fees	21,250	23,750
Deferred Revenue - Prepaid Royalties	17,836	382,067
Total Current Liabilities	1,184,202	1,239,049
LONG-TERM LIABILITIES		
Operating Lease Liability, Less Current Portion	1,340,304	58,707
Long-Term Debt, Less Current Portion	861,834	35,917
Total Long-Term Liabilities	2,202,138	35,917
Total Liabilities	3,386,340	$ 1,274,966
COMMITMENTS AND CONTINGENCIES	-	-
MEMBERS' DEFICIT	(1,342,068)	(1,015,510)
	$ 2,044,272	$ 259,456

	Years Ended December 31, 2022	Years Ended December 31, 2021 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (326,558)	$ (47,991)
Adjustments to Reconcile Net Loss to Net Cash (Used In) Provided By Operating Activities:		
Amortization of Right-of-Use Asset	73,426	-
Depreciation	1,991	-
Bad Debt Expense (Recovery)	97,000	(4,685)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	26,487,038	(795)
Franchise Fee Receivable	148,000	110,000
Inventory	56,161	(10,092)
Prepaid Expenses	48,277	-
(Decrease) Increase in Liabilities:		
Accounts Payable	50,266	114,007
Accrued Expenses	38,771	-
Operating Lease Liability	2,607	-
Deferred Revenue - Franchise Fees	48,776	275,755
Deferred Revenue - Area Representative Fees	2,500	23,750
Deferred Revenue - Prepaid Royalties	17,836	-
Net Cash (Used In) Provided By Operating Activities	348,198	459,949
CASH FLOWS FROM INVESTING ACTIVITIES	$ 259,456	
Advances to Related Parties	57,516	(307,759)
Purchase of Property and Equipment	28,499	-
Net Cash Used In Investing Activities	86,015	(307,759)

	Years Ended December 31, 2022	Years Ended December 31, 2021 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Bank Overdraft	-	(5,838)
Proceeds from Revolving Line of Credit	401,000	393,000
Payments on Bank Revolving Line of Credit	$ 80,942	$ (372,925)
Proceeds from Long-Term Debt	8,694	-
Payments on Long-Term Debt	137,585	(8,455)
Advances from Related Parties	45,494	280,673
Distributions to Members	5,744	(399,601)
Proceeds from Members' Contributions	300,000	-
Net Cash Provided By (Used In) Financing Activities	92,315	(113,146)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	382,067	39,044
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	58,707	19,663
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 440,774	$ 58,707
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Paid	$ 6,859	$ 2,195
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING INFORMATION		
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ 1,448,189	$ -

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

(Modified graphics)

S & SCOTCH FRANCHISING, LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBERS' DEFICIT
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

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, 2022, 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.

	Years Ended December 31, 2022	2021 (Restated)
REVENUES		
Royalties	$ 860,178	$ 612,939
Company Fees	[illegible]	[illegible]
Other	151,[illegible]	135,[illegible]
Development Fees	2,500	1,250
Total Revenues	1,183,678	818,617
OPERATING EXPENSES		
Professional Fees	354,157	131,539
Salaries & Wages	195,037	48,557
Meals and Entertainment	178,631	103,351
Software	166,168	121,313
Contract Labor	104,[illegible]	105,[illegible]
Lease Cost	101,[illegible]	1,70[illegible]
Insurance	99,[illegible]	[illegible]
Travel	99,[illegible]	[illegible]
Office Supplies	99,[illegible]	48,[illegible]
Service Agreements	27,[illegible]	21,[illegible]
Miscellaneous	26,990	2,222
Payroll Tax	18,569	3,654
Licenses and Permits	12,217	1,359
Advertising	13,237	24,552
Utilities	6,256	5,940
Employee Benefits	[illegible]	[illegible]
Bank Charges	[illegible]	[illegible]
Depreciation	1,991	-
Repairs & Maintenance	1,015	-
Broker Fees	-	[illegible]
Total Operating Expenses	1,506,489	889,513
LOSS FROM OPERATIONS	(322,811)	(70,896)
OTHER INCOME (EXPENSE)		
Other Income	12,500	-
Paycheck Protection Program Grant Revenue	-	25,100
Interest Expense	(24,003)	(2,195)
Total Other Income (Expense)	(11,503)	22,905
NET LOSS	(334,319)	(47,[illegible])
MEMBERS' DEFICIT - BEGINNING OF YEAR	(1,015,510)	(567,[illegible])
Member Distributions	-	-
Distributions to Member	([illegible])	(399,[illegible])
MEMBERS' DEFICIT - END OF YEAR	$ (1,342,068)	$ (1,015,510)

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

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 a point in time when all pre-opening services have been substantially performed and the franchise has launched, 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 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.

	Years Ended December 31,	
	2022	2021 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (334,314)	$ (47,991)
Adjustments to Reconcile Net Loss to Net Cash (Used In) Provided By Operating Activities:		
Amortization of Right-of-Use Asset	73,426	-
Depreciation	1,961	-
Bad Debt Expense	4,000	4,000
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(46,106)	(705)
Franchise Fee Receivable	50,000	110,000
Inventory	6,412	(10,092)
Prepaid Expenses	(48,277)	-
(Decrease) Increase in Liabilities:		
Accounts Payable	59,041	11,127
Accrued Expenses	38,577	5,000
Operating Lease Liability	2,607	-
Deferred Revenue - Franchise Fees	(48,776)	275,155
Deferred Revenue - Area Representative Fees	(2,500)	23,750
Deferred Revenue - Prepaid Royalties	17,500	-
Net Cash (Used In) Provided By Operating Activities	(148,449)	369,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances to Related Parties	(57,516)	(307,750)
Purchase of Property and Equipment	(28,499)	-
Net Cash Used In Investing Activities	(86,015)	(307,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Bank Overdraft	-	(5,838)
Advances on Bank Revolving Line of Credit	401,000	393,000
Payments on Bank Revolving Line of Credit	(483,042)	(372,925)
Additions to Long-Term Debt	858,594	-
Payments on Long-Term Debt	(13,522)	(8,455)
Payment from (Advances to) Parent	43,450	280,272
Distributions to Members	(292,794)	(399,601)
Proceeds from Members' Contributions	300,000	-
Net Cash Provided By (Used In) Financing Activities	816,280	(113,146)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	382,067	39,044
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	58,707	19,663
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	**$ 440,774**	**$ 58,707**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING INFORMATION		
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ 1,448,189	$ -

(Modified graphics)

RS & SCOTCH FRANCHISING, LLC
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Cash

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.

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 particular 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. As of December 31, 2022 the Company had franchise fee receivables from 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.

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, 2022 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.

Inventory

Franchise Operations

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

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.

Income Taxes

The Company has adopted the provisions of ASC 740-10-25, Income Taxes. ASC 740-10-25 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company believes that there are no significant uncertain tax positions requiring recognition in the financial statements. The Company's policy is to evaluate the likelihood of the sustainability, by taxing authority, of an uncertain tax position taken or expected to be taken in a tax return before it can be recognized in the financial statements. It also requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the quarter of such change. The Company believes that its income tax positions and deductions will be sustained on audit and does not anticipate any adjustments that will result in a material change to its financial position. The Company's operational, federal, and state and marketing assistance.

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

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 satisfies 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.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expense was $13,237 and $24,552 for the years ended December 31, 2022 and 2021, respectively.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (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 of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the New franchise agreements are considered to have two performance obligations. The first performance obligation is the performance of various pre-opening services (assistance with location, insurance and regulations, selecting vendors, training, setting up initial access to point of sale systems in accordance with the Company's initial and ongoing investment, website, etc. Topic 842 also requires additional disclosure of key quantitative and qualitative information about the Company's leasing arrangements. Topic 842 on January 1, 2022). The Company has estimated that these pre-opening services account for 50% of the fixed franchise fee stated in the new franchise agreement. The Company's obligation for the pre-opening services is satisfied within 90 days of the franchise agreement date. The second performance obligation is the granting of the franchise and the ongoing services provided by the Company during the term of the agreement. Therefore, the franchise fee is recognized over the term of the franchise agreement as the second performance obligation is fulfilled.

Revenue from royalties, brand building royalty, electronic data processing fees are recognized as the related franchisee sales occur. Other revenue consists primarily of revenue from training services and are recognized at the point in time when the services are performed.

Use of Estimates

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

Cash and Cash Equivalents

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

Subsequent Events

Management has evaluated subsequent events through March 21, 2023, which is the date the financial statements were available to be issued.

Effective January 1, 2022, the Company adopted Topic 842, Leases, which requires lessees to recognize a lease liability and a right-of-use ("ROU") asset for all leases, including operating leases, with a term greater than 12 months. Topic 842 also requires additional disclosure of key quantitative and qualitative information about the Company's leasing arrangements. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the effective date of January 1, 2022 (the "adoption of Topic 842"). The adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities, as of January 1, 2022. The Company recorded approximately $1,448,189 and $1,448,189, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Effective January 1, 2022, the Company adopted Topic 842, Leases, which requires lessees to recognize a lease liability and a right-of-use ("ROU") asset for all leases, including operating leases, with a term greater than 12 months. Topic 842 also requires additional disclosure of key quantitative and qualitative information about the Company's leasing arrangements. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the effective date of January 1, 2022 (the "adoption of Topic 842"). The adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities, as of January 1, 2022. The Company recorded approximately $1,448,189 and $1,448,189, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

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 $67,442 and $56,207 as of December 31, 2022 and 2021, 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. Franchise fee receivables net of allowance for doubtful accounts at January 1, 2022 and 2021 totaled $97,000 and $202,315, respectively. Accounts receivable at January 1, 2022 and 2021 totaled $6,273 and $5,478, respectively.

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 $13,237 and $24,552 for the years ended December 31, 2022 and 2021, respectively.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

NOTE B – CONCENTRATION OF CREDIT RISK

The Company has financial instruments subject to credit risk. The Company maintains cash balances in a financial institution in which the balances sometime exceed the federal insured limits. The Company's receivables also 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,

	2022	2021
Cash and cash equivalents	$ 373,332	$ 2,300
Restricted Cash	67,442	56,207
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 440,774	$ 58,707

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.

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,:

	2022	2021
Franchise Fee Receivable	$ 60,000	$ 110,000
Less: Allowance for Doubtful Accounts	(4,000)	(13,000)
	$ 56,000	$ 97,000

NOTE E – OPERATING LEASES

The Company leases office space from a related party under an operating lease agreement through December 2032. In addition, certain leases contain termination options, where the rights to terminate are held by either the company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

(Modified graphics)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Total rent expense for operating leases was $1,706 for the year ended December 31, 2021.

Supplemental information related to leases is as follows for the year ended December 31, 2022:

Operating leases cost	$ 101,104
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash outflows - payments on operating leases	$ (25,077)
Right-of-use assets obtained in exchange for new lease obligations:	
Operating leases	$ 1,484,189
Weighted-average remaining lease term - operating	10.00 Years
Weighted-average discount rate - operating	3.28%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022:

Years Ending December 31,	Operating Leases
2023	$ 168,000
2024	159,120
2025	162,902
2026	167,546
2027	168,857
Thereafter	890,313
Total undiscounted Lease Payments	1,708,138
Less: Present Value Discount	(257,342)
Total Present Value of Lease Liabilities	$ 1,450,796

Operating leases and Accounting Policy Elections (Continued)

Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements.

Similar to the previous guidance, the Company determines the distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Company's historical accounting treatment under ASC Topic 840, *Leases*.

The Company elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Company does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Company has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Company made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Company utilized an incremental borrowing rate based on similar debt service obligations of the Company.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Company's operating leases of approximately $1,448,189 and $1,448,189, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Subsequent Events

Management has evaluated subsequent events through March 21, 2023, which is the date the financial statements were available to be issued.

(Modified graphics)

NOTE B – CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at a financial institution located in Utah County, Utah. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At times, the Company's cash balances may exceed the insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE C – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table, provided for the 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,

	2022	2021
Cash and cash equivalents	$ 373,332	$ 2,500
Restricted cash	67,442	56,207
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	$ 440,774	$ 58,707

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,

	2022	2021
Franchise Fee Receivable	$ 60,000	$ 110,000
Less: Allowance for Doubtful Accounts	(4,000)	(13,000)
	$ 56,000	$ 97,000

NOTE E – OPERATING LEASES

The Company leases certain assets from a related party under an operating lease agreement through December 2038. In addition to certain termination options, where the Company is reasonably certain that it will exercise that option, the lease agreements contain termination options, where the lessee or lessor may terminate the lease with or without cause, by providing written notice to the other party within the time frame specified in the lease agreement. Any such notice to terminate must be provided by both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

NOTE F – RELATED PARTY TRANSACTIONS

The Company has a receivable of $2,280 and $0 from one of the Members of the Holding Company for the years ended December 31, 2022 and 2021, respectively.

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 the national prime rate, not to be more than 6.25% (6.25% and 3.5% at December 31, 2022 and 2021, respectively). The line of credit is due July 2023 and guaranteed by the members of the Holding Company. The Company had a balance due of $0 and $82,042 at December 31, for the years ended December 31, 2022 and 2021, respectively.

NOTE H – LONG-TERM DEBT

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

	2022	2021
Note payable to a financial institution, to be paid in 23 monthly installments of $3,510 (including interest) beginning on the first anniversary of the effective date of the note and a final balloon payment on May of 2023. Interest rate is variable and is 4.50% for months 1-12 and 4.50% 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.	$	$
	$	$

NOTE H - LONG-TERM DEBT (Continued)

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

	2022	2021
Economic Injury Disaster Loan (EIDL) payable to the U.S. Small Business Administration (SBA), payable in monthly installments of $4,325 beginning 30 months from the anniversary of the effective date of the note, including interest at 3.75%, due June 2050. This note was refinanced in April 2022 and increased to $866,800	$ 866,800	$ 8,206
Total Long-Term Debt	890,117	45,045
Less Current Portion of Long-Term Debt	(28,283)	(9,128)
	$ 861,834	$ 35,917

The aggregate maturities of long-term debt for the years ending after December 31, 2022 are as follows:

Years Ending December 31,	Amount
2023	$ 28,283
2024	19,860
2025	20,617
2026	21,434
2027	22,220
Thereafter	777,733
	$ 890,117

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 2019, 2020, 2021 and 2022.

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. In 2022, the Company added a fourth key member to the Company and further diluted another 8% in collective interest for the member. 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, meaning the amount the Company sells over the $10,000,000 exit price would be allocated pro rata among the Plan members. Due to the funding coming from the sale itself and not the Company, there is no liability associated with the Plan.

NOTE K – RELATED PARTY TRANSACTIONS

On March 11, 2020, the World Health Organization ("WHO") announced a global pandemic related to COVID-19. Subsequently, governmental authorities throughout the world began implementing numerous measures intended to help reduce the spread of COVID-19, such as travel restrictions, border closures, limitations on business activities, restrictions on public gatherings, quarantines, shelter-in-place orders and business shutdowns. The COVID-19 pandemic has adversely impacted global commercial activity and has contributed to significant declines and volatility in financial markets. The extent to which COVID-19 may impact the Company and financial results will depend on future developments, including the duration and spread of the outbreak within the United States and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted. The Company operates out of and the Company pays rent to Sandicot. See Footnote E for the related party operating lease details.

On December 27, 2020, President Trump signed into law the Consolidated Appropriations Act, 2021. The Act included a number of provisions relating to the Paycheck Protection Program (PPP). The Company received $25,100 and $57,742 in PPP loans during the years ended December 31, 2022 and 2021, respectively. 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 for forgiveness of amounts due under the loan in an amount equal to the sum of payroll costs and certain other eligible expenses incurred by the borrower during the 24-week period after the loan origination date. The Company has applied for and received forgiveness for the full amount of the second-draw PPP Loan. The Company recognized $82,042 in PPP grant revenue for the years ended December 31, 2022 and 2021, respectively.

NOTE L – EMPLOYEE RETENTION CREDIT

The Company has applied for and received funding for the Employee Retention Credit ("ERC") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act provides eligible employers with a financial instrument in the form of refundable payroll tax credits for qualified wages paid to employees during the period March 13, 2020 through December 31, 2021. The Company has received $200,000 of the following ERC payments: $100,000 in December 2021 and $100,000 in May 2022. The ERC is recognized as other income in the statements of operations when the Company has reasonable assurance that it will be awarded the ERC and that it will comply with all conditions attached to the ERC. The Company recognized $200,000 of ERC income for the year ended December 31, 2021.

NOTE M – PRIOR PERIOD ADJUSTMENTS

The Company's financial statements as of December 31, 2021 contained the following errors related to franchise agreement contracts as of the contract signing date versus the franchise launch date: (1) an overstatement of Franchisee Fee Receivable, Net of Allowance of Doubtful Accounts of $300,000, (2) an overstatement of Deferred Revenue – Franchise Fees of $268,966, (3) an overstatement of Deferred Revenue – Area Representative Fees of $24,090, (4) an overstatement of Retained Earnings – Beginning of the year of $593,944, (5) an overstatement of Members' Deficit – Beginning of the year of $593,944, (6) an overstatement of Net Income for the year ended December 31, 2021 of $24,090, and (7) an overstatement of Members' Deficit – End of Year in the amount of $544,876 for the prior period.

	Previously Reported	Increase (Decrease)	Restated Balance
Allowance for Doubtful Accounts	$ 397,000	$ (300,000)	$ 97,000
Deferred Revenue – Franchise Fees	$ 660,250	$ 268,966	$ 929,216
Deferred Revenue – Area Representative Fees	$ 47,840	$ (24,090)	$ 23,750

NOTE H – LONG-TERM DEBT (Continued)

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

	Previously Reported	Increase (Decrease)	Restated Balance 2021
Revenue – Franchise Fees	$ 359,792	$ (210,547)	$ 149,245
Revenue – Development Fees	$ 160	$ (910)	$ 1,250
Members' Deficit – Beginning of Year	$ (234,499)	$ (333,419)	$ (567,918)
Members' Deficit – End of Year	$ (470,634)	$ (544,876)	$ (1,015,510)

	2022	2021
Economic Injury Disaster Loan (EIDL) payable to the U.S. Small Business Administration (SBA), payable in monthly installments of $4,325 beginning 30 months from the anniversary of the effective date of the note, including interest at 3.75%, due June 2050. This note was refinanced in April 2022 and increased to $866,800.	$ 866,800	$ 8,206
Total Long-Term Debt	890,117	45,045
Less Current Portion of Long-Term Debt	(28,283)	(9,128)
	$ 861,834	$ 35,917

The aggregate maturities of long-term debt for the years ending after December 31, 2022 are as follows:

Years Ending December 31,	Amount
2023	$ 28,283
2024	19,860
2025	20,617
2026	21,404
2027	22,220
Thereafter	777,733
	$ 890,117

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 2019, 2020, 2021 and 2022.

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. In 2022, the Company added a fourth key member to the Company and further diluted another 8% in collective interest for the member. 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, meaning the amount the Company sells over the $10,000,000 exit price would be allocated pro rata among the Plan members. Due to the funding coming from the sale itself and not the Company, there is no liability associated with the Plan.

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.

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 operations and change in members' deficit.

NOTE L – PRIOR PERIOD ADJUSTMENTS

The Company's financial statements as of December 31, 2021 contained the following errors due to recognizing revenue on contracts as of the contract signing date versus the franchise launch date: (1) an overstatement of Franchisee Fee Receivable, Net of Allowance of Doubtful Accounts of $300,000, (2) an understatement of Deferred Revenue – Franchise Fees of $268,966, (3) an overstatement of Deferred Revenue – Area Representative Fees of $24,090, (4) an overstatement of Revenue – Franchise Fees of $210,547, (5) an overstatement of Revenue – Development Fees of $910; (6) an overstatement of Members' Deficit – Beginning of Year of $333,419; at December 31, 2021, which resulted in (7) an overstatement of Members' Deficit – End of Year in the amount of $544,876 for the prior period.

	Previously Reported	Increase (Decrease)	Restated Balance
Franchise Fee Receivable, Net of Allowance for Doubtful Accounts	$ 397,000	$ (300,000)	$ 97,000
Deferred Revenue – Franchise Fees	$ 660,250	$ 268,966	$ 929,216
Deferred Revenue – Area Representative Fees	$ 47,840	$ (24,090)	$ 23,750

NOTE L – PRIOR PERIOD ADJUSTMENTS (Continued)

	Previously Reported	Increase (Decrease)	Restated Balance
Revenue – Franchise Fees	$ 359,792	$ (210,547)	$ 149,245
Revenue – Development Fees	$ 2,160	$ (910)	$ 1,250
Members' Deficit – Beginning of Year	$ (234,499)	$ (333,419)	$ (567,918)
Members' Deficit – End of Year	$ (470,634)	$ (544,876)	$ (1,015,510)

(Added graphics)

Scissors & Scotch Franchising

Profit and Loss

January 2021 - March 2023

	JAN - DEC 2021	JAN - DEC 2022	JAN - MAR, 2023	TOTAL
Income				
Sales - Recurring Fees	636,436.01	956,477.06	279,018.25	$1,871,931.32
Sales - Upfront Fees	177,495.36	217,276.40	11,950.74	$406,722.50
Total Income	**$813,931.37**	**$1,173,753.46**	**$290,968.99**	**$2,278,653.82**
Cost of Goods Sold				
Cost of Goods Sold	15,275.39	27,647.60	9,324.72	$52,247.71
Total Cost of Goods Sold	**$15,275.39**	**$27,647.60**	**$9,324.72**	**$52,247.71**
GROSS PROFIT	$798,655.98	$1,146,105.86	$281,644.27	$2,226,406.11
Expenses				
Franchise Development	308,236.46	212,040.30	29,813.61	$550,090.37
Franchise Support	253,550.04	498,418.01	77,494.22	$829,462.27
Operating Expenses	187,960.14	296,534.04	117,415.20	$601,909.38
Payroll Expenses	124,522.65	604,497.11	265,842.60	$994,862.36
Total Expenses	**$874,269.29**	**$1,611,489.46**	**$490,565.63**	**$2,976,324.38**
NET OPERATING INCOME	$ -75,613.31	$ -465,383.60	$ -208,921.36	$ -749,918.27
Other Income				
Bad Debt Recapture	4,685.00			$4,685.00
Other Income	25,100.00	12,500.00		$37,600.00
Total Other Income	**$29,785.00**	**$12,500.00**	**$0.00**	**$42,285.00**
Other Expenses				
Depreciation		1,990.63	1,424.34	$3,414.97
Interest Expense	2,194.97	24,003.50	8,360.13	$34,558.60
Total Other Expenses	**$2,194.97**	**$25,994.13**	**$9,784.47**	**$37,973.57**
NET OTHER INCOME	$27,590.03	$ -13,494.13	$ -9,784.47	$4,311.43
NET INCOME	$ -48,023.28	$ -478,877.73	$ -218,705.83	$ -745,606.84

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

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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.

(Del) 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	559,456	388,200
OTHER ASSETS		
Franchise Fee Receivable, Less Current Portion	-	80,000
	$ 559,456	$ 468,200

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	994,173	658,940
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	35.91	43.759
Total Liabilities	1,030,090	702,699
COMMITMENTS AND CONTINGENCIES	-	-
MEMBER'S DEFICIT	(470,634)	(234,499)
	$ 559,456	$ 468,200

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	1,030,074	513,472
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	889,513	402,385
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)	22,905	43,084
NET INCOME	163,466	154,171
MEMBER'S DEFICIT – BEGINNING OF YEAR	(234,499)	(180,170)
Distributions to Member	(399,601)	(208,500)
MEMBER'S DEFICIT – END OF YEAR	$ (470,634)	$ (234,499)

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

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.

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	$ 58,707	$ 19,663

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.

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)
	$ 397,000	$ 322,315

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)
	$ 397,000

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:

Year Ending December 31,	Amount
2022	$ 31,000
2023	18,083
	$ 49,083

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)
	$ 35,917	$ 43,759

NOTE H – LONG-TERM DEBT (Continued)

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

December 31,	Amount
2022	$ 9,128
2023	28,139
2024	216
2025	224
2026	233
Thereafter	7,105
	$ 45,045

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.

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.

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.

(Added graphics)

Scissors & Scotch Franchising

Balance Sheet

As of April 30, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Brand Building Account	15,333.63
Community Development Account	11,596.30
Operating Account	18,500.00
Total Bank Accounts	$45,429.93
Accounts Receivable	
Accounts Receivable	98,924.63
Royalty Receivables	1,173.24
Total Accounts Receivable	$100,097.87
Other Current Assets	
Allowance for Bad Debts	-4,000.00
Due to/from Affiliates	262,375.87
Inventory	15,276.10
Prepaid Expenses	45,872.60
Total Other Current Assets	$319,524.57
Total Current Assets	$465,052.37
Fixed Assets	
Accumulated Depreciation	-25,853.67
Computers and Hardware	17,556.50
Leasehold Improvements	92,462.32
Office Furniture	58,301.01
Total Fixed Assets	$142,466.16
Other Assets	
Trademarks	25,000.00
Total Other Assets	$25,000.00
TOTAL ASSETS	$632,518.53
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	63,778.59
Total Accounts Payable	$63,778.59
Credit Cards	
Chase Business Ink	46,070.33
Chase Preferred	70,091.36

(Modified graphics) Scissors & Scotch Franchising

Scissors & Scotch Franchising

Balance Sheet

As of April 30, 2024

	TOTAL
Total Credit Cards	$18,794.31
Other Current Liabilities	
Accrued Expenses	10,627.91
Accrued Interest - EIDL Loan	2,677.85
Deferred Revenues - Area Rep	17,916.72
Deferred Revenues - Franchise Fees	869,113.98
Franchising LOC	161,423.41
Deferred Revenues - Prepaid Royalties and Fees	8,086.63
Total Other Current Liabilities	$1,370,047.35
Total Current Liabilities	$1,549,987.63
Long-Term Liabilities	
Long-Term Liabilities	
AltCap Loan	19,707.66
EIDL Loan	855,433.36
Total Long-Term Liabilities	$856,507.66
Total Liabilities	$1,866,042.19
Equity	
Equity	
Brovitz Trust Initial Contribution	300,000.00
Elite Franchising	100,000.00
Owner's Investment	23,550.00
Partner Distributions	-471,218.00
Retained Earnings	-1,118,367.81
Net Income	-218,705.83
Total Equity	$ -1,484,741.64
Total Equity	$ -1,772,992.46
TOTAL LIABILITIES AND EQUITY	$381,300.55
TOTAL LIABILITIES AND EQUITY	$632,518.53

(Modified graphics)

Scissors & Scotch Franchising

Balance Sheet

As of March 31, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
Brand Building Account	23,813.45
Community Development Account	51,320.55
Operating Account	60,135.43
Total Bank Accounts	$135,269.43
Accounts Receivable	
Accounts Receivable	78,924.63
Royalty Receivables	1,505.21
Total Accounts Receivable	$80,429.84
Other Current Assets	
Allowance for Bad Debts	-4,000.00
Inventory	23,516.65
Owed by Others	11,350.25
PREPAID INCOME	$24,788.20
Prepaid Recruiting Ads	44,420.75
Total Other Current Assets	$128,833.84
Total Current Assets	$345,397.83
Fixed Assets	
Accumulated Depreciation	$ -26,813.25
Computers and Hardware	13,475.50
Leasehold Improvements	9,352.04
Office Furniture	17,350.16
Total Fixed Assets	$36,762.73
TOTAL ASSETS	$381,300.55
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	38,839.53
Total Accounts Payable	$38,839.53
Credit Cards	
Chase Business Ink	18,794.31

(Deleted graphics)

Scissors & Scotch Franchising

Profit and Loss

January 2021 - March 2023

	JAN - DEC 2021	JAN - DEC 2022	JAN - MAR, 2023	TOTAL
Income				
Sales - Recurring Fees	636,436.01	956,477.06	279,018.25	$1,871,931.32
Sales - Upfront Fees	177,495.36	217,276.40	11,950.74	$406,722.50
Total Income	$813,931.37	$1,173,753.46	$290,968.99	$2,278,653.82
Cost of Goods Sold				
Cost of Goods Sold	15,275.39	27,647.60	9,324.72	$52,247.71
Total Cost of Goods Sold	$15,275.39	$27,647.60	$9,324.72	$52,247.71
GROSS PROFIT	$798,655.98	$1,146,105.86	$281,644.27	$2,226,406.11
Expenses				
Franchise Development	308,236.46	212,040.30	29,813.61	$550,090.37
Franchise Support	253,550.04	498,418.01	77,494.22	$829,462.27
Operating Expenses	187,960.14	296,534.04	117,415.20	$601,909.38
Payroll Expenses	124,522.65	604,497.11	265,842.60	$994,862.36
Total Expenses	$874,269.29	$1,611,489.46	$490,565.63	$2,976,324.38
NET OPERATING INCOME	$ -75,613.31	$ -465,383.60	$ -208,921.36	$ -749,918.27
Other Income				
Bad Debt Recapture	4,685.00			$4,685.00
Other Income	25,100.00	12,500.00		$37,600.00
Total Other Income	$29,785.00	$12,500.00	$0.00	$42,285.00
Other Expenses				
Depreciation		1,990.63	1,424.34	$3,414.97
Interest Expense	2,194.97	24,003.50	8,360.13	$34,558.60
Total Other Expenses	$2,194.97	$25,994.13	$9,784.47	$37,973.57
NET OTHER INCOME	$27,590.03	$ -13,494.13	$ -9,784.47	$4,311.43
NET INCOME	$ -48,023.28	$ -478,877.73	$ -218,705.83	$ -745,606.84

EXHIBIT B
DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into this ___ day of ____, 202__, between: (i) Scissors & Scotch Franchising, LLC a Kansas limited liability company, with its principal business address at 5400 Johnson Drive, Suite 150, Mission, Kansas 66205 (hereafter "Franchisor"); and (ii) _____, a/an _____ with an address at _____ (hereinafter "Developer").

Background

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the "System") related to the development and operation of a high-end barbershop and lounge which caters to male customers, offers 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 hosts client events that include liquor and wine tastings, beer tap takeovers, wedding groups, trunk shows, sporting event watch parties, small business gatherings and private rentals (collectively, the "Approved Services"), utilizing the System and proprietary marks (each, a "Barbershop").

B. Franchisor's System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Barbershop; 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. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor's related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Barbershops are identified by the mark SCISSORS & SCOTCH, as well as certain other trade names, trademarks, service marks and trade dress that Franchisor designates for use in connection with each Barbershop (collectively, the "Proprietary Marks"), all of which Franchisor may modify, update, supplement or substitute in the future as Franchisor deems appropriate. The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor grants qualified third parties the right to develop multiple SCISSORS & SCOTCH Barbershops within a defined geographical area (the "Development Area") in accordance with a development schedule that must be strictly adhered to, with each Barbershop within the Development Area being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current franchise agreement (each, a "Franchise Agreement").

E. Developer recognizes the benefits from receiving the right to operate a SCISSORS & SCOTCH Barbershops and desires to: (i) become a multi-unit Barbershop operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate multiple SCISSORS & SCOTCH Barbershops within the non-exclusive Development Area as set forth in this Agreement, and Franchisor has approved such application in reliance on Developer's representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all SCISSORS & SCOTCH Barbershops and our System as a whole.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Agreement

1. **Development Area.** Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish _____ Barbershops within the non-exclusive Development Area defined in Exhibit "A" hereto, provided Developer opens and commences operations of such Barbershops in strict accordance with the mandatory development schedule also set forth in Exhibit "A" (the "Development Schedule") and otherwise subject to the terms and conditions set forth herein.

2. **Development Fee.** Developer shall pay Franchisor a Development Fee equal to $_____ (the "Development Fee") for the right to develop the foregoing Franchised Businesses within the Development Area under this Agreement, which is: (i) deemed fully earned upon payment and is not refundable under any circumstances; and (ii) payable in accordance with the schedule set forth in this Section 3 below.

2.1 The parties agree and acknowledge that the Development Fee is comprised of: (i) the fees payable for the right to own and operate the initial Franchised Business that Developer is granted the right to open within the Development Area under this Agreement (the "Initial Franchised Business") and each additional Franchised Business that Franchisor has granted Developer the right to open hereunder (each, an "Additional Franchised Business").

2.2 Developer must pay Franchisor the Development Fee in accordance with the following schedule: (i) immediately upon execution of this Agreement, Developer must pay an amount equal to $50,000, plus $40,000 for each Additional Franchised Business granted hereunder. The Development Fee will be due upon execution of this Agreement, and the parties agree and acknowledge that the entire Development Fee will be deemed fully earned and non-refundable upon execution of this Agreement. If Developer qualifies for the military veteran's discount, the Development Fee associated with each Barbershop (both Initial and each Additional) will be reduced by $5,000.

Initials: _____

3. **Initial Franchise Agreement**. Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the first Barbershop that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. **Additional Franchise Agreements.** Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each additional Barbershop that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule.

5. **Development Obligations.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the initial new Barbershop during each development period set forth in the Development Schedule (each, a "Development Period");and (ii) has the minimum cumulative number of Barbershops open and operating at the expiration of each Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule is grounds for immediate termination of this Agreement (and any future development rights granted hereunder).

6. **Term and Termination.**

6.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will end on the earlier of (a) the last day of the calendar month that the final Barbershop is required to be opened and operating under the Development Schedule or (b) the day the final Barbershop is open. Upon expiration or termination of this Agreement for any reason, Developer will not have any rights within the Development Area other than the territorial rights granted in connection with any Barbershops that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (under the respective Franchise Agreement(s) that Developer entered into for such Franchised Business(es)).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer (A) ceases development activities in the Development Area, (B) displays any intent to discontinue development activities in the Development Area, or (C) abandons its development business for three (3) consecutive months, or any shorter period that indicates an intent by Developer to discontinue development of the Barbershops within the Development Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Franchisee, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit or creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, including any failure to pay any portion of the Development Fee and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. **Reservation of Rights. T**he parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all rights not expressly granted to Developer herein.

8. **Sale or Assignment.** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. **Acknowledgment**. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Marks or System.

10. **Notices**. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. **Choice of Law.** This Agreement will be governed by the laws of the State of Kansas (without reference to its conflict of laws principals).

12. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's President, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. **Mediation**. At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 12 above, must be submitted first to mediation, in Mission, Kansas 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, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer 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. This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation.

14. **Injunctive Relief.** Nothing contained in this Agreement herein will 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 interests prior to the filing of any mediation proceeding or pending the trial or handing down of a decision or award pursuant to any mediation proceeding conducted hereunder.

15. **Jurisdiction and Venue.** Subject to Sections 13 and 14 above, the parties expressly agree to the jurisdiction and venue of any state court of general jurisdiction closest to Mission, Kansas and the jurisdiction and venue of the United States District Court for the Eastern District of Kansas. Developer acknowledge that this Agreement has been entered into in the State of Kansas, and that Developer will receive valuable and continuing services emanating from Franchisor's headquarters in Kansas, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Kansas set forth above.

16. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

17. **Jury Trial Waiver.** With respect to any proceeding not subject to mediation, 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 will 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 Developer's purchase from Franchisor of the development rights described herein.

18. **Waiver of Punitive Damages.** Developer 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 Developer 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 agree that in the event of a dispute, Developer's recovery will 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 will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

19. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees, incurred in connection with such proceeding.

20. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will 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 will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

21. **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 will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will 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.

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

23. **Successors**. References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

24. **Additional Documentation.** You 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 agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

25. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

26. **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 Developer's initial Barbershop is located, then the valid law or regulation of that state applicable to the franchised business will supersede any provision of this Agreement that is less favorable to Developer.

27. **Entire Agreement**. This Agreement contains the entire agreement between the parties concerning Developers' development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer. 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

[The remainder of this page is intentionally left blank.
Signatures appear on the following page.]

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

FRANCHISOR:

SCISSORS & SCOTCH FRANCHISING, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

DEVELOPER:

_____

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

Spouse Signature: _____

Spouse Name: _____

Date: _____

IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A to DEVELOPMENT AGREEMENT

DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

_____
_

_____
_

_____
_

2. **Development Schedule.** The Development Schedule referred to in Section 1 of the Development Agreement is as follows:

Development Period	Expiration Date	Number of New Barbershops Developer Must Open in Development Area	Cumulative Number of Barbershops Developer Must Have Open Within Development Area
First	___Months from Effective Date		
Second	___Months from Effective Date		
Third	___ Months from Effective Date		

APPROVED BY:

FRANCHISOR

SCISSORS & SCOTCH FRANCHISING, LLC

By: _____

Name: _____

Title: _____

DEVELOPER

[INSERT NAME]

By: _____
[Name], [Title]

EXHIBIT C
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

_____

FRANCHISEE

_____

DATE OF AGREEMENT

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "***Agreement***") is made effective as of the ___ day of ____, 20___, by and between Scissors & Scotch Franchising, LLC a Kansas limited liability company with its principal office at _____ ("***S&S***") and _____, a _____ formed and operated under the laws of the State of _____, with a principal address of _____ ("***Franchisee***").

W I T N E S S E T H:

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 hair barbershops under the name, Scissors & Scotch®, which caters to male customers and offers men's grooming and spa services that include haircuts, facial hair trims, hair coloring, straight-razor shaves, waxes, massages, hand repairs, foot repairs, lounge and bar services, hosting client events that include wine and liquor tastings, trunk shows, and private parties ("***Scissors & Scotch® Barbershop***" or "***Barbershop***"). This Agreement will refer to the Scissors & Scotch® Barbershop franchise that Franchisee will operate as the "***Franchised Business***".

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 has the right to grant others the right and license to use the System and the Licensed Marks (as defined below), and through this Agreement grants the right and license to Franchisee to use the System and 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, Franchisee understands and acknowledges the importance of S&S's high standards of quality, cleanliness, appearance and service and the necessity of operating the Franchised Business in conformity with S&S's standards and specifications; and

WHEREAS, Franchisee has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted at a Scissors & Scotch® Barbershop may evolve over time, that an investment in a Scissors & Scotch® Barbershop involves business risks and that the success of the venture is largely dependent on Franchisee's business abilities and efforts.

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.

A. AFFILIATE

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

B. DEVELOPMENT AGREEMENT

If applicable, the term "***Development Agreement***" shall mean the agreement executed by S&S and Franchisee or its affiliate ("***Developer***"), dated _____, 20__, pursuant to which Franchisee or Developer was granted the right to develop multiple Scissors & Scotch® Barbershops in a Development Area.

C. 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.

D. CONFIDENTIAL INFORMATION

"***Confidential Information***" means all information relating to the establishment and operation of the Franchised Business, 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 other than the Franchised Business; (6) computer programs and system; and (7) any improvements to the System.

E. FRANCHISED BUSINESS

"***Franchised Business***" shall mean the Scissors & Scotch® Barbershop operated by Franchisee at the premises pursuant to this Agreement.

F. GROSS SALES

"***Gross Sales***" means all revenue that you derive from operating the Franchised Business, including, without limitation, from the sale or provision of the Approved Products and Services, whether from cash, check, credit and debit card, barter, exchange, trade credit, or other credit

transactions, and also includes all proceeds from business interruption insurance but (1) excludes all federal, state, and municipal sales use or service taxes collected from customers and paid to the appropriate taxing authority, (2) is reduced by the amount of documented refunds and credits the Franchised Business in good faith gives to customers (if those amounts originally were included in calculating Gross Sales), (3) excludes tips or gratuities paid directly to your employees by customers of your Barbershop or paid to you and turned over by you to your employees in lieu of direct tips or gratuities, and (4) excludes the sale of gift certificates and gift cards (the redemption value will be included in Gross Sales at the time of redemption or on the date that we specify in the Operations Manual or otherwise in writing after the gift certificate or gift card is purchased).

G. OPERATIONS MANUAL

"***Operations Manual***" means one or more handbooks or manuals or other written or electronic materials that S&S grants access to Franchisee during the term of this Agreement that contains Specifications, standards and operating procedures for the operation of the Franchised Business and other related information.

H. PREMISES

"***Premises***" shall mean the location specified in Exhibit A where the Franchised Business shall be operated.

I. PRINCIPALS

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

J. PROTECTED AREA

"***Protected Area***" shall mean the geographic area set forth in Exhibit A to this Agreement.

K. 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 the Franchised Business.

L. SYSTEM

"***System***" means the comprehensive methods and procedures for the establishment, management and operation of the Franchised Business, 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 OF FRANCHISE

A. In reliance upon the representations and warranties of Franchisee, S&S hereby grants to Franchisee, subject to the provisions contained in this Agreement, the right and license, and Franchisee hereby accepts the right and obligation, to own and operate the Franchised Business utilizing the System and the Licensed Marks at and only at the Premises. During the term of this Agreement, provided Franchisee is in compliance with the provisions herein, S&S will not open or operate or authorize another person to open or operate a Scissors & Scotch® Barbershop within the Protected Area. The operation of the Franchised Business at the Premises by Franchisee is restricted to sales of the products and services approved by S&S. Subject to the renewal and termination provisions in this Agreement, the term of this Franchise Agreement is for 10 years, commencing on the effective date of this Agreement.

B. Franchisee understands and acknowledges that S&S has granted these rights in reliance on the representations and warranties, the business skill, financial capability, personal character and expectations of performance by Franchisee and the Principals. This Agreement, and the rights and obligations set forth in this Agreement, may not be transferred by Franchisee until after the Franchised Business is open for business.

C. The Premises and the Protected Area are identified in Exhibit A, or alternatively, S&S and Franchisee shall complete and execute Alternative Exhibit A, which sets forth a geographic area in which the Premises will be established, subject to S&S's approval. If the parties execute Alternative Exhibit A, Franchisee must identify and obtain S&S's approval of a location for the Premises within 180 days after the effective date of this Agreement. The designation of the geographic area in Alternative Exhibit A does not grant any territorial rights to Franchisee, and S&S and its Affiliates have the right to operate and grant others the right to operate within that area. However, if a location for the Premises is approved by S&S within the geographic area established in Alternative Exhibit A, S&S and Franchisee will then execute Exhibit A, which will then establish the Premises and the Protected Area for purposes of this Agreement.

D. Notwithstanding the above, S&S (on behalf of itself and its Affiliates) retains the right, in its sole discretion and without granting any rights to Franchisee, to:

(1) operate or to grant other persons the right to operate Scissors & Scotch® Barbershops at locations and on terms S&S deems appropriate outside the Protected Area;

(2) own, operate or license others to own and operate, other businesses under different trademarks at any location within and outside the Protected Area;

(3) use the Licensed Marks and the System in connection with sales of products and services, promotional and marketing efforts, or through dissimilar channels of distribution, without paying compensation to Franchisee and upon terms S&S deems appropriate

within and outside the Protected Area, including, without limitation, the sale of products and services alternative channels of distribution such as Internet, email, digital cellular networks, retail stores, catalog sales or telephone sales;

(4) offer and sell the products and services authorized for the Scissors & Scotch® Barbershops under names, marks and commercial symbols other than the Licensed Marks;

(5) advertise and promote, and to grant others the right to advertise and promote, the System in the Protected Area;

(6) establish and operate and to grant to others the right to establish and operate, businesses offering dissimilar products and services, both inside and outside **the Protected Area,** under the Licensed Marks and on any terms and conditions S&S deems appropriate;

(7) acquire the assets or ownership interest of one or more businesses providing products and services similar to those provided at the Franchised Business, and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or the licensees of these businesses) are located or operating, which may include within the Protected Area;

(8) be acquired (whether through acquisition of assets, ownership interest or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided at the Franchised Business, even if such business operates, franchises and/or licenses competitive businesses within the Protected Area; and

(9) establish minimum performance standards.

3. FRANCHISEE REPRESENTATIONS AND OBLIGATIONS

A. Franchisee makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Franchisee is an entity, Franchisee represents, warrants and covenants that: (i) Franchisee is duly organized and validly existing under the state law of its formation; (ii) Franchisee is duly qualified and is authorized to do business in each jurisdiction which requires such qualification; and (iii) the execution and performance of this Agreement are within Franchisee's power and have been properly authorized under Franchisee's governing documents;

(2) If Franchisee is a corporation, copies of its articles of incorporation, bylaws, other governing documents and any amendments and resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to S&S; if Franchisee is a partnership, copies of Franchisee's written partnership agreement and other governing documents shall be promptly furnished to S&S; if Franchisee is a limited liability company, copies of Franchisee's organizational documents and operating agreement shall be promptly, furnished to S&S;

(3) If Franchisee is an entity, Franchisee shall maintain at all times a current list of all owners of record and all beneficial owners of any class of securities or other equity interests in Franchisee and shall provide S&S with a copy of any buy-sell agreement or other document restricting the sale of securities or other equity interests in Franchisee and shall provide any other related documents reasonably requested by S&S;

(4) If Franchisee is an entity, Franchisee shall maintain at all times a current list of all of its officers, directors, managers and partners, as applicable;

(5) If, after the execution of this Agreement, any person ceases to qualify as a Principal, or any person qualifies as a Principal after the date of this Agreement, Franchisee shall promptly notify S&S and that person shall execute any documents that S&S may reasonably require based on such person's change in status;

(6) If Franchisee is an entity, S&S shall have the right to require that Franchisee maintain stop-transfer instructions against the transfer of any equity security and any certificate of ownership shall have endorsed upon it a legend or other statement in a form satisfactory to S&S that it is held subject to all restrictions imposed upon transfers by this Agreement; provided, however, that this requirement shall not apply to a publicly held entity; if Franchisee is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement; if Franchisee is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments and other transfers by this Agreement; and

(7) Franchisee shall maintain, at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement.

B. The ownership interests in Franchisee as of the date hereof are accurately and completely set forth in Exhibit D to this Agreement. Franchisee must comply with all applicable transfer requirements and immediately provide a copy of the updated list of owners to S&S upon the occurrence of any change of ownership and otherwise make its list of owners available to S&S upon request.

C. Upon S&S's request and at least annually, Franchisee must provide S&S with the most recent financial statements of Franchisee, which satisfy S&S's then-current financial reporting criteria for franchisees. The financial statements must present fairly the financial position of Franchisee, at the dates indicated and the results of its operations and its cash flow for the period then ended. The required financial statements must be in conformity with generally accepted accounting principles ("***GAAP***") applicable to the respective period.

D. Upon execution of this Agreement, if Franchisee is an entity, Franchisee must designate an individual, who is approved by S&S, to serve as the person who is fully authorized and designated to act on behalf of Franchisee with respect to all communications and other interactions between Franchisee and S&S (the "***Representative***"). The Representative must use reasonable efforts to: (1) devote substantial time to the supervision and conduct of the

Franchised Business and (2) meet S&S's standards and criteria for a Representative as set forth in the Operations Manual or otherwise in writing by S&S. If, during the term of this Agreement, the Representative is not able to continue to serve in this capacity or no longer qualifies, Franchisee must promptly notify S&S and designate a replacement Representative within thirty (30) days after the Representative ceases to serve or be so qualified. Any replacement Representative must be approved by S&S.

E. Franchisee acknowledges and agrees that the representations, warranties and covenants set forth in this Section 3 are continuing obligations, as applicable, and that any failure to comply with those representations, warranties and covenants shall constitute a material default under this Agreement.

4. SITE SELECTION

This Section 4 shall not apply to a Scissors & Scotch® Barbershop that is already open for business as of the effective date of this Agreement.

A. Site selection is addressed by this Agreement, and to the extent applicable, the Development Agreement. In the event of a conflict between the terms of this Agreement and the Development Agreement, this Agreement shall control.

B. S&S shall provide site selection guidelines and assistance securing a site for Franchisee's Scissors & Scotch® Barbershop and preparing for operations as S&S deems appropriate in its discretion. S&S will also review, and subsequently approve/reject, any proposed lease or purchase agreement for each location that Franchisee proposes as a premises for any Franchised Business. Franchisee shall bear all costs, liabilities, expenses and responsibilities for (a) locating, obtaining and developing a site for the Premises within the Protected Area, (b) undertaking a space feasibility analysis and developing a layout for the Premises that is approved by S&S, and (c) constructing and equipping the Premises in accordance with the pre-approved final layout and plans. S&S' approval of a location does not constitute a representation, warranty or guarantee of the commercial value of franchisee's location or franchisee's success if franchisee chooses to operate a barbershop. Once Franchisee secures a premises that S&S approves for a Franchised Business, S&S will define Franchisee's Protected Area and include its boundaries in Exhibit A.

C. Prior to acquisition by lease or purchase of a site for the Premises, Franchisee must (1) submit to S&S a Site Approval Request or such other form specified by S&S, which will include a description of the site and such other information and materials as S&S may reasonably require, and (2) confirm in writing that Franchisee has an option or other firm commitment to obtain the site. Franchisee shall submit this information to S&S for its approval within six months after the effective date of this Agreement. S&S shall have thirty (30) days after receipt of all requested information to approve or disapprove, in its sole discretion, the proposed site as a location of the Franchise. If S&S does not respond within thirty (30) days, such non-response will be deemed a disapproval of the proposed site.

D. Franchisee shall, before entering into any such lease, request and obtain S&S's written approval of the lease, which may be conditioned upon the inclusion in the lease of one or more of the following provisions:

(1) Prohibit Franchisee from sub-leasing or assigning all or any part of its rights under the lease without the prior written approval of S&S;

(2) Require lessor consent to Franchisee's use of the Licensed Marks and signage in the manner S&S prescribes;

(3) Require the initial term of the lease, or the initial term together with renewal terms, be for not less than the initial term of this Agreement;

(4) Require landlord concurrently provide S&S with a copy of any written notice of deficiency or default under the lease;

(5) Grant S&S the right, but not the obligation, to cure any deficiency under the lease if Franchisee fails to do so for an additional fifteen (15) days after the expiration of the time in which Franchisee may cure the default; and

(6) Grant S&S the option to assume the lease and occupancy rights upon Franchisee's uncured default, and the right to assign the lease or sub-lease the premises for all or any part of the existing lease term to a new franchisee or developer, and upon any such assignment, be relieved of liability for obligations accruing after the effective date of such assignment.

Franchisee shall use reasonable efforts to cause the landlord or lessor of the Premises to agree to the terms of the Lease Rider attached hereto as Exhibit C, or to the form of Lease Rider then specified by S&S for use by franchisees. In cases where the lessor objects to provisions of the Lease Rider, S&S will not unreasonably withhold its approval of amendments to the Lease Rider which overcome the lessor's objections.

E. Franchisee must send to S&S a copy of the proposed purchase contract, proposed lease or a memorandum of business terms. If Franchisee (or one of its Affiliates) owns the Premises or Franchisee leases the Premises from an Affiliate, Franchisee must preserve its right to continue to occupy and use the Premises through the end of the term of the Franchise Agreement, including the right to do so after the sale or other disposition of the Premises to an unrelated third party. S&S will respond to Franchisee within thirty (30) days of receipt of the information with any comments or recommendations. If S&S does not respond within thirty (30) days, such non-response will be deemed a disapproval of the proposed site. Franchisee will furnish S&S a copy of the executed purchase contract or lease. Franchisee acknowledges that time is of the essence.

5. DEVELOPMENT OF PREMISES AND OPENING OF FRANCHISE

A. DEVELOPMENT OF PREMISES

S&S shall have the right to require that Franchisee use S&S's designated designer to provide the layout and design for the Premises. If S&S's designated designer completes the layout and design, then Franchisee shall choose an architect that meets S&S's Specifications to complete the working drawings based on the layout and design. If S&S does not require Franchisee to use S&S's designated designer, S&S will furnish Franchisee its then-current prototype plans and other Specifications for the Franchised Business, reflecting S&S's requirements for dimensions, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. Franchisee must hire a contractor to construct the Premises in compliance with the final plans as approved by S&S. Franchisee must submit the final plans for the Premises (including all mechanical, plumbing and engineering) to S&S for review and approval. If S&S determines, in its sole discretion, that any final plans are not consistent with S&S's Specifications, S&S may prohibit implementation of those plans. S&S's approval or objection to the plans shall be sent to Franchisee in writing, within fifteen (15) days after receipt of those plans. Franchisee must conform the plans to the objections and resubmit the revised plans to S&S for approval. S&S must approve or reject the revised plans within fifteen (15) days of receipt. Franchisee is solely responsible for the accuracy of the plans and the integrity of the construction of the Franchise. Franchisee acknowledges and agrees that S&S's review of the plans is only for the purpose of ensuring compliance with S&S's Specifications and that S&S's approval of the plans does not constitute a representation, warranty or guarantee, express or implied, that the plans are accurate or free of error.

Promptly after signing a lease or closing on a purchase of the Premises, Franchisee will do or cause to be done all of the following:

(1) Prepare and submit to S&S for approval, which shall not be unreasonably withheld, any proposed additional modifications to the approved plans which may be modified only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions, all modifications being subject to prior notification to, and approval by, S&S;

(2) Obtain all required zoning and building classifications which may be required by any laws, ordinances, regulations or restrictive covenants relating to the construction and operation of the Franchised Business at the Premises and obtain all utility, sign, health, sanitation, and business permits and licenses, and any other required permits and licenses; and

(3) Promptly commence and diligently pursue construction of all required improvements to the Premises, purchase and install all required fixtures and equipment and decorate the Premises in compliance with the plans and specifications approved in writing by S&S and all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions.

B. FIXTURES, EQUIPMENT, FURNITURE AND SIGNS

Franchisee must purchase pre-selected furniture, fixtures and equipment, such as barber chairs, shampoo bowls, stylist stations, bar equipment, lighting and various millwork and specialty finishes (collectively, the "***Custom Package Items***") for a standard 10-chair shop. S&S or an affiliate may be the sole approved supplier of the Custom Package Items. Franchisee shall use only those types of construction and decorating materials, fixtures, equipment, furniture, and signs that S&S has approved or designated in the Operations Manual for the Franchised Business as meeting its Specifications for appearance, function and performance. If Franchisee proposes to purchase any type of construction or decorating material, fixture, equipment, furniture or sign not then approved by S&S, or any items from any supplier not then approved by S&S, then Franchisee must first notify S&S in writing and must submit to S&S upon its request sufficient specifications, photographs, drawings and/or other information or samples for a determination by S&S of whether (1) the type of construction or decorating material, fixture, equipment, furniture or sign complies with the Specifications, and (2) the supplier meets S&S's approved supplier criteria, which determination S&S will make and communicate in writing to Franchisee within a reasonable time.

C. FRANCHISE OPENING

Franchisee shall not open for business and begin selling any services to customers or otherwise without S&S's prior written approval and (2) complying with the requirements of this Agreement and any applicable criteria specified in the Operations Manual. Franchisee shall open the Franchised Business within twelve (12) months after the effective date of this Agreement and must have (1) a certificate of occupancy and (2) S&S's approval to open. S&S will notify Franchisee of dates for training and opening the Franchised Business. Franchisee's failure to open in a timely manner Franchised Business will be deemed a material default under this Agreement.

D. RELOCATION OF FRANCHISE

Franchisee will not relocate the Franchised Business from the Premises without the prior written consent of S&S. If Franchisee's lease for the Premises expires or terminates without fault of Franchisee, or if in the judgment of S&S, there is a change in the character of the Premises sufficiently detrimental to warrant its relocation, S&S will grant permission for relocation of the Premises to a new location within the Protected Area that is approved by S&S. Any relocation must be at Franchisee's sole expense. Franchisee shall reimburse S&S for call S&S's costs and expenses arising from or related to reviewing, approving, consulting or otherwise effectuating Franchisee's relocation Franchisee elects to relocate the Premises, then Franchisee must comply with the site selection and development and opening procedures set forth in this Agreement.

E. PROGRESS REPORTS

Franchisee must provide S&S written status reports regarding the progress of construction or remodeling of the Premises in accordance with S&S's then-current Specifications.

6. TRAINING AND OPERATING ASSISTANCE

A. INITIAL TRAINING PROGRAM

(1) S&S will provide Franchisee, and one (1) additional individual which Franchisee designates as its operating manager (the "***Operating Manager***") with an initial training program (the "***Initial Training Program***") on the operation of the Franchised Business in accordance with the terms of the Operations Manual. Franchisee and Operating Manager must successfully complete the Initial Training Program to S&S's reasonable satisfaction before the Franchised Business opens for business. S&S will conduct the Initial Training Program at its training facility or another training location designated by S&S. The Initial Franchise Fee will cover the tuition associated with Franchisee and the Operating Manager to participate in the Initial Training Program, and Franchisee shall be solely responsible for all compensation, travel, lodging and living expenses incurred by Franchisee and the Operating Manager to attend the Initial Training Program. Franchisee must provide notice to S&S at least one month before the dates that Franchisee (or the Representative) wishes to attend the Initial Training Program. If S&S determines that any individual cannot complete the Initial Training Program to S&S's satisfaction, S&S may require that Franchisee designate a replacement to successfully complete the Initial Training Program. S&S reserves the right to disapprove of any individual who fails to complete training to the satisfaction of S&S.

(2) S&S shall have the right to alter any of its training programs in length, content, and location to meet the changing needs of the System. S&S reserves the right to designate where and how Franchisee or the Representative will be trained, and Franchisee will promptly comply with S&S's directions with respect to that training.

(3) S&S reserves the right to allow other franchisees to shadow at Franchisee's Franchised Business.

B. ADDITIONAL AND REFRESHER TRAINING

S&S may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. S&S will require Franchisee and its designated attendees to pay S&S's then-current Training Fee (in addition to Franchisee's obligation to pay for any expenses incurred).

S&S reserves the right to charge this fee in connection with (a) re-training or replacement training with regards to the portions of the initial training that are designed for the Franchisee owner and/or Operating Manager, (b) any training S&S requires Franchisee to complete to cure a default under the Franchise Agreement with S&S ("***Remedial Training***"), (c) training Franchisee requests that S&S provide (other than the kind of day-to-day assistance described below), or (d) training S&S provides on-site at the Franchised Business.

S&S will not charge any Training Fee in connection with minor, day-to-day assistance that S&S provides remotely over the phone or via email, subject to availability.

C. INITIAL GROOMING TRAINING FEE

The initial grooming training fee is $6,000 (the "***Initial Grooming Training Fee***"), which covers grooming training at the Franchised Business for the first group of stylists and barbers, up to a maximum of eight (8) people ("***Initial Grooming Training***"). For subsequent Barbershops, the Initial Grooming Training Fee may be reduced or waived entirely, in the sole discretion of S&S, if (a) the Barbershop will be operated entirely by previously trained operators; and/or (b) local certified trainers have been approved by S&S to oversee Initial Grooming Training. For grooming trainee groups larger than eight individuals, an additional certified trainer may be required, who will incur charges at the then-current rate.

D. ADDITIONAL GROOMING TRAINING FEE

In connection with (a) each additional stylist (in excess of eight) that receives the Initial Grooming Training prior to opening the Barbershop, or (b) any additional stylist that Franchisee requests to have trained by S&S after the Franchised Business commences operations, Franchisee must pay S&S the then-current additional grooming training fee (the "***Additional Grooming Training Fee***"). Once designated stylist(s) employed at the Franchised Business have completed the S&S Trainer Certification program, they may provide additional stylists with Grooming Training and no amount shall be payable to S&S.

E. TRAINER CERTIFICATION

For quality control, we require that all new stylists are to be trained by a certified trainer. There are two levels of trainers—Certified Trainers and Elite Educators. Certified Trainers ("***CTs***") can train up to four trainees at a time in the area(s) they're certified. To become a CT, the individual must complete the Certified Trainer Program. CTs cannot lead pre-opening training for full teams. Elite Educators ("***Elites***") can train any number of employees, including teams at new shops. To become an Elite, you must first be a CT and then pass our Elite Educator Program. For CT Certification, there is no training fee, but you are responsible for your CT Certification trainee's travel, lodging and expenses during the trip. For Elite certification, there is no training fee. We will cover an Elite trainee's travel and lodging during the trip. If you do not have the appropriate CT or Elite on staff, you may request one from us, and we will send the trainer(s) to your Franchised Business as necessary. You must pay a certified trainer fee, plus travel and lodging for the trainer(s).

F. HIRING AND TRAINING OF EMPLOYEES BY FRANCHISEE

Franchisee is solely responsible for the hiring of all of its employees and the terms of their employment and their supervision, management, compensation and training (other than training specifically provided by S&S) and has sole control over working hours, benefits, wages, and other employment policies. S&S will provide general guidance on standard employee hiring, onboarding, and training.

G. OPERATIONS COMPLIANCE

Franchisee acknowledges the importance of (1) maintaining uniformity among all of the Franchised Business and (2) complying with all of the Specifications. To protect the reputation

and goodwill associated with the Licensed Marks and the System and to maintain high standards of operation, Franchisee shall operate the Franchised Business in accordance with the Specifications, the Operations Manual, and other written directives which S&S may issue to Franchisee from time to time, and in compliance with any other manuals and materials created or approved by S&S for use in the operation of the Franchised Business.

H. MAINTENANCE OF THE PREMISES

Franchisee shall maintain the Premises in a high degree of sanitation and repair and shall make such repairs and replacements as may be required by S&S, in its sole discretion, including, without limitation, periodic repainting or replacement of signs, furnishings, decor, flooring and damaged equipment and computer systems. No alterations, improvements or changes of any kind in design, equipment, signs, interior or exterior décor items, fixtures or furnishings shall be made in or about Franchised Business without the prior written approval of S&S.

I. UPGRADE OF PREMISES

At S&S's request, at any time on or after the 5th anniversary of the opening of the Franchised Business (and every five (5) years thereafter), S&S may require Franchisee to make reasonable capital improvements to the Premises to conform the Premises to S&S's then-current Specifications, equipment or any furniture, fixtures, supplies and other products and materials.

J. OPERATIONS REVIEWS

S&S will make inspections from time to time and advise Franchisee of operating deficiencies at the Franchise, which may consist of:

(1) Evaluation of the products and services provided by Franchisee to ensure compliance with the high standards of quality, appearance and service of the System; and

(2) Monitoring marketing, public relations and promotional programs of Franchisee.

K. OPERATIONS MANUAL

S&S will give access to Franchisee during the term of this Agreement one copy of the Operations Manual. S&S may, at its option, make the Operations Manual available electronically or digitally including through the internet websites. Operations Manual may consist of one or more handbooks or manuals, including, without limitation, a marketing manual for promoting the Franchised Business through social media websites and other mediums. The Operations Manual contains mandatory Specifications that S&S prescribes for the Franchised Business and recommendations that S&S suggests to improve operations of Scissors & Scotch® Barbershops. S&S has the right to add to, and otherwise modify, the Operations Manual to reflect changes in authorized products, services, suppliers and other Specifications, provided that no addition or modification shall alter Franchisee's fundamental status and rights. Franchisee must keep its copy of the Operations Manual current. If there is a dispute between S&S and Franchisee regarding the contents of the Operations Manual, S&S maintains the master copy at its principal office and that copy shall control, provided that S&S has delivered to Franchisee,

including by electronic or digital means, a legible copy of any relevant update, change, addendum, addition or revision. S&S may revise the contents of the Operations Manual and the contents of any other written materials created or approved for use in the operation of Scissors & Scotch® Barbershops. Franchisee shall have a reasonable period of time to implement any change in the Franchised Business required by any change to the Operations Manual. S&S shall give Franchisee written notice of any change required and the period of time within which the change must be implemented.

7. LICENSED MARKS

A. LICENSE

S&S grants Franchisee the right to use the Licensed Marks during the term of this Agreement in accordance with the System and the Specifications set forth in the Operations Manual.

B. OWNERSHIP AND GOODWILL

Franchisee expressly acknowledges and agrees that:

(1) S&S (or its Affiliate) is the owner of all right, title and interest in and to the Licensed Marks and the goodwill associated with and symbolized by the Licensed Marks;

(2) Franchisee has no ownership interest whatsoever in or to the Licensed Marks, and Franchisee's right to use the Licensed Marks is derived solely from this Agreement and is conditioned upon Franchisee's operation of the Franchised Business in compliance with this Agreement and all Specifications;

(3) any unauthorized use of the Licensed Marks by Franchisee constitutes an infringement of the rights of S&S in and to the Licensed Marks;

(4) all usage of the Licensed Marks by Franchisee and any goodwill related to such use exclusively benefits S&S and does not confer any goodwill or other interests in the Licensed Marks upon Franchisee;

(5) Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Licensed Marks or assist any other person in contesting the validity or ownership of any of the Licensed Marks;

(6) Franchisee and its Principals shall not take any action that prejudices or interferes with the validity of S&S's rights with respect to the Licensed Marks; and

(7) All provisions of this Agreement applicable to the Licensed Marks apply to any additional trademarks, service marks, logo forms and commercial symbols authorized for use by and licensed to Franchisee pursuant to this Agreement.

C. USE OF THE LICENSED MARKS

(1) The Licensed Marks shall be the sole identification of the Franchise. Franchisee must operate and market the Franchised Business only under the name "Scissors & Scotch® Barbershop" without prefix or suffix. Franchisee must not use the Licensed Marks as part of its corporate or other legal name and must not use the Licensed Marks with modifying words, terms, designs or symbols, or in any modified form.

(2) Franchisee must identify itself as the owner of the Franchised Business, as an independent franchisee of S&S, in conjunction with any use of the Licensed Marks, including, but not limited to, uses on stationery, marketing, invoices, order forms, receipts and contracts, and in a notice at the Premises, as required by the Operations Manual. Franchisee shall display the Licensed Marks prominently and in the manner prescribed by S&S.

(3) Franchisee must comply with S&S's instructions in filing and maintaining trade name or fictitious name registrations.

D. RESTRICTIONS ON INTERNET AND WEBSITE USE

Except as S&S may authorize or direct in writing including in the Operations Manual, Franchisee shall not in any way: (1) link to or frame S&S's website; (2) conduct any business or offer to sell or market any products or services on the worldwide web; (3) create or register any Internet domain name in connection with the Franchise; (4) use the Licensed Marks in any domain name or on any Internet website or any other unauthorized manner; (5) promote the Franchised Business on any Internet website; or (6) post any material on the Internet that depicts or displays the Licensed Marks or suggests an association with the System. Franchisee may not establish or maintain a website, landing page, mobile or Internet-based application (or any comparable future developed technology), unapproved social media profile or other presence on the Internet relating to the Franchised Business or referring to the Licensed Marks. Franchisee is responsible for ensuring that Franchisee's employees and managers comply with our designated rules, guidelines, specifications, policies and procedures, which we may change, revoke or otherwise modify at any time. S&S may require that Franchisee install and maintain hardware and software to allow Franchisee to access the Internet, and if required by S&S, Franchisee will comply with such requirements. S&S may direct Franchisee, through a marketing manual, social media websites policy or other provisions in the Operations Manual or otherwise in writing, to use the Internet, including social media websites and other opportunities, in connection with the marketing and promotion of the Franchise. The form, content and appearance of any Internet use by Franchisee related to the Franchised Business or the System must comply with the Specifications and must be approved by S&S in writing before being used by Franchisee.

Franchisee shall not, and shall cause its employees and Principals not to, without S&S's express written consent, which may be withheld by S&S in its sole discretion, post, contribute, or author any content on any website or social media website or communicate with any media outlet or organization in a manner that:

(1) makes any statement which disparages, ridicules or is derogatory of the System, the Licensed Marks, S&S or its Affiliates, or any of their owners, officers, employees,

agents, consultants, attorneys or representatives, or any other franchisee in the System, or the owners, officers, employees, agents, consultants, attorneys or representatives of any franchisee in the System;

(2) pertains in any way to health or safety conditions at a Franchised Business; or

(3) pertains to any litigation pending or threatened against S&S or its Affiliates, or any of their owners, officers, employees, agents, consultants, attorneys or representatives or any franchisee in the System.

E. NOTIFICATION OF INFRINGEMENT AND CLAIMS

Franchisee must notify S&S immediately in writing of any apparent infringement of or challenge to Franchisee's use of any Licensed Mark, or claim by any person of any rights in any Licensed Mark or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee must not communicate with any person other than S&S and its counsel in connection with any infringement, challenge or claim. S&S and/or its licensor has sole discretion to take any action it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge or claim or otherwise relating to any Licensed Mark. Franchisee shall execute all documents, render assistance and do all that may be necessary or advisable to protect and maintain the interests of S&S and its Affiliates in any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding or to otherwise protect and maintain the interests of S&S and its Affiliates in the Licensed Marks. S&S will reimburse Franchisee for reasonable direct expenses incurred by Franchisee in assisting S&S in any such litigation or administrative proceeding.

F. INDEMNIFICATION OF FRANCHISEE/DISCONTINUANCE OF USE OF LICENSED MARKS

S&S shall indemnify Franchisee against, and reimburse Franchisee for: (1) all damages for which Franchisee is held liable in any proceeding brought by a third-party in which Franchisee's use of any Licensed Mark is held to constitute trademark infringement, unfair competition, or dilution and (2) all costs Franchisee reasonably incurs in the defense of any claim brought against Franchisee or in any proceeding in which Franchisee is named as a party; provided that, Franchisee timely notifies S&S of the claim or proceeding and has otherwise complied with this Agreement and that S&S has the opportunity to defend such claim. If S&S defends the claim, S&S has no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements to any separate attorney retained by Franchisee.

If any time in S&S's sole discretion, it becomes advisable for S&S and/or Franchisee to modify or discontinue use of any Licensed Mark, and/or use one or more additional or substitute trademarks or service marks, Franchisee agrees to comply with such direction from S&S within a reasonable time after receiving such direction from S&S. Any substitution or change in the Licensed Marks shall not be effective as to Franchisee, until such change is made in other

Scissors & Scotch® Barbershops. The sole liability and obligation of S&S in any event is to reimburse Franchisee for the out-of-pocket costs of complying with this obligation.

G. NON-EXCLUSIVE RIGHTS

The right and license to use the Licensed Marks granted to Franchisee is non-exclusive, and S&S has and retains the right to grant other franchises and licenses to use the Licensed Marks except as restricted by Section 2 of this Agreement.

8. S&S'S OBLIGATIONS

S&S agrees to provide the following services:

A. Furnish Franchisee with S&S's written site criteria package;

B. Provide on loan to Franchisee, a set of prototypical design plans and Specifications for the Premises, or designate a supplier who will provide the same;

C. Provide on loan to Franchisee the Operations Manual and other written materials as S&S develops for use in the Franchise;

D. Provide advice and consult with Franchisee periodically in connection with the operation of the Franchised Business including advice related to management, sales promotions and customer service;

E. Provide periodic evaluations of operations conducted, products sold and services rendered by Franchisee;

F. Provide marketing and public relations materials and information developed by S&S for purchase and use by Franchisee in local and/or targeted advertising;

G. Provide a list of required operating assets, to the extent that S&S has designated any;

H. Provide a list of approved suppliers to Franchisee and continue to evaluate approved supplier performance and quality;

I. Conduct an initial training program and, at S&S's discretion, subsequent refresher training programs;

J. Provide assistance with targeted pre-launch event and pre-opening advertising and related marketing.

K. Provide remote opening assistance; and

L. Provide up to six (6) days of on-site guidance prior to opening the Franchised Business, as well as approximately four (4) days of on-site assistance immediately following the public opening of the Franchised Business.

9. CONFIDENTIAL INFORMATION

S&S will disclose the Confidential Information to Franchisee in various formats, including without limitation, training programs, the Operations Manual and in guidance furnished to Franchisee.

A. Franchisee shall at all times treat the Operations Manual and any other materials created for, or approved for use in, the Franchised Business as Confidential Information. Franchisee may divulge and make Confidential Information available to Franchisee's employees who must have access to it in order to operate Franchised Business. Except as is reasonably necessary to operate Franchised Business, Franchisee shall not at any time copy, duplicate, record or otherwise reproduce Confidential Information, in whole or in part, or otherwise make the same available to any unauthorized person, without the prior written consent of S&S.

B. The Operations Manual, written directives, and any other written Confidential Information shall be kept in a secure place at the Premises and shall be returned to S&S immediately upon request or upon termination or expiration of this Agreement.

C. Franchisee acknowledges and agrees that all of the Confidential Information it now has or obtains in the future are derived from S&S pursuant to this Agreement, and that Franchisee shall not, without the written consent of S&S, disclose such Confidential Information or use it for Franchisee's own benefit (or the benefit of any person or entity other than S&S and its Affiliates) during the term of this Agreement and for a period of two years thereafter, unless such Confidential Information constitutes Trade Secrets (as defined below) of S&S, in which case, such information will be treated in confidence for as long as such information shall constitute a "Trade Secret." Notwithstanding the foregoing, Franchisee may disclose such Confidential Information and Trade Secrets to those employees who need access to perform their employment duties to Franchisee, (and then only to the extent necessary to enable them to perform their employment duties). For purposes of this Agreement, "***Trade Secret***" shall mean, information or data about S&S or any of its products, including but not limited to, technical or non-technical data, formulae, methods, techniques, drawings, processes, financial data, financial plans, product and promotion plans, and lists of actual or potential advertisers, customers or suppliers, that: (1) derives economic value, actual or potential, from not being generally known to, or generally ascertainable by proper means by other persons who can obtain economic value from their disclosure or use; and (2) is a subject of efforts that are reasonable under the circumstances to maintain its secrecy. Franchisee acknowledges and agrees that the Confidential Information and Trade Secrets are proprietary to S&S and are disclosed to Franchisee solely on the condition that Franchisee agrees, and Franchisee does agree, that it will:

(1) not use the Confidential Information or Trade Secrets in any other business or capacity;

(2) maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement;

(3) not make unauthorized copies of any portion of the Confidential Information disclosed in written form;

(4) adopt and implement all reasonable procedures S&S prescribes to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to employees of the Franchised Business and the use of nondisclosure and noncompetition clauses in employment agreements with persons; and

(5) require all Principals and members of Franchisee's management team to sign a confidentiality agreement in a form approved by S&S (see Exhibit B attached hereto).

D. The restrictions on Franchisee's disclosure and use of the Confidential Information will not apply to (1) information, processes or techniques which are or become generally known in the barbershop industry, other than through disclosure (whether deliberate or inadvertent) by Franchisee or its Principals or its management team; or (2) disclosure of Confidential Information in judicial or administrative proceedings to the extent Franchisee is legally compelled to disclose information, provided Franchisee has used its best efforts not to disclose such information, and has afforded S&S the opportunity to obtain an appropriate protective order or other assurance satisfactory to S&S of the confidential treatment for the information required to be disclosed.

E. If Franchisee or any Principal develops any new concept, process, product or other improvement to the operation or promotion of the Franchised Business. Franchisee must promptly notify S&S and provide S&S with all necessary related information, without compensation. Franchisee and the Principals acknowledge that any concept, process, product, or improvement shall become the property of S&S and that S&S may use or disclose that information to other franchisees as it determines to be appropriate. In the event the concept, process, product, or other improvement becomes a part of the System, S&S will reimburse Franchisee for its reasonable out-of-pocket expenses incurred in its development.

10. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A. The parties understand and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee is an independent contractor and that nothing in this Agreement makes either party a general or special agent, legal representative, subsidiary, joint venturers, partner, employee or servant of the other for any purpose. If, and only if, applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, Franchisee agrees that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants S&S the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with its explicit rights and obligations under this Agreement that may affect favorably or adversely Franchisee's interests; (ii) S&S will use its judgment in exercising the discretion based on its assessment of its own interests and balancing those interests against the interests of S&S's franchisees generally, and specifically without considering Franchisee's individual interests or the individual interests of any other particular franchisee; (iii) S&S will have no liability to Franchisee for the exercise of S&S's discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad

faith, no trier of fact in any arbitration or litigation shall substitute its judgment for S&S's judgment so exercised.

B. Franchisee must identify itself at the Premises and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of a franchise from S&S, and must place other notices of independent ownership on signs, forms, stationery, marketing and other materials as S&S requires.

C. S&S has not authorized or empowered Franchisee to use the Licensed Marks, except as provided by this Agreement. Franchisee must not employ any Licensed Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation without the prior written consent of S&S, or employ any Licensed Mark in a manner that is likely to result in liability of S&S for any indebtedness or obligation of Franchisee.

D. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on S&S's behalf, or to incur any debt or other obligation in S&S's name and that S&S shall not have any liability for, or be deemed liable under this Agreement as a result of, any action or omission by Franchisee in the conduct of its business pursuant to this Agreement or any claim or judgment arising therefrom.

E. S&S has no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, Franchised Business or its assets, or upon S&S in connection with sales made, services performed or business conducted by Franchisee.

F. Franchisee shall, at all times, indemnify and hold harmless, to the fullest extent permitted by law, S&S and its Affiliates, successors and assigns and their officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees from all losses, expenses, liability, taxes, damages (actual or consequential) and costs (including reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) (collectively, the "***Losses***") which any of them may suffer, sustain or incur by reason of, arising from or in connection with any of the following:

(1) Franchisee's ownership or operation of the Franchised Business, unless the Losses are finally determined have been caused solely by S&S's gross negligence or willful misconduct;

(2) Any infringement or alleged infringement of, or violation of the right to use, any Licensed Mark by Franchisee or any Principal;

(3) Any libel, slander or any other form of defamation of the System, or any other franchisee operating under the System, by Franchisee or any Principals; or

(4) Any breach by Franchisee (or any of its Affiliates) of any warranty, representation, agreement or obligation in this Agreement or any other agreement with S&S (or any of its Affiliates).

Upon the occurrence of any event giving rise to a claim for indemnification, Franchisee shall give S&S prompt notice of such event. Upon receipt of such notice, S&S may elect to assume (but under no circumstances is obligated to undertake) the defense and/or settlement of any action, suit, proceeding, claim, demand, inquiry or investigation. Any such undertaking by S&S shall not diminishes the obligation of Franchisee to indemnify S&S. All Losses incurred under this Section 10 shall be chargeable to and paid by Franchisee regardless of any actions, activity or defense undertaken by S&S or the subsequent defense or failure of these actions, activity, or defense.

S&S shall not be required to seek recovery from third parties or otherwise mitigate their losses in order to pursue a claim against Franchisee for indemnification, and S&S's failure to pursue recovery or mitigate Losses shall in no way reduce the amounts recoverable from Franchisee. The terms of this Section 10 shall survive the termination, expiration or transfer of this Agreement or any interest herein.

11. FEES

A. INITIAL FEE

Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Fifty Thousand Dollars ($50,000.00) (the "***Initial Franchise Fee***"). The initial franchise fee is reduced to $40,000 for each additional Franchise Agreement if you enter into ~~an~~a Development Agreement for multiple locations. Military veterans will receive a $5,000 discount on all franchises. To qualify, military veterans will be required to provide a certified copy of DD Form 214 "Certificate of Release or Discharge from Active Duty." The parties acknowledge and agree that the Initial Franchise Fee will be deemed fully earned and non-refundable under any circumstances upon payment.

B. ROYALTY FEE

On or before the Monday of each week the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee must pay Franchisor an ongoing royalty fee of a percentage of the Gross Sales generated by the Franchised Business (the "***Royalty Fee***") in the preceding week beginning Monday when the Franchised Business opens and ending Sunday when the Franchised Business closes (the "***Business Week***"). From the date of the execution of this agreement through the six (6) month anniversary of the commencement of operations, the Royalty Fee will amount to four percent (4.0%) of Gross Sales. After the six (6) month anniversary of the commencement of operations, the Royalty Fee will amount to six and one-half percent (6.5%) of Gross Sales.

C. COMMUNITY IMPACT FUND

Franchisee must pay to S&S a community impact fund fee (the "***Community Impact Fund Fee***") of $25.00 per week upon commencement of operations. The Community Impact Fund Fee is payable in the same manner and frequency as the Royalty Fee.

D. TECHNOLOGY FEE

Franchisee must pay to S&S the then-current technology fee amounting to not more than $150 per week (the "***Technology Fee***"). Technology Fee proceeds are used for technology-related items, as determined by S&S, which may include maintaining an intranet, extranet, online portal, website, online advertising tools, mobile application and/or any other technology for use in connection with the Franchised Business.

E. LATE FEE

If Franchisee fails to pay any amount described hereunder when due and owing, then Franchisee shall pay S&S a late fee in the amount of $100 (the "***Late Fee***") due for each late or dishonored payment.

F. INTEREST

If Franchisee fails to pay any amount owed to S&S and described in this Agreement within seven (7) days of such amount becoming due and owing, then Franchisee shall pay interest on such amount equaling the lesser of one and a half percent (1.5%) per month or the highest rate allowed by law (the "***Interest***").

G. ELECTRONIC FUNDS TRANSFER

By executing this Franchise Agreement, Franchisee agrees that S&S will withdraw funds from Franchisee's designated bank account by electronic funds transfer ("***EFT***"). Franchisee must execute other documents S&S or Franchisee's bank requires to implement the foregoing procedure, including the EFT Authorization attached hereto as Exhibit E. It is a material default of this Franchise Agreement if Franchisee closes the designated bank account without first notifying S&S, establishing another account, and executing all documents necessary for S&S to process payments by EFT for the new designated account.

H. SECURITY INTEREST IN FRANCHISED BUSINESS

Unless Franchisee has already granted a security interest in the assets of the Franchised Business pursuant to an independent financing arrangement between Franchisee and S&S or one of its affiliates, Franchisee hereby grants S&S a security interest in all of the assets of the Franchised Business, including but not limited to inventory, fixtures, furniture, equipment, accounts, supplies, contracts, and proceeds and products of all those assets as security for the performance of Franchisee's obligations under this Agreement, including all payments owed to S&S. Franchisee agrees that S&S may file a UCC-1 to perfect the security interest granted. If Franchisee defaults in any of Franchisee's obligations under this Agreement, S&S may exercise all rights of a secured creditor granted to S&S by law, in addition to S&S's other rights under this Agreement and at law. Franchisee will not grant a security interest in Franchised Business or in any of its assets to any party other than S&S without S&S's prior written consent. In connection with any request for S&S's consent, the secured party will be required to enter into an agreement with S&S that ensures orderly transition of management control of the Franchised

Business in the event of default by Franchisee under any documents related to the security interest.

12. IMAGE AND OPERATING STANDARDS

A. MAINTAINING UNIFORMITY

Franchisee agrees that it is important to maintain uniformity among all franchisees and agrees to comply with all of S&S's required Specifications relating to the operation of the Franchise. These system standards are set forth in the Operations Manual and other written policies that S&S may release from time to time. Depending on the nature of the Specification, S&S may establish procedures or guidelines to assist Franchisee in meeting or complying with the Specification. S&S will establish Specifications that impact the presentation of the Systems brand and concept to customers. If S&S identifies a practice as a Specification in the Operations Manual or otherwise Franchisee must comply with that Specification. In other instances, S&S may identify a practice as a "recommendation" or "suggested" practice.

B. CONDITION AND APPEARANCE OF PREMISES/IMPROVEMENTS

To assure the continued success of the Franchised Business. Franchisee must maintain the Premises in a high degree of repair, appearance, condition and sanitation, and must make all additions, alterations, repairs and replacements as S&S reasonably directs (but no others without S&S's written consent) for that purpose including, without limitation, periodic repainting or replacement of obsolete signs, furnishings, equipment (including electronic cash register or computer hardware and software systems), and décor and merchandising.

In addition, Franchisee must, upon the request of S&S, make other non-capital improvements to modernize and upgrade the Premises, equipment (including electronic cash register or computer hardware and software systems), signs, fixtures, furnishings, supplies and other products required for the operation of the Franchised Business to S&S's then-current Specifications. If necessary, Franchisee shall make such improvements or modifications when such changes are made to other franchisees in the System.

C. REMEDIES FOR NONCOMPLIANCE WITH APPEARANCE OF FRANCHISE

If Franchisee fails or refuses to initiate within 10 days after receipt of notice, and to continue thereafter in good faith and with due diligence, a bona fide program to undertake and complete any required maintenance or refurbishing that S&S believes is necessary to avoid Franchised Business having a negative impact upon the goodwill associated with the Licensed Marks and/or the System, then S&S has the right, but is not obligated, to enter upon the Premises and effect maintenance and refurbishing on Franchisee's behalf, and Franchisee must pay the entire cost of such maintenance and refurbishing to S&S on demand.

D. DAMAGE CAUSED BY CASUALTY

If Franchised Business is damaged or destroyed by fire or any other casualty, Franchisee must, within thirty (30) days after such event, initiate repairs or reconstruction, and thereafter in

good faith and with due diligence continue (until completion) repairs or reconstruction, in order to restore the Premises to its original condition. If, in S&S's reasonable judgment, the damage or destruction is of a nature or to an extent that it is feasible for Franchisee to repair or reconstruct the Premises in conformance with the then-current décor Specifications required by S&S for new Franchised Business without incurring substantial additional costs, S&S may require Franchisee, by giving written notice, to repair or reconstruct the Premises in conformance with the then-current décor Specifications.

E. ALTERATIONS TO THE FRANCHISE

Franchisee shall not make any material alteration to the Premises or appearance of the Franchised Business, nor make any unapproved replacements of, or material alterations to, the fixtures, equipment, furniture or signs of the Franchised Business without prior written approval by S&S. S&S has the right, in its sole discretion and at the sole expense of Franchisee, to rectify any material alterations to the Franchised Business not previously approved by S&S or contrary to the Specifications contained in the Operations Manual. S&S will provide written notice to Franchisee and grant Franchisee a reasonable period of time to rectify and correct the material alteration before S&S makes the correction.

F. SPECIFICATIONS TO PRESERVE BRAND IMAGE

To ensure that the highest degree of quality and service is uniformly maintained, Franchisee must use its best efforts to operate Franchised Business in compliance with the Specifications set forth in the Operations Manual, and as S&S may otherwise reasonably prescribe in writing, that impact the overall presentation of the Licensed Marks and brand and to do all of the following:

(1) to sell or offer for sale all products and services S&S requires, utilizing and complying with the method, manner and style S&S prescribes;

(2) to maintain in sufficient supply and to use and sell at all times only approved products and services that conform to S&S's Specifications and not use or offer unapproved items without S&S's prior written consent; and

(3) to designate and retain at all times a management team who each devote best efforts to the supervision and management of the Franchised Business, who each attends and successfully completes the training programs provided by S&S, and who consistently demonstrate the abilities to satisfy the performance requirements of their positions.

G. MARKET RESEARCH/TESTING

S&S may conduct market research and testing to determine consumer trends and the salability of new products and services. Franchisee agrees to participate in S&S's market research programs by test marketing new products and services in the Franchise. Franchisee shall provide S&S with timely reports and other relevant information regarding market research conducted in Franchised Business and make a reasonable effort to promote and sell the products and services.

H. APPROVED SUPPLIERS AND PRODUCTS

Franchisee acknowledges and agrees that (1) S&S's proprietary products and services must be maintained uniformly throughout the System and are interrelated with the Licensed Marks in the mind of the public; and (2) the reputation and goodwill of all Franchised Business is based upon, and can be maintained only by, uniform standards and the consistent sale of these products and services.

Franchisee shall comply with the Specifications for the purchase of all supplies, materials, fixtures, furnishings, equipment, computer systems and other products used in the operation of the Franchise. In the event S&S has approved or designated suppliers for any such item, including manufacturers, distributors, service providers and other sources, Franchisee agrees to obtain these items from those suppliers. S&S's approval of designated suppliers is based upon the demonstration on a continuing basis of the ability of a supplier to (1) comply with the Specifications; and (2) exercise adequate quality controls and sufficient capacity to supply the needs of S&S's franchise network promptly and reliably over an extended period of time. S&S may designate itself, its Affiliate or a third party as an approved or designated supplier or as the sole approved or designated supplier of any item, in its sole discretion. Franchisee agrees that S&S and its Affiliates may receive and retain any and all rebates, discounts, e-mail distribution lists, information and other benefits generated based upon Franchisee's purchases and leases including, without limitation, from charging Franchisee for equipment, products and services S&S or its Affiliates provide to Franchisee and from payments made to S&S or its Affiliates by suppliers that S&S designates or approves, and, in S&S's sole discretion, such funds may be used by S&S for any purpose. S&S may publish the Specifications for these required purchases in the Operations Manual and in other written, electronic or digital communications to Franchisee.

If Franchisee desires to purchase any item or use any item or service that has not been approved by S&S, or if Franchisee wishes to purchase or lease any such item from a supplier that has not been approved by S&S, Franchisee must submit a written request for approval to S&S. Franchisee is prohibited from purchasing or leasing any item unless the item and the supplier have been approved in writing by S&S. S&S may require Franchisee to submit information, specifications and samples to S&S to enable S&S to determine whether (1) the item complies with S&S's Specifications and (2) the supplier meets S&S's criteria. S&S reserves the right to send its representatives to inspect the proposed supplier's facilities and to have samples from the supplier delivered to S&S or to an independent laboratory designated by S&S for testing. Franchisee or the proposed supplier may be required to pay a predetermined fee to S&S for any request for approval and/or pay for the cost of the inspection and of the tests, which may include S&S's administrative expenses. S&S may condition its approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, frequency of delivery, standards of service or any other criteria. S&S reserves the right to inspect from time to time the facilities and products of any approved supplier and to revoke any approval of any supplier if the supplier fails to continue to meet any of S&S's criteria. If S&S revokes the approval of any supplier, Franchisee agrees to immediately discontinue use of that supplier. Franchisee's failure to comply with the provisions of this Section 12(H) will be deemed to be a material default of this Agreement.

S&S has and may continue to develop certain products and services for the System, which are proprietary to S&S and which may be identified by the Licensed Marks. In order to maintain the quality and uniformity of production and use of such products in Franchised Business and in the System, S&S shall control the production and distribution of such products. If such products become a part of the System, Franchisee will be required to use only S&S's proprietary products and Franchisee must purchase such items solely from S&S or from its Affiliates or from an approved supplier, as S&S may designate, in its sole discretion.

S&S may restrict Franchisee from purchasing specific products from anyone other than S&S, its Affiliates or another single-source supplier designated by S&S, and if S&S imposes such restrictions, Franchisee shall purchase all such products pursuant to such restrictions.

I. STANDARDS OF SERVICE

Franchisee must at all times give prompt, courteous and efficient service to its customers. Franchised Business must, in all dealings with its customers and suppliers and the public, adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee must maintain a competent, conscientious, trained staff and take steps necessary to ensure that its employees preserve good customer relations and comply with S&S's uniform standards.

J. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

(1) Franchisee shall obtain and maintain in effect all required licenses, permits and certificates related to the operation of the Franchised Business and shall operate Franchised Business in full compliance with all applicable federal, state and local laws, ordinances and regulations, including without limitation all government regulations pertaining to (i) licensing and certification; (ii) occupational hazards and health; including the Occupational Safety and Health Act; (iii) handling and disposing of chemicals and other environmental matters; (iv) workers' compensation; (v) insurance; (vi) unemployment insurance and withholding; (vii) liquor licenses, and, if and as applicable, any food service requirements or restrictions; (viii) payment card infrastructure industry and security standards and requirements regarding cardholder data; and (ix) federal and state taxes.

(2) All marketing and promotion by Franchisee must be completely factual and must conform to the highest standards of ethical marketing. Franchisee agrees to refrain from any business or marketing practice or personal conduct which may be injurious to the business of S&S and the goodwill associated with the Licensed Marks and the Franchised Business.

K. COMPLAINTS, NOTICES

Franchisee will process and handle all government agency, consumer and employee complaints, allegations and claims connected with or relating to the Franchised Business, and will promptly notify S&S by telephone and in writing of all such matters including: (a) safety or health violations, (b) claims exceeding $1,000, and (c) any other material notifications, complaints, allegations or claims against or losses suffered by Franchisee or Franchised Business. Franchisee will deliver to S&S, immediately upon receipt by Franchisee or delivery at the Premises, an exact copy of all (i) notices of default received from the landlord of the

Premises or any mortgagee, trustee under any deed of trust, contract for deed holder, lessor, or any other party, (ii) notifications or other correspondence relating to any legal proceeding relating in any way to the Franchised Business or to the Premises, and (iii) inspection reports or any other notices, warnings or citations from any governmental authority, including any health and safety, taxing and/or licensing authorities. Franchisee will provide all additional information requested by S&S relating to any of these matters. Franchisee will maintain for S&S's review any inspection reports affecting Franchised Business or equipment located in Franchised Business during the term of this Agreement and for thirty (30) days after the expiration or earlier termination this Agreement. If any of Franchisee's customers contact S&S with a complaint or issue, S&S may in its sole discretion remedy such complaint or issue in which case Franchisee must reimburse S&S for any such remedy deemed appropriate in S&S's sole discretion.

Upon the occurrence of a Crisis Management Event (as defined below), Franchisee shall immediately inform S&S, as instructed in the Operations Manual, by telephone and email (or other electronic messaging medium authorized by S&S for this purpose). Franchisee shall cooperate fully with S&S with respect to Franchisor's response to the Crisis Management Event. "***Crisis Management Event***" means any event that occurs at or about Franchised Business that has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings, or any other circumstance which may damage the goodwill associated with System or the Licensed Marks, or image or the reputation of Scissors & Scotch® Barbershops or S&S or its Affiliates. In the event of the occurrence of a Crisis Management Event, S&S may also establish emergency procedures pursuant to which S&S may require Franchisee to, among other things, temporarily close Franchised Business to the public, in which event S&S shall not be liable to Franchisee for any losses or costs, including consequential damages or loss profits occasioned thereby.

L. CONFERENCES

Franchisee and up to two (2) key personnel, as required by S&S, must attend each annual franchise conference held by S&S at Franchisee's cost. The date and location of all conferences conducted by S&S will be at the sole discretion of S&S. Franchisee will pay all expenses incurred by the persons attending the conferences on Franchisee's behalf. S&S reserves the right to charge registration fees for the conferences held by S&S. Franchisee must send at least one person to each conference held by S&S provided that S&S may exclude Franchisee from attending any Conference if Franchisee is then in default of the Agreement or has received two more notices of default of this Agreement in the preceding 12 months.

M. MEMBERSHIPS

Franchisee must offer and sell memberships (the "***Memberships***") as S&S requires. Franchisee must comply with the S&S System standards regarding Memberships. All Memberships must be evidenced by a membership agreement (each, a "***Membership Agreement***"). S&S may provide Franchisee a template form of Membership Agreement, and if S&S does so, Franchisee will use the template form of Membership Agreement that S&S provides to Franchisee, and Franchisee will not make any modifications to said form, except as required to ensure compliance with all applicable laws for the Franchised Business, without prior written consent from S&S. Franchisee are responsible for ensuring that the Membership

Agreements and Franchisee's offering of Memberships comply with all applicable laws for Franchisee's Barbershop. S&S and its affiliates own all information relating to clients and members of Franchisee's Barbershop. S&S may contact any member(s) of Franchisee's Barbershop at any time for any purpose.

N. CREDIT CARDS; GIFT CERTIFICATES AND CARDS

Franchisee will honor all credit, debit, charge and cash cards required by S&S in the Operations Manual or otherwise in writing. Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC or any successor organization or standards that S&S may reasonably specify. Among other things, Franchisee shall implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

Franchisee must offer S&S gift cards in the Franchised Business and participate in S&S's designated gift card program. Franchisee must purchase gift cards that it issues to its customers from S&S's approved supplier. Franchisee must honor all S&S gift cards purchased at other S&S Barbershops. S&S reserves the right to change this policy from time-to-time. Franchisee must comply with all requirements established by S&S for participation in the gift card program, including the process and procedure for customers to redeem these cards and for purposes of determining the amount of Gross Sales at the Franchised Business. In addition to the gift card program described in this paragraph, S&S may establish other pre-paid cards, loyalty-based awards, customer loyalty, customer feedback, or other promotional programs, and once established, Franchisee shall participate in such programs in accordance with the Specifications provided by S&S in the Operations Manual. S&S has sole discretion over all such programs for Scissors & Scotch® Barbershops. Franchisee will not create or issue any gift certificates or gift card programs other than those that are approved, required or issued by S&S for the Franchised Business. Franchisee will not issue coupons or discounts of any type, except as approved by S&S in the Operations Manual or otherwise in writing. Franchisee is required to follow all visual merchandise standards set forth by S&S with no exceptions.

O. QUALITY ASSURANCE PROGRAMS, CUSTOMER LOYALTY PROGRAMS

Franchisee will, at its expense, fully participate in all quality assurance programs and customer loyalty programs established, approved or required by S&S in the Operations Manual or otherwise in writing for all Franchised Businesses. Franchisee's participation in any such quality assurance programs and customer loyalty programs will be in compliance with the standards, policies and procedures established by S&S.

P. MODIFICATION TO SYSTEM

In the exercise of S&S's sole business judgment, S&S may from time to time modify any components of the System and requirements applicable to Franchisee by means of modifications to the Operations Manual or otherwise, including, but not limited to: (1) altering the products, services, prices, programs, methods, standards, accounting and computer systems, forms,

policies and procedures of the System; (2) adding to, deleting from or modifying the products or services which Franchisee must offer from Franchised Business; (3) modifying or substituting the equipment, signs, trade dress and other characteristics that Franchisee is required to adhere to; and (4) changing, improving, modifying or substituting for the Licensed Marks. Franchisee agrees to implement any such System modifications as if they were part of the System at the time Franchisee signed this Agreement.

Q. MANAGEMENT/CONFLICTING INTERESTS

(1) Franchised Business must at all times be under the direct, day-to-day, full-time supervision of Franchisee, Representative or a general manager who has satisfactorily completed S&S's training program. If a general manager supervises Franchised Business, Franchisee or the Representative must remain active in overseeing the operations of the Franchised Business conducted under the supervision of the general manager. The general manager must attend all meetings scheduled and conducted by S&S for the purpose of further training, educating or informing the individual supervising day-to-day operations of the System.

(2) Franchisee must at all times faithfully, honestly and diligently perform Franchisee's obligations under this Agreement and must continuously exert best efforts to promote and enhance Franchised Business. The person who is responsible for the day-to-day supervision of the Franchised Business must assume responsibilities on a full-time basis and must not engage in any other business or other activity, directly or indirectly, that requires any significant management responsibility, time commitments, or otherwise conflicts with such person's responsibility to manage and operate the Franchise.

(3) If at any time Franchised Business is not being managed by Franchisee (or the Representative, if Franchisee is an entity) or an approved manager who has satisfactorily completed S&S's training program, S&S is authorized, but is not required, following the notice of default and a 30-day cure period, to appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee. S&S's appointment of a manager of the Franchised Business does not relieve Franchisee's obligations or constitute a waiver of S&S's right to terminate this Agreement pursuant to Section 19. S&S is not liable for any debts, losses, costs or expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchised Business while it is managed by S&S's appointed manager. S&S has the right to charge a reasonable fee for management services and to cease to provide management services at any time.

R. TEMPORARY MANAGEMENT FEE

If S&S determines, in its reasonable discretion, that it must temporarily manage the Scissors & Scotch® Barbershop granted to Franchisee hereunder, then Franchisee shall pay S&S ten percent (10%) of Gross Sales during the period S&S is managing the Franchised Business, plus all costs incurred by S&S, including any and all travel expenses, room and board and compensation of employees of S&S.

S. LIQUOR LICENSE

Before opening the Barbershop, Franchisee must obtain a liquor license permitting the sale of alcoholic beverages at the Barbershop premises and must maintain the liquor licenses at all time during the term of this Agreement. 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 Franchisee's business, Franchisee should contact the state or local liquor licensing board in its state, as well as the appropriate municipal authority(ies) in the city where the Franchised Business is located, and consult with an attorney concerning these and other local laws and ordinances that may affect the Barbershop.

13. INSURANCE

A. Franchisee must obtain and maintain in full force at all times during the term of this Agreement, at Franchisee's expense, the insurance policies specified in the Operations Manual or otherwise specified in writing by S&S from time to time.

B. The insurance policies must be written by a responsible carrier or carriers acceptable to S&S and must name S&S as an additional named insured, and must include minimum coverage in accordance with Specifications established by S&S from time to time in the Operations Manual or otherwise in writing.

C. All public liability and property damage policies must contain a provision that S&S is entitled to recover under these policies on any loss by S&S or its representatives, agents or employees by reason of the negligence of Franchisee or its representatives, agents or employees.

D. At least thirty (30) days before Franchised Business opens for business, Franchisee must deliver or cause to be delivered to S&S, a copy of the Certificate of Insurance in accordance with these requirements. All insurance policies must expressly provide that a minimum of thirty (30) days' prior written notice shall be given to S&S in the event of a material alteration to, or cancellation of, the policies.

E. If Franchisee fails to obtain the insurance required, S&S may obtain such insurance at Franchisee's expense (but are not required to do so) and charge Franchisee a service fee to do so. Otherwise, these payments are made directly to a third-party insurance provider.

14. MARKETING

Recognizing the value of marketing and the importance of uniform marketing programs to further the goodwill and public image of the System, the parties agree that S&S may, in its sole discretion, develop and administer marketing, public relations, social media programs and sales promotion programs, each designed to promote and enhance the collective success of the Franchised Business. It is expressly understood, acknowledged and agreed that in all phases of such marketing and promotion, including, without limitation, type, quantity, timing, placement and choice of media, social media, market areas, selection of marketing consultants and public relations firms, S&S's decision shall be final and binding. Franchisee must participate actively in such marketing, social media, public relations and sales promotion programs, and shall comply with all terms and conditions established by S&S for each such program.

A. MARKETING

S&S and its affiliates conduct marketing programs in support of Scissors & Scotch® Barbershops nationwide. S&S may use any media (such as radio, television, or print) and online marketing and advertising may be national, regional, or local. S&S may develop advertising internally or use a national or regional advertising agency. S&S has no obligation to spend any amount on advertising in the area where the Franchised Business is located.

B. BRAND BUILDING FUND

S&S will institute, maintain and administer a Brand Building Fund (the "***Brand Building Fund***") and direct all Brand Building Fund programs, with sole discretion over the creative concepts, materials, endorsements and media used and the placement and allocation of all marketing and public relations materials. S&S has the right to determine, in its sole discretion, the composition of all geographic territories and market areas for the development and implementation of social media, marketing and public relations programs. The Brand Building Fund's programs and activities are intended to maximize public awareness of all franchisees, and S&S is under no obligation to ensure that Franchisee or any other particular franchisee benefits directly or *pro rata* from the placement of such marketing and public relations programs and activities.

S&S and its affiliates conduct marketing programs in support of Scissors & Scotch® Barbershops nationwide. S&S may use any media (such as radio, television, or print) and online marketing and advertising may be national, regional, or local. S&S may develop advertising internally or use a national or regional advertising agency. S&S has no obligation to spend any amount on advertising in the area where the Franchised Business is located.

S&S may, in its sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, mobile applications, or other means of digital advertising on the Internet or any electronic communications network (collectively, "***Digital Marketing***") that are intended to promote the Licensed Marks, the Franchised Business, and the entire network of Barbershops.

S&S will make available advertising and marketing materials, direct mail materials, merchandising materials, sales aid, point of sale materials, special promotions, direct mail

materials and similar advertising and marketing materials, promotional materials and public relations materials, which may be produced by the Brand Building Fund for purchase by Franchisee and by local or regional advertising cooperatives.

The Brand Building Fund may be used to meet all costs and expenses related to the following programs and activities:

(i) Maintaining, administering, directing, preparing and producing national, regional or local advertising materials, programs and public relations activities, including, without limitation, the cost of preparing and conducting television, radio, direct mail, magazine, billboard, newspaper, email, text messages, other digital programs, Internet, point of purchase and other media programs and activities;

(ii) Employing advertising and marketing agencies and consultants, and utilizing S&S administrative personnel to perform advertising, marketing and public relations services;

(iii) Creative development, production and placement of video, audio and written materials, promotional brochures and advertising materials, including point of sale materials, and electronic media, for Scissors & Scotch® Barbershops and to regional and local advertising cooperatives;

(iv) Conducting market research, testing and development of new products, services and equipment, for customer satisfaction surveys and for secret shopper programs;

(v) Reimbursement of S&S administrative and personnel costs and salaries and overhead associated with advertising, marketing, telemarketing, public relations, market research, product and new menu item development and testing, and payment for consultants providing services in menu and product development, customer satisfaction, guest loyalty, consumer research and any expenses related thereto;

(vi) Creative development and production of signage, posters, décor items, and supporting marketing and training collateral;

(vii) Developing, administering, and distributing coupons, gift certificates, loyalty cards, and gift card programs, including customized promotions and the cost of products and services associated with each; Development and distribution of the Operations Manual;

(viii) Annual or Semiannual System marketing meetings and for annual franchisee convention costs;

(ix) Development, implementation and maintenance of website, for social media costs and expenses;

(x) Public relation and community activities and programs; and

(xi) Website, Extranet and/or Internet development and maintenance;

(xii) Creative Development and Production of materials for marketing programs to be used as a test that may result in a System-wide roll out.

Upon opening the Franchised Business (or such other time as may be determined by S&S), Franchisee must contribute two percent (2%) of Gross Sales to the Brand Building Fund (the "***Brand Building Fund Contribution***"), which will be payable each Monday for the preceding week upon commencement of operations. All company-owned Barbershops will contribute to the Brand Building Fund in the same manner as franchisees. S&S reserves the right to increase the Brand Building Fund Contribution to up to 3% of Gross Sales upon notice to Franchisee.

S&S may spend in any fiscal year an amount greater or less than the aggregate contributions by franchisees to the Brand Building Fund in that year. If not all contributions to the Brand Building Fund have ~~are~~been spent in the fiscal year in which they accrue, the remaining amount will be carried forward to the following year.

The media in which advertising may be disseminated includes, without limitation, print, point of purchase, radio, television, direct mail, electronic, billboard, digital and other channels of communication. Other channels may be considered at the sole discretion of S&S. The media coverage may be local, regional or national. The source of the advertising is in-house advertising and marketing personnel, and advertising agency. Franchisee may use Franchisee's own advertising material subject to submission to S&S and approval by S&S in writing of the content.

S&S will account for the Brand Building Fund separately and it will not be used to defray any of S&S's general operating expenses, except for salaries, administrative costs and overhead as S&S may incur in activities related to the development of social media and marketing materials and for the administration or direction of the Brand Building Fund and its programs and activities as outlined above, and for collecting and accounting for contributions to the Brand Building Fund. S&S will prepare an unaudited annual report of the operations of the Brand Building Fund, which is available to Franchisee upon reasonable request.

Although the Brand Building Fund is intended to be perpetual, S&S may terminate the Brand Building Fund at any time in S&S's sole discretion. The Brand Building Fund will not be terminated until all moneys paid to the Brand Building Fund have been expended for the activities of the Brand Building Fund.

Marketing materials, direct mail materials, merchandising materials, special promotions, and public relations materials may be produced by the Brand Building Fund for purchase by Franchisee and by local or regional marketing cooperatives.

S&S will not use Brand Building Fund contributions for advertising that principally is a solicitation for the sale of franchises, except that S&S may use/display the phrase "Franchises Available" on any and all advertising/marketing that is covered by the Brand Building Fund.

C. ~~PRE-OPENING~~PRE-OPENING DIGITAL ADVERTISING PROGRAM

Prior to the Franchised Business's opening, Franchisee will be required to engage an approved marketing firm to develop a pre-opening targeted advertising program ("***~~Pre-Opening~~Pre-Opening Digital Advertising Program***"). The cost of the services provided by the advertising agency to design the ~~Pre-Opening~~Pre-Opening Digital Advertising Program will be $~~5,000 (the "***Pre-Opening***~~3,500 (the "***Pre-Opening Digital Advertising Program Setup Cost***") and Franchisee will be required to expend at least an additional $15,000 to implement the ~~Pre-Opening~~Pre-Opening Digital Advertising Program to promote and advertise the opening of the Franchised Business (the "***~~Pre-Opening~~Pre-Opening Digital Advertising ~~Expenditure~~***"). ~~The Pre-Opening~~***Expenditures***"). The Pre-Opening Digital Advertising Program will typically involve certain online platforms including Google, Facebook, Instagram, YouTube, and/or other similar platforms designated by the advertising agency. Franchisee will be required to incur the ~~Pre-Opening~~Pre-Opening Digital Advertising Expenditures during the three months immediately before the opening of the Franchised Business. S&S reserves the right to increase the amount of the required ~~Pre-Opening~~Pre-Opening Digital Advertising ~~Expenditure~~Expenditures to an amount greater than $15,000 if the Franchised Business is located in a market with more digital advertising competition than other markets. For example, S&S expects that franchisees located in large cities will be required to incur ~~Pre-Opening~~Pre-Opening Digital Advertising Expenditures in excess of $15,000 due to the competition for digital advertising in those markets.

D. ~~ONGOING TARGETED ADVERTISING~~GRASSROOTS MARKETING PROGRAM

Prior to the Franchised Business's opening, Franchisee may be required to participate in local marketing efforts directed by, or in conjunction with, S&S (the "***Grassroots Marketing Program***"). The Grassroots Marketing Program is designed to complement Franchisee's digital advertising efforts and enhance the Franchise Business's market presence and local visibility. The Grassroots Marketing Program may require additional costs for labor, production of marketing materials, event registration fees and more (collectively, the "***Grassroots Marketing Program Expenditures***"). The Grassroots Marketing Program Expenditures are estimated to be between $7,500 and $15,000. S&S reserves the right to increase the amount of required Grassroots Marketing Program Expenditures if the Franchised Business is located in a market with more advertising competition than other markets, and/or if the Franchised Business is located in a market with low Scissors & Scotch® brand awareness.

E. POST-OPENING DIGITAL ADVERTISING PROGRAM

After the Franchised Business opens for business, S&S will require Franchisee to continue to spend certain minimum amounts on a post-opening targeted advertising program (the "***~~Post-Opening~~Post-Opening Digital Advertising Program***") that is under the direction of S&S and the direction the designated digital advertising agency. During the eighteen (18) month period immediately after the day the Franchised Business opens for business, Franchisee must spend at least $4,000 per month on the ~~Post-Opening~~Post-Opening Digital Advertising Program, and after the 18-month anniversary of the opening of the Franchised Business, Franchisee must continue to spend a minimum of two percent (2%) of Gross Sales each month on the ~~Post-Opening~~Post-Opening Digital Advertising Program (collectively, the

"~~*Targeted*~~*Post-Opening Digital* ***Advertising Expenditures***"). These ~~Targeted~~Post-Opening Digital Advertising Expenditures are in addition to Franchisee's contribution to the Brand Building Fund described above. We reserve the right to increase the amount of the required Target Advertising Expenditures to an amount greater than $4,000 per month during the initial 18-month period if your Franchised Business is located in a market with more digital advertising competition than other markets. For example, we expect that franchisees located in large cities will be required to incur ~~Targeted~~Post-Opening Digital Advertising Expenditures in excess of $4,000 per month due to the competition for digital advertising in those markets (Franchise Agreement, Section 14(C)).

F. ~~E.~~ ADMINISTRATIVE FEES

In addition to the ~~Pre-Opening~~Pre-Opening Digital Advertising Setup Cost, the ~~Pre-Opening~~Pre-Opening Digital Advertising ~~Expenditure and the Targeted~~Expenditures and the Post-Opening Digital Advertising Expenditures, Franchisee must pay our designated digital advertising agency the then-current administrative fee, which is $750 per month, as of the date of this disclosure document. The monthly administrative fee is initiated the month your Pre-Opening Digital Advertising Program begins. S&S reserves the right to increase the amount of this fee throughout the term of the Franchise Agreement to cover the costs incurred in administering the ~~Post-Opening~~Post-Opening Digital Advertising Program.

G. ~~F.~~ REGIONAL OR LOCAL ADVERTISING COOPERATIVE

S&S currently does not, but reserves the right to, designate any geographic area in which two or more Scissors & Scotch® Barbershops are located as a region for purposes of establishing an advertising cooperative (the "***Cooperative***"). The members of the Cooperative for any area will consist of all Scissors & Scotch® Barbershops whether operated by S&S, its affiliates or by franchisees. S&S will determine in advance how each Cooperative will be organized and governed and when it must start operation. S&S retains the right to dissolve, merge, or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purpose of administering advertising programs and public relations activities, subject to the approval of S&S for use by the members of the Cooperative. If a Cooperative has been established for a geographic area where the Franchised Business is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, Franchisee must sign all documents S&S requests and become a member of the Cooperative according to the terms of the documents. Contributions to the Cooperative will be credited to Franchisee's current required ~~Targeted~~Post-Opening Digital Advertising ~~Expenditure~~Expenditures. Franchisee must contribute to the Cooperative amounts the documents governing the Cooperative require. Franchisee will not have to contribute more than 1% of Gross Sales during each week to the Cooperative. Brand Building Fund Contributions that exceed 2% of the Franchised Business's weekly Gross Sales are credited to the required contribution to the Cooperative.

H. ~~G.~~ APPROVAL OF MARKETING MATERIALS

Before their use by Franchisee, samples of all Local Advertising, public relations, promotional materials, and internal signage, not prepared by or previously approved by S&S

must be submitted to S&S for approval, which shall not be unreasonably withheld. Local Advertising, public relations, promotional materials prepared by Franchisee shall be prepared in accordance with S&S's Specifications. If written disapproval is not received by Franchisee within fifteen (15) days after the date of receipt by S&S of any submitted materials, Franchisee may begin using such materials, but S&S may disapprove at any subsequent date, and if S&S notifies Franchisee to cease using such materials, Franchisee will immediately cease using such materials. In such event, S&S will reimburse Franchisee for its actual costs, if the marketing materials have not violated S&S's standard of trademark usage. Franchisee must not use any marketing or promotional materials that S&S has disapproved.

I. ~~H.~~ PRICING

S&S reserves the right to establish pricing of products and services offered by the Franchised Business to the fullest extent permitted by then-applicable law to enhance the competitive position and consumer acceptance of S&S's products and services consistent with the long term interest of the System, which may include without limitation, any or all of the following: prescribing the maximum and/or minimum retail prices which Franchisee may charge customers for the products and/or services offered and sold at the Franchised Business; recommending retail prices; advertising specific retail prices for some or all products or services sold at the Franchised Business, which prices Franchisee will be required to observe; engaging in marketing, promotional and related campaigns which Franchisee must participate in and which may directly or indirectly establish Franchisee's retail prices for products and services offered at the Franchised Business; and, otherwise mandating, directly or indirectly the maximum and/or minimum retail prices which Franchisee may charge the public for the products and services offered by Franchisee.

S&S may engage in any such activity either periodically or throughout the term of this Agreement. Further, S&S may engage in such activity only in certain geographic areas (cities, states, regions) and not others, or with regard to certain subsets of franchisees and not others. Franchisee acknowledges and agrees that any maximum, minimum or other prices prescribed or suggested by S&S may or may not optimize the revenues or profitability of the Franchised Business, and Franchisee irrevocably waives any and all claims arising from or related to S&S's prescription or suggestion of prices for products or services at the Franchised Business.

J. ~~I.~~ ADVISORY COMMITTEE

S&S may form and Franchisee agrees to participate in, if requested, one or more committees or councils of franchisees to consult with and advise S&S on various matters affecting franchisees. If formed, S&S will select franchisees to serve on any such committee or council, but S&S will retain all decision-making authority and responsibility for such matters and will reasonably consider the recommendations of the committee or counsel. The committee or counsel will serve in an advisory capacity only. S&S has the exclusive right to form, change or dissolve any such committee or counsel.

15. RECORDS AND REPORTS

A. Franchisee must maintain during the term of this Agreement, and must preserve for at least 3 years from the dates of their preparation, full, complete and accurate books, records and accounts including payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, in accordance with GAAP and using the chart of accounts described by S&S in the Operations Manual.

B. If Franchisee uses a separate accounting system from the systems S&S has in place, Franchisee must integrate its separate system with S&S's systems in a manner that gives S&S the ability to view Franchisee's financial information for its operation of the Franchised Business on a fully transparent basis. In addition, Franchisee must comply with the following reporting obligations:

(1) At Franchisee's expense and if requested by S&S, submit to S&S, in the form S&S reasonably prescribes in the Operations Manual or otherwise in writing, an unaudited profit and loss statement and a balance sheet for each month for Franchisee within 20 days after the end of each month during the term of this Agreement;

(2) Franchisee must, at its expense, provide to S&S annual financial statements (which may initially be unaudited subject to S&S's right to later require audited financials) reviewed by an independent certified public accountant in accordance with GAAP within 105 days after the end of each calendar year, showing the results of operations and the financial condition of the Franchised Business and Franchisee and reconciling Gross Sales per GAAP to Gross Sales per this Agreement; and

(3) Franchisee must timely submit to S&S any other forms, reports, records, information and data as S&S may reasonably request.

C. S&S or its designees shall have the right at all reasonable times to review, audit, examine and copy any and all of the books and records, cash control devices, sales and income tax records of Franchisee. Franchisee shall make such books and records available to S&S or its designees at the time of request and cooperate with S&S, its representatives and any independent accountants hired by S&S.

D. Franchisee authorizes S&S to disclose data from Franchisee's reports, if S&S determines, in its sole discretion, that disclosure is necessary or advisable, including, without limitation, disclosure to prospective franchisees or existing Franchisees or to other third parties.

E. Franchisee must provide to S&S, on a quarterly basis, accurate reporting of all marketing expenditures.

F. If requested by S&S, Franchisee shall use S&S's designated vendor for accounting support and shall pay all costs associated with the products and services provided by such vendor.

16. INSPECTION AND AUDITS

A. S&S'S RIGHT TO INSPECT THE PREMISES

(1) To determine whether Franchisee is complying with this Agreement, S&S has the right at any time during business hours, following reasonable prior notice to Franchisee, to inspect the Franchise. Franchisee must fully cooperate with representatives of S&S making any inspection and must permit representatives of S&S to take photographs, movies or videotapes of the Franchised Business and to interview employees and customers of the Franchised Business, as long as Franchisee's ability to operate Franchised Business is not impeded. S&S and its employees must identify themselves as employees of S&S immediately upon arrival at the Franchise. Franchisee has the right to request and receive copies, within 10 days after departure, of all reports, transcripts, videotapes, tape recordings, photographs, and films made by any and all persons visiting Franchised Business in that capacity.

(2) S&S's authorized representatives may enter upon the Premises at any time during normal business hours following reasonable prior notice to Franchisee and at any other reasonable time, for the purpose of determining whether the business of the Franchised Business is being conducted in accordance with S&S's Specifications, the requirements of the Operations Manual and the commercially reasonable and material terms of this Agreement. If any inspection indicates any deficiencies, Franchisee will initiate correction or repair of the deficiency as soon as commercially and reasonably possible after Franchisee receives a written report of a deficiency from S&S. If the deficiency is one that Franchisee has a right to cure under the termination provisions of this Agreement, Franchisee will not be in default if Franchisee begins the necessary correction or repairs as soon as commercially and reasonably possible, and diligently pursues the work to completion. If the deficiency is one that imminently threatens the health or safety of Franchisee's employees or the consumer public, S&S may, as an alternative to terminating this Agreement, require Franchisee to cease operating Franchised Business until the deficiency is substantially corrected.

B. S&S'S RIGHT TO EXAMINE BOOKS AND RECORDS

S&S has the right at any time during business hours, and without prior notice to Franchisee, to examine or audit, or cause to be examined or audited, the business records, cash control devices, bookkeeping and accounting records, bank statements, sales and income tax records and returns and other books and records of the Franchised Business and the books and records of Franchisee that relate in any way to the Franchise. Franchisee must maintain all books, records and supporting documents at all times at the Premises or at another location approved by S&S. Franchisee must fully cooperate with representatives of S&S and independent accountants hired by S&S to conduct any examination or audit.

C. AUDIT

If any examination or audit pursuant to Section 16(B) discloses an understatement of Revenue, Franchisee must pay to S&S, within fifteen (15) days after receipt of the examination or audit report, the Royalty Fees, Brand Building Fund Contributions and other fees due on the amount of the understatement, plus interest (at the rate and on the terms provided in this

Agreement) from the date originally due until the date of payment. Further, if the examination or audit is made necessary by the failure of Franchisee to furnish reports, supporting records, financial statements or other documents or information, as required, or failure to furnish reports, records, financial statements, documents or information on a timely basis, or if an understatement of Gross Sales for any month is determined by any examination or audit to be greater than three percent (3%), Franchisee must reimburse S&S for all costs of the audit or examination, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of employees of S&S.

D. INDEPENDENT SHOPPING SERVICES

S&S will have the right to hire independent shopping or other customer feedback services to (a) visit Franchised Business, (b) interview and survey customers electronically, by telephone, or in person, (c) summarize customer information from comment cards and other evaluation methods or devices, and/or (d) communicate with customers by e-mail or in writing for the purpose of evaluating: (1) the operations of the Franchised Business, (2) the quality of the products and services provided to customers of the Franchised Business, and (3) whether Franchisee is in compliance with the operational and quality standards specified in the Operations Manual. S&S will determine the frequency, nature and extent of these services and the form of the reports the service will provide to S&S. The fees charged will be paid by S&S or from the Brand Building Fund. S&S will provide Franchisee with copies of all evaluation reports prepared for Franchised Business.

17. TRANSFER OF INTEREST

A. BY S&S

S&S has the absolute right to transfer or assign this Agreement and all or any part of its rights and obligations to any person or legal entity, without the consent or approval of Franchisee, provided, however, that such person or legal entity shall expressly agree to assume S&S's obligations under this Agreement. This Agreement shall inure to the benefit of, and be binding on, the successors and assigns of S&S.

B. FRANCHISEE MAY NOT ASSIGN WITHOUT APPROVAL OF S&S

Franchisee understands and acknowledges that the (i) rights and duties created by this Agreement are personal to Franchisee and the Principals and (ii) S&S entered into this Agreement in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Franchisee and the Principals. Unless otherwise expressly permitted by the terms of this Agreement, any assignment, sale, conveyance, pledge, sublicense or sub-franchise arrangement or any other attempted transfer, either directly or indirectly, of (1) any interest in this Agreement, (2) any interest in the Franchisee, (3) any of the assets of Franchisee related to the operation of the Franchised Business or (4) any interest in Franchisee that changes who ultimately controls the operations of Franchisee (including by merger or consolidation, by issuance of additional securities, by conversion, by creation of an additional interest, through a divorce proceeding, by will or transfer in trust or the laws of the intestate succession), without S&S's prior written approval (subject to Section 17(C) below)

shall be void and have no effect and shall not transfer any rights to or interests in this Agreement or the Franchise, and shall be deemed a material breach of this Agreement by Franchisee.

C. CONDITIONS FOR APPROVAL OF ASSIGNMENT

If Franchisee and its owners are in substantial compliance with this Agreement, S&S shall not unreasonably withhold its approval or any of the transfers requiring S&S's approval. The proposed transferee must (i) be of good moral character, (ii) have sufficient business experience, aptitude and financial resources to own and operate the Franchised Business and (iii) not be involved with any Competitive Business and otherwise meet S&S's then-applicable Specifications for franchisees. S&S may also require that any one or more of the following conditions be met before, or concurrently with, the effective date of such transfer:

(1) All accrued monetary obligations of Franchisee or any of its Affiliates and all other outstanding obligations to S&S or any of its Affiliates arising under this Agreement must be satisfied in a timely manner and Franchisee must satisfy all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(2) Franchisee and its Affiliates must not be in default of any material provisions of this Agreement;

(3) The transferor and its Principals (if applicable) must execute a general release in a form satisfactory to S&S, of any and all claims against S&S, its Affiliates and the past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement and any other agreement between S&S and Franchisee and federal, state and local laws, rules and regulations;

(4) The parties entering into a written agreement, in a form satisfactory to S&S, including the assumption of all the duties, obligations, responsibilities and accountabilities of Franchisee under this Agreement;

(5) The transferee executing S&S's standard form of Franchise Agreement then being offered to new franchisees and all other ancillary documentation S&S requires for Franchised Business, of which the terms of the agreements may differ from the terms in this Agreement; provided, however, that the transferee will not be required to pay any initial franchise fee;

(6) Unless Franchisee has met the requirements of Section 6(E) within the 5-year period immediately preceding the transfer, the transferee, at its expense, must renovate, modernize and otherwise upgrade Franchised Business to conform to the then-current Specifications of the System, and must complete the upgrading and other requirements within the time period S&S reasonably specifies subject to the other terms and conditions of this Agreement;

(7) The transferor remains liable for all the obligations to S&S in connection to the Franchised Business incurred before the effective date of the transfer and must execute any and all instruments S&S reasonably requests to evidence that liability;

(8) At the transferee's expense, the transferee and its management team, must complete any training programs then in effect for new franchisees of a Franchised Business upon terms and conditions S&S reasonably requires;

(9) Payment of the transfer fee stated in Section 17(H);

(10) S&S approves the material terms and conditions of the assignment and determines in its reasonable discretion that the price and terms of payment are not so burdensome as to materially affect the future operations of the Franchised Business by the transferee;

(11) Franchisee (and each of its owners, members, or partners, if Franchisee is a corporation, limited liability company or partnership) has executed a non-competition covenant in favor of S&S and the assignee, agreeing that for a minimum period of two years, commencing on the effective date of the assignment, Franchisee will not have any direct or indirect interest as an owner, investor, partner, director, officer, employee, consultant, representative or agent, or in any other capacity, in any Competitive Business located within the Protected Area or within the protected area granted any other franchisee or within a 5-mile radius of any other Franchised Business; and

(12) Franchisee must have complied with S&S's right of first refusal under Section 17(G) of this Agreement.

D. DEATH OR DISABILITY OF FRANCHISEE

(1) Upon the death or permanent disability of Franchisee (or the Representative, if Franchisee is an entity), the executor, administrator, conservator or other personal representative of that person, or the remaining owners if Franchisee is an entity, must appoint a competent replacement for such individual within a reasonable time, not to exceed thirty (30) days from the date of death or permanent disability. The appointed individual must attend and successfully complete S&S's training program within 120 days of the appointment. If Franchised Business is not being managed by an S&S approved manager within thirty (30) days after the death or permanent disability, S&S is authorized, but is not required, to immediately appoint a replacement manager to maintain the operations of the Franchised Business for and on behalf of Franchisee until an approved replacement manager is able to assume the management and operation of the Franchised Business. S&S's appointment of a manager does not relieve any of Franchisee's obligations, and S&S is not liable for any debts, losses, costs or expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchised Business during any period in which it is managed by S&S's appointed manager. S&S has the right to charge a reasonable fee for management services and to cease to provide management services at any time.

(2) In addition to the obligation to appoint a replacement manager set forth in (1) above, the executor, administrator, conservator or other personal representative of that

person must also transfer the interest of such person to another person or entity that S&S approves within a reasonable time, not to exceed 12 months after the date of death or permanent disability. Approval of such transfer will not be unreasonably withheld by S&S. Transfers, including transfers by devise or inheritance, are subject to all the terms and conditions for assignments and transfers contained in Sections 17(B) and 17(C), except no transfer fee shall be due upon such death or disability. Failure to transfer this interest as required by this Agreement shall constitute grounds for termination.

E. ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY; EXECUTION OF GUARANTY

(1) Notwithstanding the other provisions of this Section 17 of this Agreement, upon thirty (30) days' prior written notice to S&S and without payment of a transfer fee (i) this Agreement and the assets and liabilities of the Franchised Business may be assigned to an entity that conducts no business other than the operation of the Franchised Business (or other Franchised Business under franchise agreements granted by S&S) which is actively managed by Franchisee and in which Franchisee owns a minimum of 51% of the voting power of all issued and outstanding equity interests and otherwise controls such entity and (ii) each of the Principals may transfer, sell or assign their respective interests in Franchisee so long as such transfer, sale or assignment does not change who owns the ultimate controlling interest in Franchisee. An assignment does not relieve Franchisee's obligations, and Franchisee remains jointly and severally liable with the transferee for all such obligations. The governing documents of any such entity must recite that the issuance and assignment of any equity interest is restricted by the terms of this Agreement and all issued and outstanding certificates must bear a legend reflecting or referring to the restrictions on transfer set forth in this Agreement.

(2) A transfer of this Agreement, any franchise or an ownership interest in Franchisee to an immediate family member, or to a Trust for the purpose of estate planning, is not subject to this Section 17(E)(2). For purposes of this paragraph, an immediate family member is limited to a spouse and/or a living child or living children or living grandchildren or a trust for the benefit of such persons or such transferee; and

(3) Any owner of Franchisee that holds a beneficial ownership interest equal to or greater than 10% must execute the Guaranty and Assumption of Obligations attached hereto or S&S's then-current standard form. Franchisee must furnish to S&S at any time upon request a certified copy of its governing documents and a list, in a form S&S requires, of all owners of record and all other persons having beneficial ownership in Franchisee reflecting their respective interests in Franchisee.

F. PUBLIC OR PRIVATE OFFERINGS

(1) Franchisee acknowledges that the written information used to raise or secure funds can reflect upon S&S. Franchisee agrees to submit any written information intended to be used for that purpose to S&S before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. This requirement applies under the following conditions: if Franchisee attempts to raise or secure funds by the sale of securities in Franchisee or any Affiliate of Franchisee (including common or preferred stock, bonds,

debentures or general or limited partnership interest) and if any of its owners attempt to raise or secure funds by the sale of securities in Franchisee or any Affiliate of Franchisee (including common or preferred stock, bonds, debentures or general or limited partnership interests) Franchisee (or any of its owners) agrees not to use the written materials submitted to S&S or any other written materials to raise or secure funds unless and until S&S approves of the language. No information respecting S&S or any of its Affiliates shall be included in any securities disclosure document, unless that information has been furnished to S&S, in writing, pursuant to the written request of Franchisee. The written request shall state the specific purpose for which the information is to be used. Should S&S, in its sole discretion, object to any reference to S&S or any of its Affiliates or any of their businesses in the offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of S&S are withdrawn. S&S assumes no responsibility for the offering whatsoever. The written consent of S&S pursuant to this Section 17(F) does not imply or constitute the approval of S&S with respect to the method of financing, the offering literature submitted to S&S or any other aspect of the offering.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

> **"NEITHER SCISSORS & SCOTCH FRANCHISING, LLC NOR ANY OF ITS AFFILIATES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER SCISSORS & SCOTCH FRANCHISING, LLC NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. SCISSORS & SCOTCH FRANCHISING, LLC NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."**

(3) Franchisee shall indemnify, defend and hold harmless S&S and its Affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys' fees) incurred by S&S as the result of the offer or sale of securities. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorney's fees) asserted by a purchaser of any security or by a governmental agency. S&S has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which S&S or any of its Affiliates or any of their respective officers, directors, employees or agents is named as a party.

G. S&S'S RIGHT OF FIRST REFUSAL

If Franchisee or any Principal which owns a controlling interest or otherwise controls the operation of Franchisee, at any time determines to sell or to transfer for consideration this Agreement, Franchised Business (or an interest therein) or its ownership interest in Franchisee, and desires to accept a bona fide, written offer from a responsible and fully disclosed purchaser,

Franchisee must submit an exact copy of the offer to S&S. S&S has the right, exercisable by written notice delivered to Franchisee or such Principal(s) within thirty (30) days after its receipt of notification (and an exact copy of such offer) exercising the right to purchase at the price and on the terms and conditions contained in the offer, provided that S&S may substitute cash for any form of payment proposed in the offer and has a minimum of sixty (60) days to prepare for closing. If S&S does not exercise its right of first refusal, Franchisee (or its Principals) may complete the sale pursuant to and on the exact terms of the offer and in accordance with Sections 17(B) and 17(C), provided that if the sale to purchaser is not completed within 120 days after delivery of the offer to S&S, or if there is a material change in the terms of the sale, the right of first refusal shall restart from the beginning. A transfer of this Agreement, Franchised Business or an ownership interest in Franchisee to an immediate family member or to a Trust for the purpose of estate planning, is not subject to S&S's right of first refusal. For purposes of this paragraph, an immediate family member is limited to a spouse and/or a living child or living children or living grandchildren or a trust for the benefit of such persons or such transferee. If S&S secures a buyer for Franchisee's business, then S&S may charge such Franchisee a two percent (2%) brokerage fee.

H. TRANSFER FEE

Upon any transfer of the Franchised Business by the Franchisee pursuant to this Section, Franchisee or Transferee must pay Franchisor a transfer fee amounting to twenty five percent (25%) of Franchisor's then-current Franchise Fee (the "***Transfer Fee***").

18. RENEWAL OF FRANCHISE

A. FRANCHISEE'S RIGHT TO RENEW

If, upon expiration of the initial term of this Agreement:

(1) Franchisee has during the term of this Agreement substantially complied with all its provisions, including without limitation, the notice of renewal provisions set forth below in Section 18(B) and the conditions set forth below in Sections 18(C) and 18(D); and

(2) (i) Franchisee maintains possession of and agrees to refurbish and decorate the Premises, replace fixtures, equipment, signs, and otherwise modify the Franchise, in compliance with Specifications then applicable to new Franchised Business unless Franchisee has upgraded the Premises during the previous three (3) years; or (ii) Franchisee is unable to maintain possession of the Premises, or in the judgment of S&S Franchised Business should be relocated, and Franchisee secures a substitute location within the Protected Area that does not impede the development and operation of any other Franchised Business and agrees to develop a new location in compliance with Specifications then-applicable to a new Franchised Business; then Franchisee has the right to renew for one additional ten (10) year term (the "***Renewal Term***").

B. NOTICE OF RENEWAL AND NONRENEWAL

Franchisee must give S&S written notice of Franchisee's election to renew at least twenty-four (24) months prior to the expiration of the initial term or any renewal term, and

Franchisee must comply with all of the conditions set forth in this Section 18 which must, in S&S's discretion, be met before or at the time of such renewal. If S&S does not receive written notice of Franchisee's election to renew at least twelve (12) months before the expiration of the then-current term, this Agreement shall expire at the end of such term. If S&S does receive such written notice, then S&S must determine whether Franchisee has the right to renew Franchised Business based on the criteria set forth above in Section 18(A) and as set forth in this Section 18(B). If S&S determines that Franchisee does not have the right to renew Franchised Business based on these criteria, S&S shall give Franchisee written notice (the "***Notice of Nonrenewal***") of its determination at least four (4) months before the expiration of such term. The Notice of Nonrenewal from S&S shall state the reasons for S&S's refusal to renew the Franchise, and may include, without limitation, the failure of Franchisee to comply with the terms and conditions of this Agreement.

If the reasons cited by S&S in the Notice of Nonrenewal are curable and are in fact cured by Franchisee, as reasonably determined by S&S, within sixty (60) days after the date of the Notice of Nonrenewal, then the Notice of Nonrenewal will be of no further effect and Franchised Business will be renewed for one (1) additional term equal to ten (10) years, subject to compliance by Franchisee with the other conditions precedent to renewal set forth in this Section 18.

A Notice of Nonrenewal from S&S that states the reasons for nonrenewal include Franchisee's substantial defaults under the terms of this Agreement on three or more occasions (or any of the other termination events set forth in Section 19) during the then-current term shall not be subject to a right to cure in favor of Franchisee and shall give S&S the right to allow this Agreement to expire at the end of such term.

C. RENEWAL FRANCHISE AGREEMENT

As a condition precedent to the renewal of this Agreement. S&S and Franchisee must execute the form of and be bound by S&S's then-current form of Franchise Agreement (the "***Renewal Franchise Agreement***") and all ancillary agreements that S&S then customarily uses in the grant of franchises for the ownership and operation of the Franchised Businesses at the time of such renewal. The Renewal Franchise Agreement shall supersede this Agreement and may contain terms and conditions materially different from the terms of this Agreement, such as, but without limitation: (1) increases in expenditures for marketing and promotion, (2) increases in fees, and (3) implementation of new fees. S&S agrees that the Renewal Franchise Agreement will not (i) reduce Franchisee's Protected Area, (ii) increase the amount of the Royalty Fee established by this Agreement, or (iii) reduce the number of renewal terms granted under Section 18(A). Failure by Franchisee to sign the Renewal Franchise Agreement (or the failure of a Principal to execute a guaranty if required by S&S) within thirty (30) days after delivery to Franchisee shall be deemed an election by Franchisee not to renew the Franchise.

D. CONDITIONS FOR RENEWAL

In addition to the conditions and other requirements for renewal stated above in this Section 18 any or all of the following conditions may be required by S&S, in S&S's discretion, before or at the time of renewal:

(1) Franchisee must not be in default of any material provision of this Agreement, any amendment or successor agreement; and Franchisee must have substantially and timely complied with all the material terms and conditions of this Agreement and all other agreements with S&S and its Affiliates;

(2) Franchisee must have satisfied all monetary obligations owed by Franchisee to S&S and its Affiliates under this Agreement and any other agreements between Franchisee (or any of its Affiliates) and S&S (or its Affiliates) and must have timely met those obligations throughout the terms of those agreements;

(3) Franchisee must present satisfactory evidence that Franchisee has the right to remain in possession of the Premises for the operation of the Franchised Business for the duration of the Renewal Term or has secured a substitute location as required by Section 18(A);

(4) Based upon an assessment of Franchisee's needs conducted by S&S prior to renewal, Franchisee must undertake such additional training, if any, as necessary to comply with S&S's then-current qualification and training requirements;

(5) Franchisee must repair or replace, at Franchisee's cost and expense, equipment (including electronic cash register or computer hardware or software systems, inclusive of any software license to Franchisee by S&S), signs, interior and exterior décor items, fixtures, furnishings or catering vehicles, if applicable, supplies and other products and materials required for the operation of the Franchised Business as S&S may reasonably require and must obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which S&S may reasonably require for Franchisee to offer and sell new products or provide new services in the manner S&S specifies and may otherwise modernize the Premises, equipment, décor, fixtures, furnishings, vehicles, supplies and other products and materials required for the operation of the Franchised Business, as S&S reasonably requires to reflect the then-current Specifications and overall image of the System, as contained in the Operations Manual or otherwise provided in writing by S&S unless Franchisee has complied with a request of S&S to upgrade the Premises pursuant to the provisions of Section 6(E) during the previous three (3) years; and

(6) Franchisee and the Principals must execute a general release, releasing S&S and its Affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, from all claims related to the Franchised Business including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations, or orders. If Franchisee is precluded by law from giving a general release, Franchisee shall execute an estoppel statement in a form reasonably acceptable to S&S.

E. RENEWAL FEE

Upon execution of the Renewal Franchise Agreement, Franchisee must pay Franchisor a renewal fee amounting to twenty-five percent (25%) of Franchisor's then-current Franchise Fee (the "***Renewal Fee***"). Franchisee will not be required to pay an additional Initial Franchisee Fee upon renewal.

F. EXPIRED AGREEMENT

If Franchisee does not comply with the renewal procedures outlined in this Section 18 prior to the expiration of this Agreement and continues to accept the benefits of this Agreement after the expiration of the term of this Agreement, then at the option of S&S, this Agreement may be treated either as:

(1) expired as of the date of expiration with Franchisee then operating without the right to do so and in violation of S&S's rights; or

(2) continuing on a month-to-month basis (the "***Interim Period***") until S&S or Franchisee provides the other party with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period. In the latter case, all obligations of Franchisee shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and restrictions imposed upon Franchisee on the expiration of this Agreement shall be deemed to take effect upon the termination of the Interim Period.

19. TERMINATION

A. In S&S's sole discretion, S&S may terminate this Agreement (and all rights granted herein) immediately without notice to Franchisee, if: (1) Franchisee shall become insolvent or make a general assignment for the benefit of creditors; (2) a petition in bankruptcy is filed under any Chapter of Title 11 of the United States Code by Franchisee or such a petition is filed against Franchisee and not opposed by Franchisee; (3) a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; (4) a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (5) proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; (6) final judgment remains unsatisfied or of record for thirty (30) days or longer (unless an appropriate bond is filed); (7) Franchisee is dissolved; (8) execution is levied against Franchisee's business or property; (9) if suit to foreclose any lien or mortgage against the Premises or equipment of the Franchised Business is instituted against Franchisee and not dismissed within thirty (30) days; (10) the real or personal property of the Premises shall be sold after levy thereupon by any sheriff, marshal or law enforcement officer.

B. Franchisee shall be in default under this Agreement and all rights granted by this Agreement may be terminated by S&S, in S&S's sole discretion, effective upon written notice to Franchisee if one or more of the following material breaches occurs:

(1) Franchisee or any Principal is convicted of, or enters a plea of nolo contendere to, a felony, or a crime involving moral turpitude, or any other crime or offense;

(2) Franchisee or any Principal takes any action that S&S believes is reasonably likely to have an adverse effect on the System, or the Licensed Marks or the goodwill associated therewith;

(3) Franchisee or any of its Principals fails to comply with the covenants contained in Section 21 of this Agreement;

(4) Franchisee or a Principal discloses the contents of the Operations Manual or other Confidential Information in breach of this Agreement;

(5) There is an immediate threat or danger to public health or safety resulting from the operation of the Franchise;

(6) Franchisee or a Principal has made a material misrepresentation with its application for the Franchise;

(7) Franchisee abandons, surrenders, or transfers control of, or loses the right to occupy, the Premises without obtaining an alternative site in compliance with this Agreement or fails to actively operate the Franchise, in each case without S&S's written consent;

(8) Franchisee fails on three separate occasions within any twelve (12) consecutive month period (i) to submit when due financial statements, reports or other data, information or supporting records, (ii) to pay when due the Royalty Fees, Brand Building Fund Contributions, amounts due for purchases from S&S, or its Affiliates or other payments due to S&S, or (iii) to otherwise comply with this Agreement, whether or not failure to comply is corrected after notice is delivered to Franchisee;

(9) Franchisee suffers cancellation of or fails to renew or extend a lease or otherwise fails to maintain possession of the Premises without S&S's written consent;

(10) Franchisee maintains false books or records;

(11) Non-compliance with Anti-Terrorism Laws; or

(12) S&S receives more than 10 valid complaints in any 12-month period regarding the quality of the service provided by Franchised Business, and Franchisee fails to promptly improve such service to the reasonable satisfaction of S&S.

C. If any of the events set forth below occur, Franchisee shall be in material default of this Agreement and S&S shall have the right to terminate this Agreement upon thirty (30) days written notice to Franchisee (or the shorter period set forth below). The notice shall specify the default and provide Franchisee with thirty (30) days (or the shorter period set forth below) in which to cure the default. Termination shall be effective upon the expiration of the 30-day period (or the shorter period set forth below) if Franchisee fails to cure the default without

further notice to Franchisee. The occurrence of any one of the following shall be a material default and shall constitute good cause for termination of this Agreement:

(1) Franchisee fails to develop, or open and/or operate Franchised Business in compliance with this Agreement;

(2) If Franchisee fails to designate a qualified replacement Representative as required by this Agreement;

(3) Franchisee misappropriates, or misuses or makes any unauthorized use of the Licensed Marks;

(4) Franchisee or any Principal attempts to transfer any right or obligation under this Agreement without complying with the provisions of this Agreement;

(5) Franchisee or any of its Affiliates fails, refuses or is unable to promptly pay when due any monetary obligation to S&S under the Development Agreement, this Agreement or any other agreement between the parties and Franchisee does not cure such default within 14 days after delivery of written notice from S&S;

(6) Franchisee violates any law, ordinance, rule or regulation of a governmental agency in the connection with the operation of the Franchised Business and permits the same to go uncorrected after notification of violation;

(7) Franchisee fails to maintain or suffers cancellation of any insurance policy required under this Agreement;

(8) Franchisee violates any of the covenants contained in this Agreement other than those set forth in Section 21;

(9) Franchisee or any of its Affiliates fails to comply with any mandatory Specification prescribed by S&S, including, without limitation, any procedural requirements set forth in the Operations Manual, or any other directive of S&S;

(10) Franchisee or any of its Affiliates fails to timely pay suppliers and vendors for the purchase of products, services or equipment; or

(11) Franchisee fails to comply with any other material provision of this Agreement.

D. If Franchisee fails to cure any default specified in a notice from S&S under Section 19(C) within the specified time, or a longer period of time as required by applicable law, Franchisee's rights under this Agreement shall terminate upon the expiration of such cure period, and without further notice to Franchisee.

E. No default under the Development Agreement shall cause a default under this Agreement unless there is an independent default under this Agreement.

F. No right or remedy herein conferred upon or reserved to S&S is exclusive of any other right or remedy provided or permitted by law or in equity.

G. If S&S terminates this Agreement due to a default by Franchisee and in accordance with this Section, Franchisee acknowledges and agrees that (1) Franchisee is liable to S&S for S&S's lost future Royalty Fees; (2) the actual or anticipated damages suffered by S&S, including, but not limited to the lost Royalty Fees, would be difficult if not impossible to calculate; and (3) Franchisee must pay to S&S an amount equal to the greater of $25,000 or three times the Royalty Fees and other fees which became due to S&S from Franchisee during the 12 months immediately preceding such termination (the "***Liquidated Damages Payment***"). Franchisee will pay the Liquidated Damages Payment to S&S promptly, but in no event later than fifteen (15) days after the effective date of the termination of this Agreement. S&S and Franchisee agree that this Liquidated Damages Payment provision is an integral part of this Agreement and the parties have taken into account both Franchisee's liability for lost future Royalty Fees and other fees and the difficulty of calculating S&S's damages in determining the amount of the Liquidated Damages Payment. The parties further agree that the applicable Liquidated Damages Payment is (1) compensation for damages and not a penalty against Franchisee and (2) is a reasonable estimate of the damages S&S will suffer as a result of a termination of this Agreement in accordance with this Section. S&S's right to receive the Liquidated Damages Payment from Franchisee shall be in addition to S&S's other rights under this Agreement.

20. POST-TERMINATION AND POST-EXPIRATION; S&S'S RIGHT TO PURCHASE ASSETS

A. Upon termination or expiration of this Agreement, all rights granted to Franchisee immediately terminate and:

(1) Franchisee must immediately cease to operate Franchised Business under this Agreement and must not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of S&S;

(2) Franchisee must immediately and permanently cease (i) the use, in any manner whatsoever, of any Trade Secrets, confidential methods, computer software, procedures and techniques associated with the System, (ii) to communicate or order products from the System's approved suppliers, (iii) to use the Licensed Marks and distinctive forms, slogans, signs, symbols and devices associated with the System, in any manner or for any purpose, and (iv) use of all signs, marketing materials, displays, stationery, forms and any other articles which display the Licensed Marks or any distinctive features or designs associates with the Franchise;

(3) Franchisee must immediately pay to S&S, within fifteen (15) days after the effective date of termination or expiration (without renewal) of this Agreement, Royalty Fees, Brand Building Fund Contributions, amounts owed for products purchased by Franchisee from S&S or from its Affiliates, interest due S&S or its Affiliates on any of the foregoing and Franchisee must contemporaneously with payment furnish a complete accounting of all amounts owed to S&S and its Affiliates;

(4) Franchisee must, at Franchisee's expense, immediately make: (i) all modifications and alterations as are necessary to distinguish Franchised Business so clearly from its former appearance and other Franchised Business to prevent any possibility of confusion by the public (including removal of all distinctive physical and structural features identifying Franchised Business and removal of all distinctive signs and emblems) and (ii) specific additional changes S&S reasonably requests for this purpose; if Franchisee fails to initiate immediately or complete alterations within the period of time S&S deems appropriate, S&S or its designated agents may enter the Premises and adjacent areas at any time to make alterations, at Franchisee's sole risk and expense; Franchisee expressly acknowledges that its failure to make such alterations will cause irreparable injury to S&S and consents to entry, at Franchisee's expense, of an ex-parte order by any court of competent jurisdiction authorizing S&S or its agents to take action, if S&S seeks an order;

(5) Franchisee must take any action required to cancel all fictitious or assumed names or equivalent registrations relating to any of the Licensed Marks;

(6) Franchisee must notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with the Licensed Marks and to authorize transfer of same to or at the direction of S&S; Franchisee acknowledges that as between S&S and Franchisee, S&S has the sole right to and interest in all telephone numbers and directory listings associated with the Licensed Marks, and Franchisee authorizes S&S, and appoints S&S and any officer of S&S as his attorney-in-fact, to direct the telephone company and all listing agencies to transfer same to S&S or at its direction, should Franchisee fail or refuse to do so, and the telephone company and all listing agencies may accept this direction or this Agreement as conclusive of the exclusive right of S&S in telephone numbers and directory listings and its authority to direct their transfer;

(7) Franchisee must furnish to S&S within thirty (30) days after the effective date of termination or expiration evidence satisfactory to S&S of Franchisee's compliance with the foregoing obligations;

(8) Franchisee must pay to S&S all damages, costs and expenses, including reasonable attorneys' fees incurred by S&S subsequent to the termination or expiration of this Agreement or in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(9) Franchisee must immediately deliver to S&S all copies of the Operations Manual in Franchisee's possession, software licensed by S&S and its Affiliates, and all Confidential Information related to operating the Franchise; and

(10) Franchisee must comply with the restrictions on Confidential Information contained in this Agreement and must also comply with the covenants set forth in Section 21 of this Agreement.

B. If this Agreement expires without renewal or is terminated by S&S in accordance with its provisions, then S&S has the option (which shall be assignable by S&S in its discretion),

exercisable by giving written notice within thirty (30) days from the date of expiration or termination of this Agreement, to (1) purchase from Franchisee the tangible assets, including inventory of saleable products, customer contracts, materials, supplies, signs, equipment, and fixtures owned or leased by Franchisee, but excluding any unamortized portion of the initial franchise fee, cash, landlord and other security deposits, short-term investments and accounts receivable of the Franchised Business (collectively, the "***Purchased Assets***") and (2) take assignment of and assume Franchisee's lease for the Premises or a sublease for the full remaining term on the same terms and conditions as Franchisee's lease, and any other leased tangible assets used in connection with the Franchise. S&S or its assignee shall be entitled to all customary warranties and representations given by a seller of a business, including without limitation, representations and warranties as to (1) ownership, condition and title to assets; (2) absence of liens and encumbrances relating to the assets; and (3) validity of contracts and liabilities, inuring to S&S or affecting the assets, contingent or otherwise.

S&S has the unrestrictive right to either (1) assign this option to purchase or (2) assign the lease separate and apart from this Agreement.

The purchase price for the Purchased Assets shall be at fair market value, determined as of the date of termination or expiration of this Agreement. S&S will acquire only the Purchased Assets and will not assume any liabilities whatsoever unless otherwise agreed to in writing by the parties. Fair market value shall not contain any amount or factor for any trademark, service mark, or other commercial symbol or for any goodwill for the Franchise. If the parties cannot agree on the fair market value of the Purchased Assets within thirty (30) days of S&S's exercise of its option, fair market value shall be determined by appraisers, with each party selecting one appraiser and the average of their determination to be binding. Each party must bear its own legal and other costs and divide equally the appraisers' fees. If S&S elects to exercise its option to purchase as provided, S&S has the right to set off all fees and amounts due from Franchisee to S&S, against any payment therefore and shall pay the remaining amount in cash.

The purchase price, as determined above, shall be paid in cash or cash equivalent at the closing of the purchase, which shall take place no later than sixty (60) days after the delivery of S&S's notice of its election to purchase Franchised Business (unless fair market value is determined by appraisal, in which case, the closing shall take place within a reasonable time, not to exceed sixty (60) days, after the results of the appraisal are made available), at which time Franchisee must: (1) deliver instruments transferring good and merchantable title to the assets purchased, free and clear of all liens, encumbrances and liabilities to S&S or its designee, with all sales and other transferred taxes paid by Franchisee; (2) transfer or assign all licenses or permits which may be assigned or transferred; (3) assign to S&S or its designee Franchisee's leasehold interest to the Premises of the Franchised Business or, if an assignment is prohibited, sublease same to S&S for the full remaining term as Franchisee's lease, including renewal and/or purchase options; and (4) assign to S&S or its designee any leases for other tangible assets used in connection with the Franchise.

C. If S&S exercises the foregoing option to purchase the Purchased Assets, S&S has the right pending the closing of purchase to appoint a manager to maintain the operation of the Franchised Business in accordance with the terms of this Agreement. Alternatively, S&S may

require Franchisee to close Franchised Business during such interim time period without removing any of the Purchased Assets from Franchised Business.

D. All obligations, which by their nature, survive the expiration or termination of this Agreement and continue in full force and effect subsequent to its expiration or termination and until they are satisfied or expire.

21. COVENANTS

A. During the term of this Agreement or any extension, Franchisee (or its Representative), shall devote full time and best efforts to the development and operation of the Franchised Business.

B. Franchisee acknowledges that, pursuant to this Agreement, Franchisee and its Principals will receive valuable training, trade secrets and Confidential Information, which are beyond their present skills and experience and that the specialized training, trade secrets and Confidential Information provide a competitive advantage and are valuable to them in the development and operation of the Franchised Business and that gaining access to it is a primary reason for entering into this Agreement. In consideration for such training, trade secrets and Confidential Information, Franchisee covenants that during the term of this Agreement (or so long as any Principal satisfied the definition of a "Principal" if a lesser period) including any extensions or renewals, that neither Franchisee nor any of its Principals shall either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any persons or entity:

(1) Divert, or attempt to divert, any business or customer of any Franchised Business to any Competitive Business, 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) Except with respect to Scissors & Scotch® Barbershops operated under franchise agreements between Franchisee (or one of its Affiliates) and S&S (or one of its Affiliates) own, maintain, operate, engage in, or have any financial or beneficial interest, in (including any interest in any entity) or advise, assist or make loans to, any Competitive Business located, or is intended to be located, within the United States, its territories or commonwealth, or any other country, province, state or geographic area in which S&S has used, sought registration of, or registered the same or similar Licensed Marks or operates or licenses others to operate businesses under the same or similar Licensed Marks; and

C. In further consideration for the training, trade secrets and Confidential Information described above in Section 21(B), commencing upon the earlier of the expiration, termination, or transfer of all of Franchisee's interest in this Agreement and continuing for two years thereafter, Franchisee covenants that neither Franchisee nor any of the Principals shall directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person or entity:

(1) Divert, or attempt to divert any business or customer of any Franchised Business to any Competitive Business, 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) Own, maintain, operate, engage in, or have any financial or beneficial interest (including any interest in any entity) or advise, assist or make loans to any Competitive Business that is located within or that is intended to be located within any of the following: (i) the Protected Area; (ii) the development area granted to an area developer by S&S; (iii) the protected area granted to another franchisee by S&S; or (iv) a five (5) mile radius of the location of any existing Scissors & Scotch® Barbershop, any Scissors & Scotch® Barbershop under construction or any planned Scissors & Scotch® Barbershop where a location has been purchased or a lease has been executed by S&S, its Affiliates or any franchisee or area developer.

D. The parties acknowledge and agree that each of the covenants contained herein is a reasonable limitation as to time, geographic area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interest of S&S. The parties agree that each of the covenants herein shall be construed as independent of any other covenant provision of this Agreement. If all or any portion of a covenant in this Section 21 is held unreasonable or unenforceable by a court having valid jurisdiction in an unappealed final decision to which S&S is a party, Franchisee expressly agrees to be bound by any covenant subsumed within the terms of that covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 21.

E. Franchisee expressly agrees that the existence of any claims that Franchisee or any Principal may have against S&S, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by S&S of the covenants in this Section 21.

F. Franchisee must require and obtain execution of covenants similar to those set forth in this Section 21 (including covenants applicable upon the termination of a person's employment with Franchisee) from its Representative or general manager. These covenants must be substantially in the form set forth in Exhibit B. Principals owning 10% or greater interest in Franchisee also must execute these covenants. Notwithstanding the foregoing, S&S reserves the right, in its sole discretion, to decrease the period of time or geographic scope of the non-competition covenants set forth in Exhibit B or eliminate the non-competition covenant altogether for any party that is required to execute an agreement under this Section 21.

G. Franchisee acknowledges and agrees that any failure to comply with the requirements of this Section 21 constitutes a material default under this Agreement and would result in irreparable injury to S&S for which no adequate remedy at law may be available. Therefore, S&S shall be entitled to obtain specific performance or injunctive relief to prevent conduct that violates the terms of this Section 21. Franchisee shall pay all court costs and reasonable attorneys' fees S&S incurs in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining specific performance of, or an injunction against violation of, the requirements of this Section 21.

H. The covenants set forth in this Section 21 shall survive the termination or expiration of this Agreement.

I. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. A court or agency having valid jurisdiction in any unappealed final decision to which S&S is a party may determine all or any portion of a covenant in this Section 21 is held unreasonable or unenforceable. In that event, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 21.

22. MEDIATION

THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND EXHIBITS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT TO NON-BINDING MEDIATION BEFORE BRINGING A CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION IS TO BE CONDUCTED THROUGH EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY, EXPERIENCED IN THE MEDIATION OF FRANCHISE RELATED DISPUTES, AGREED UPON BY THE PARTIES AND, FAILING AN AGREEMENT WITHIN A REASONABLE PERIOD OF TIME AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION OF ANY CLAIM, CONTROVERSY OR DISPUTE (NOT TO EXCEED FIFTEEN (15) DAYS), BY THE AMERICAN ARBITRATION ASSOCIATION (OR ANY SUCCESSOR ORGANIZATION) IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION, AT S&S'S CORPORATE HEADQUARTERS IN MISSION, KANSAS. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING COMPENSATION AND EXPENSES OF THE MEDIATOR (AND EXCEPT FOR THE ATTORNEYS' FEES INCURRED BY EITHER PARTY), IS TO BE SHARED BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN EITHER PARTY MAY BRING A LEGAL PROCEEDING UNDER SECTION 23.I. TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE UNLESS THE TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES. NOTWITHSTANDING THE FOREGOING, S&S MAY BRING AN ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (3) TO OBTAIN POSSESSION OF OR TO SECURE OTHER RELIEF RELATING TO THE FRANCHISED BUSINESS PREMISES IN A COURT HAVING JURISDICTION AND IN ACCORDANCE WITH SECTION 23.I., WITHOUT FIRST SUBMITTING THAT ACTION TO MEDIATION.

23. ENFORCEMENT

A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term and provision of this Agreement, is considered severable. If for any reason, any portion of

this Agreement is held in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which S&S is a party to be invalid, contrary to, or in conflict with any applicable present or future law or regulation, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible. The surviving portions of this Agreement shall continue to be given full force and effect and bind the parties to this Agreement. Any portion of this Agreement held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Franchisee is a party, otherwise upon Franchisee's receipt of a notice of non-enforcement from S&S.

If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any Specification that S&S prescribes is invalid or unenforceable, the prior notice and/or other action required by that law or rule shall be substituted for the comparable provisions, and S&S has the right, in its sole discretion, to modify the invalid or unenforceable provision or Specification to the extent required to be valid and enforceable. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions or any Specification that S&S prescribes, any portion or portions which a court may hold to be unenforceable in a final decision to which S&S is a party, or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless S&S elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

B. WAIVER OF OBLIGATIONS

No delay, waiver, omission or forbearance on the part of S&S to exercise any right, option, duty or power arising out of any breach or default by Franchisee under this Agreement constitutes a waiver by S&S to enforce any right, option, duty or power against Franchisee or as to any subsequent breach or default by Franchisee. Acceptance by S&S of any payments due to it after the time at which the payment is due, is not deemed to be a waiver of S&S of any preceding breach by Franchisee of any terms, provisions, covenants or conditions of this Agreement. S&S specifically is not deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant, or to declare any breach to be a default and to terminate this Agreement before the expiration of its term) by virtue of any custom or practice of the parties at variance with the terms of this Agreement; or by any failure, refusal or neglect of S&S to exercise any right under this Agreement or to insist upon exact compliance by Franchisee with its obligations, including any mandatory Specification.

Neither S&S nor Franchisee are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests,

regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war or riot; or (6) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. SPECIFIC PERFORMANCE/INJUNCTIVE RELIEF

Nothing in this Agreement bars S&S's right to obtain specific performance of the provisions of this Agreement and injunctive relief against threatened conduct that will cause it or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and preliminary injunctions.

D. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of S&S and Franchisee under this Agreement are cumulative and no exercise or enforcement by S&S or Franchisee of any right or remedy precludes the exercise or enforcement by S&S or Franchisee of any other right or remedy which S&S or Franchisee is entitled by law to enforce.

E. COSTS AND ATTORNEYS' FEES

If a claim for amounts owed by Franchisee to S&S or any of its Affiliates is asserted in any legal proceeding before a court of competent jurisdiction or arbitrator, or if S&S or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the party prevailing in the proceeding is entitled to reimbursement of its costs and expenses incurred, including reasonable accounting and legal fees.

F. JURY TRIAL WAIVER

S&S and Franchisee irrevocably each waive trial by jury in any action brought by either of them. Franchisee and S&S agree that any litigation, suit, action, counterclaim, cross claim or proceeding, whether at law or in equity, which arises out of, concerns, or as related to this Agreement or any of the relationships or transaction contemplated hereunder, the performance of this Agreement, the relationship between the parties or otherwise, trial shall be to a court of competent jurisdiction and not to a jury. S&S and Franchisee irrevocably waive any right either party may have to trial by jury.

G. WAIVER OF DAMAGES

Franchisee hereby waives, to the fullest extent permitted by law, any right to, or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against S&S, its Affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities arising out of any cause whatsoever (whether such cause is based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, Franchisee shall be limited to the recovery of any actual

damages sustained by Franchisee. If any other term of the Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provision of waiver by agreement of punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) shall continue in full force and effect.

H. GOVERNING LAW

To the extent not inconsistent with applicable law, this Agreement and the offer and sale of a franchise is governed by the laws of the State of Kansas which laws shall prevail in the event of any conflict of laws.

I. EXCLUSIVE JURISDICTION

With respect to any claims, controversies or disputes which are not finally resolved through mediation or as otherwise provided in this Agreement, Franchisee hereby irrevocably submits itself to the state courts located in Johnson County, Kansas and the Federal District Court located in Kansas City, Kansas. Franchisee hereby agrees that service of process may be made upon it in any proceeding relating to or arising out of this Agreement or the relationship created by this Agreement by any means allowed by the law of the Kansas or federal law. Franchisee further agrees that venue for any proceeding relating to or arising out of this Agreement shall be in Johnson County, Kansas or Kansas City, Kansas, as applicable; provided, however, with respect to any action (1) for money owed, (2) for injunctive or other extraordinary relief, or (3) involving possession or disposition of, or other relief relating to, real property, S&S may bring such action in any state or Federal District Court which has jurisdiction.

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 Franchisee and S&S or its affiliates or employees may not be consolidated with any other proceeding between S&S and any other person or entity.

J. VARIANCES

Franchisee acknowledges that S&S has and may at different times approve exceptions or changes from the uniform standards of the System in S&S's absolute sole discretion, which S&S deems desirable or necessary under particular circumstances. Franchisee understands that Franchisee has no right to object to or automatically obtain such variances, and any exception or change must be approved in advance from S&S in writing. Franchisee understands existing franchisees may operate under different forms of agreements and that the rights and obligations of existing franchisees may differ materially from this Agreement.

K. BINDING EFFECT/AMENDMENT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and S&S.

L. CONSTRUCTION/INTEGRATION CLAUSE

This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations S&S made in the Franchise Disclosure Document that S&S furnished to Franchisee.

24. NOTICES AND PAYMENTS

A. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, or electronic mail (provided that the sender confirms the facsimile, or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to S&S:

Sean Finley
Scissors & Scotch Franchising, LLC
1908 Main Street
Kansas City, MO 64108
~~Mission, Kansas 66205~~
E-mail: sean@scissorsscoth.com

with a copy to:

John Moore
Husch Blackwell LLP
4801 Main Street, #1000
Kansas City, Missouri 64112
E-mail: john.moore@huschblackwell.com

If directed to Franchisee:

_____

_____

_____

_____

B. All payments and reports required by this Agreement shall be directed to S&S at the address notified to Franchisee, or to other persons and places as S&S may direct. Any required payment or report not actually received by S&S during regular business hours on the

date due or properly placed in the U.S. mail and postmarked by postal authorities at least three business days before the date due, are deemed delinquent.

C. In all cases where S&S's prior approval is required and no other method or timing for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and S&S shall notify Franchisee in writing of its decision within 10 business days after receiving Franchisee's written request and all supporting documentation. Except as otherwise expressly provided in this Agreement, whenever the consent or approval of S&S is required hereunder, such consent or approval must be in writing and will not be unreasonably withheld. S&S's consent to or approval of any act or request by Franchisee shall be effective only to the extent specifically stated, and shall not be deemed to waive or render unnecessary consent or approval of any other subsequent similar act or request.

Except for those changes permitted to be made unilaterally by S&S, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

25. NON-COMPLIANCE FEE

S&S may assess a non-compliance fee of up to $1,000 (the "***Non-Compliance Fee***") for material breaches of this Agreement which Franchisee fails to cure after receiving notice and within the applicable cure period, including, without limitation, defaults arising from or related to failure to comply with the Operations Manual. S&S reserves all other rights and remedies.

26. COMPLIANCE WITH ANTI-TERRORISM LAWS

Franchisee and its owners agree to comply, and to assist S&S to the fullest extent possible, in efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent and warrant that none of their property or interest is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "***Anti-Terrorism Laws***" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and other requirements by any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee and its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

27. ACKNOWLEDGEMENTS

A. The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of Franchisee as an independent business person, and the active participation of Franchisee in the daily affairs of the business as well as other factors. S&S does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Franchisee represents and acknowledges that it received a complete copy of this Agreement and all related attachments and agreements at least seven days prior to the date on which this Agreement was executed.

C. Franchisee acknowledges that Franchisee is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Franchisee's own independent investigation of the Franchised Business and not as a result of any representations about S&S made by S&S's shareholders, officers, directors, employees, agents, representatives, independent contractors, attorneys, or franchisees, which are contrary to the terms set forth in this Agreement or of any franchise disclosure document, offering circular, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

D. Franchisee hereby acknowledges and further represents and warrants to S&S that:

(1) Franchisee has placed no reliance on any oral or written statements, whether referred to as representations, warranties, inducements or otherwise, which are not contained in this Agreement or in the Franchise Disclosure Document given to Franchisee by S&S;

(2) S&S has not made any guarantee or provided any assurance that the business location will be successful or profitable regardless of the fact S&S may have approved of the site location;

(3) Franchisee has (i) read this Agreement in its entirety and understands its contents; (ii) been given the opportunity to clarify any provisions that Franchisee did not understand and (iii) had the opportunity to consult with professional advisors regarding the operation and effect of the Agreement and the operation of the System;

(4) Franchisee has, together with its advisors, sufficient knowledge and experience in financial and business matters to make an informed decision with respect to the Franchised Business offered by S&S; and

(5) Franchisee received a copy of S&S's Franchise Disclosure Document not later than the earlier of 14 calendar days before execution of this Agreement and 14 calendar days before any payment of any consideration.

E. Except as may have been disclosed at Item 19 of S&S's Franchise Disclosure Document, Franchisee represents and warrants to S&S that no claims, representations or warranties regarding the earnings, sales, profits, success or failure of the Franchised Business have been made to Franchisee and no such claims, representations or warranties have induced Franchisee to enter into this Agreement.

F. 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

28. MISCELLANEOUS

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs. As used in this Agreement, (1) the word "or" is not exclusive, (2) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation," (3) any pronoun shall include the corresponding masculine, feminine and neuter forms, (4) words in the singular number include words in the plural and vice versa unless the context of the usage of such term clearly indicates otherwise, and (5) accounting terms that are used, but not otherwise defined herein, are to be construed and interpreted in accordance with GAAP.

C. The term "Franchisee" as used in this Agreement may be applicable to one or more persons, or a corporation, partnership, limited partnership, or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two or more persons are at any time Franchisee under this Agreement, their obligations and liabilities to S&S shall be joint and several. References to "Franchisee" and "Assignee" which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Franchisee or the Assignee, if Franchisee or the Assignee is a corporation, partnership, limited partnership or limited liability company.

D. This Agreement shall be executed in multiple counterparts, each of which shall be deemed an original.

[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:	FRANCHISEE:
Scissors & Scotch Franchising, LLC	(If Franchisee is a corporation or limited liability company)
	Name of Corporation or Limited Liability Company
By:	By:
Title:	Title:
	(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS IS GIVEN THIS _____ day of _____, _____, by _____, _____, and _____ (each a "***Guarantor***").

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement of even date herewith (the "***Agreement***") by and between Scissors & Scotch Franchising, LLC ("***S&S***"), and _____, a _____ ("***Franchisee***"), each Guarantor hereby personally and unconditionally (1) guarantees to S&S, and its successor and assigns that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by S&S of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; and (4) any right Franchisee may have to require that an action be brought against Franchisee or any other person as a condition of liability. Each Guarantor hereby consents and agrees that: (1) each Guarantor shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (2) each Guarantor's liability shall not be contingent or conditioned upon pursuit by S&S of any remedies against Franchisee or any other person; and (3) each Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which S&S may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

Each Guarantor hereby further consents and agrees that:

(A) Each Guarantor's liability shall be direct, immediate, and independent of the liability of, and shall be joint and several with, Franchisee and each other Guarantor;

(B) S&S may proceed against each Guarantor and Franchisee jointly and severally, or S&S may, at its option, proceed against any Guarantor, without having commenced any action, or having obtained any judgment against Franchisee or any other Guarantor, and each Guarantor hereby waives the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed;

(C) Each Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempted collection, of any amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against such Guarantor;

(D) This undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of the Agreement by a trustee of Franchisee; and

(E) Neither the obligation of each Guarantor to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

IN WITNESS WHEREOF, each of the undersigned has affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)	PERCENTAGE OWNERSHIP IN FRANCHISEE
_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT A – LOCATION

SCISSORS & SCOTCH® BARBERSHOP AGREEMENT

BY AND BETWEEN SCISSORS & SCOTCH FRANCHISING, LLC

AND

_____

DATED _____, 20__

(the "Franchise Agreement")

1. **Premises**. The parties to this Agreement agree that the Franchised Business to be operated by Franchisee pursuant to the Franchise Agreement shall be operated at the following location which shall be deemed the Premises for all purposes under the Franchise Agreement:

_____

_____

_____

2. **Protected Area**. The parties agree that the following geographic area shall be deemed the Protected Area for all purposes under the Franchise Agreement:

.

3. **Defined Terms**. All capitalized or initial capitalized terms contained in this Exhibit and not defined in this Exhibit have the same meaning as ascribed to them in the Franchise Agreement.

S&S:	FRANCHISEE:
Scissors & Scotch Franchising, LLC	(If Franchisee is a corporation or limited liability company)
	Name of Corporation or Limited Liability Company
By:	By:
Title:	Title:

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

Franchisee

Franchisee

Franchisee

ALTERNATIVE EXHIBIT A

FRANCHISED BUSINESS AGREEMENT
BY AND BETWEEN
SCISSORS & SCOTCH FRANCHISING, LLC

AND

_____

DATED _____, 20____

(the "Franchise Agreement")

1. Area for Franchise Location. On or before _____, 20___, Franchisee shall select and obtain approval of a location in accordance with the provisions of this Exhibit within the following described geographical area (the "***Area***"):

2. Location and Opening. Sections 4 and 5 of the Franchise Agreement shall govern all issues regarding the approval of a location and opening of the Franchised Business once Exhibit A has been completed and executed by the parties.

3. Termination of Franchise Agreement. S&S has the right to terminate the Franchise Agreement, effective immediately upon delivery of notice of termination to Franchisee, if Franchisee fails to obtain approval of a location for Franchised Business and execute Exhibit A within 180 days after the effective date of the Franchise Agreement.

4. Defined Terms. All capitalized and initial capitalized terms contained in this Exhibit and not defined in this Exhibit shall have the same meaning as ascribed to them in the Franchise Agreement.

S&S:	FRANCHISEE:
Scissors & Scotch Franchising, LLC	(If Franchisee is a corporation or limited liability company)
	Name of Corporation or Limited Liability Company
By:	By:
Title:	Title:

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

Franchisee

Franchisee

Franchisee

EXHIBIT B – CONFIDENTIALITY AGREEMENT AND

ANCILLARY COVENANTS NOT TO COMPETE

This Agreement is made and entered into this _____ day of _____, _____, between Scissors & Scotch Franchising, LLC, a Kansas limited liability company ("***S&S***"), _____ _____ ("***Franchisee***"), and _____ _____ ("***Covenantor***").

RECITALS

WHEREAS, S&S has developed a distinct and proprietary system (the "***System***") for the development and operation of the Franchised Businesses under the name and marks Scissors & Scotch® Barbershop ("***Barbershop***"); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks Scissors & Scotch® Barbershop and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as S&S may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System's high standards of quality, appearance and service and distinctive merchandising, interior design, décor color scheme and furnishings, uniform standards, specifications and procedures for inventory, merchandising, management and financial control; operations; quality and uniformity of products offered; procedures for management and financial control; training and assistance; and marketing, public relations and promotional programs; all of which S&S may change, improve and further develop and which S&S uses in connection with the operation of the System ("***Trade Secrets***"); and

WHEREAS, the Licensed Marks and Trade Secrets provide economic advantages to S&S and are not generally known to, and are not readily ascertainable by proper means, by, S&S's competitors who could obtain economic value from knowledge and use of the Trade Secrets; and

WHEREAS, S&S has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Trade Secrets; and

WHEREAS, S&S has granted Franchisee the limited right to develop a Franchised Business using the System, the Licensed Marks and the Trade Secrets, pursuant to a Franchise Agreement entered into on _____, _____ ("***Franchise Agreement***"), by and between S&S and Franchisee; and

WHEREAS, S&S and Franchisee have agreed in the Franchise Agreement on the importance to S&S and to Franchisee and other licensed users of the System of restricting the use, access and dissemination of the Trade Secrets; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Franchisee, or any entity having an interest in

Franchisee ("***Covenantor***") to have access to and to use some or all of the Trade Secrets in the management and operation of the Franchised Business using the System; and

WHEREAS, Franchisee has agreed to obtain from those covenantors written agreements protecting the Trade Secrets and the System against unfair competition; and

WHEREAS, Covenantor wishes to remain, or wishes to become associated with or employed by Franchisee; and

WHEREAS, Covenantor wishes and needs to receive and use the Trade Secrets in the course of his employment or association in order to effectively perform the services for Franchisee; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Trade Secrets constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

Confidentiality Agreement

1. S&S and/or Franchisee shall disclose to Covenantor some or all of the Trade Secrets relating to the System. All information and materials, including, without limitation, manuals, drawings, specifications, techniques and compilations of data which S&S provides to Franchisee and/or Covenantor are deemed confidential Trade Secrets for the purposes of this Agreement.

2. Covenantor shall receive the Trade Secrets in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Franchisee and then only in connection with the development and/or operation by Franchisee of a Franchised Business for so long as Franchisee is licensed by S&S to use the System.

3. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Trade Secrets without S&S's express written permission.

4. Covenantor shall not at any time disclose or permit the disclosure of the Trade Secrets except to other employees of Franchisee and only to the limited extent necessary to train or assist other employees of Franchisee in the development or operation of a Franchised Business.

5. Covenantor must surrender any material containing some or all of the Trade Secrets to Franchisee or S&S, upon request, or upon termination of employment by Franchisee, or upon conclusion of the use for which the information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Trade Secrets and the System.

7. S&S loans all manuals to Franchisee for limited purposes only and they remain the property of S&S and may not be reproduced, in whole or in part, without S&S's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Trade Secrets, and in consideration for the disclosure to Covenantor of the Trade Secrets, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Franchised Business to any competitor; and

b. Except with prior written consent of S&S, not to employ, or seek to employ, any person who is at the time or was within the preceding 180 days employed by S&S, any of its Affiliates or any franchisee of S&S, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Franchisee's employment of that person if permitted under the Franchise Agreement.

c. Except with respect to the Franchised Business not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person, partnership or corporation, without the prior written consent of S&S, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) become employed, advise, assist or make loans to, any business that looks like, copies, imitates, or operates in a manner similar to a Franchised Business within the Protected Area granted Franchisee, or within a five mile radius of the location of any Scissors & Scotch® Barbershop.

2. In further consideration for the disclosure to Covenantor of the Trade Secrets and to protect the uniqueness of the System, Covenantor agrees and covenants that for two years following the earlier of the expiration, termination or transfer of all Franchisee's interest in the Franchise Agreement or the termination of his association with or employment by Franchisee, Covenantor will not without the prior written consent of S&S:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Franchised Business to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding 180 days employed by S&S, any of its Affiliates or any franchisee of S&S, or otherwise directly or indirectly induce such persons to leave that person's employment; or

c. Except with respect to the Franchised Business not to directly or indirectly, for himself or through, on behalf of, or in conjunction with any person, partnership or

corporation, without the prior written consent of S&S, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures) become employed, advise, assist or make loans to, any business that looks like, copies, imitates, or operates in a manner similar to a Franchised Business within the Protected Area granted Franchisee or within a five mile radius of the location of any Scissors & Scotch® Barbershop.

Miscellaneous

1. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, S&S would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of a breach, or threatened or attempted breach of any of the provisions, S&S is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Franchise Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by S&S and Franchisee in enforcing this Agreement.

4. Any failure by S&S to object to or take action with respect to any breach of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF KANSAS. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS LOCATED IN KANSAS AND THE FEDERAL DISTRICT COURT FOR KANSAS. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY KANSAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE JOHNSON COUNTY, KANSAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, S&S OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other

business interests of S&S. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which S&S is a part, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile, or electronic mail (provided that the sender confirms the facsimile, or electronic mail by sending an original confirmation copy by certified or registered mail or expedited delivery service within three business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to S&S:

Sean Finley
Scissors & Scotch Franchising, LLC
1908 Main Street
Kansas City, Missouri 64108
E-mail: franchise@scissorscotch.com

with a copy to:

John Moore
Husch Blackwell LLP
4800 Main Street, #1000
Kansas City, Missouri 64112

If directed to Franchisee:

_____

_____

_____

_____

If directed to Covenantor:

_____

_____

_____

_____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and all federal holidays.

9. The rights and remedies of S&S under this Agreement are fully assignable and transferable and inure to the benefit of its respective Affiliates, successor and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor without the prior written consent of S&S.

[Signatures on next page]

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

S&S:
Scissors & Scotch Franchising, LLC

By:
Title:

FRANCHISEE:
(If Franchisee is a corporation or limited liability company)

Name of Corporation or Limited Liability Company
By:
Title:
(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

Franchisee

Franchisee

Franchisee

Franchisee

Covenantor:

Name of Covenantor

EXHIBIT C – LEASE RIDER

LEASE RIDER

This Lease Rider is made and entered into this _____ day of _____, _____, by and between Scissors & Scotch Franchising, LLC, a Kansas limited liability company (collectively with its successors and assigns, "***S&S***"), _____ _____ ("***Franchisee***"), and _____ ("***Landlord***," and collectively with S&S and Franchisee, the "***Parties***").

WHEREAS, S&S and Franchisee are parties to that certain Franchise Agreement dated _____ (the "***Franchise Agreement***");

WHEREAS, Franchisee and Landlord desire to enter into a lease (the "***Lease***") pursuant to which Franchisee will occupy certain premises known as Suite _____, in the building located at _____ (the "***Premises***"), for a Franchised Business licensed under the Franchise Agreement (the "***Franchise***"); and

WHEREAS, as a condition to entering into the Lease, the Franchise Agreement requires the Parties to enter into this Lease Rider, and the Parties desire to do so.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **Use of the Premises**. During the term of the Franchise Agreement, the Premises shall be used only for the operation of the Franchise.

2. **System**. Landlord hereby consents to Franchisee's use of such proprietary marks, signs, interior and exterior décor items, color schemes and related components of the System, as S&S may prescribe for the Franchise. Franchisee's use of such items shall at all times be in compliance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Premises.

3. **Notices**. Landlord shall deliver to S&S copies of any and all notices, requests, demands and other communications sent to Franchisee pertaining to the Lease or the Premises (including those relating to Franchisee's default under the Lease) at the same time such notices, requests, demands and other communications are sent to Franchisee. S&S's address for such deliveries is:

Sean Finley
Scissors & Scotch Franchising, LLC
1901 Main
Mission, Kansas 66205
E-mail: franchise@scissorscotch.com

4. **S&S's Cure Rights**.

a. S&S shall have the right (but not the obligation) to cure any default by Franchisee under the Lease in accordance with the terms of the Lease.

b. Furthermore, if any default by Franchisee under the Lease remains uncured at the expiration of all applicable notice and cure periods provided to Franchisee under the Lease, then, as a condition to the exercise of Landlord's rights to terminate the Lease and/or re-possess the Premises, Landlord shall first provide an additional written notice to S&S specifying such uncured default. For a period of thirty (30) days following S&S's receipt of such notice, S&S shall have the right (but not the obligation) to cure such uncured default. If S&S does not cure such default within such additional 30-day cure period, then Landlord may immediately exercise its rights to terminate the Lease and/or re-possess the Premises.

c. If S&S elects to cure any default on behalf of Franchisee, Landlord shall accept such cure as if Franchisee had performed the same. No such cure by S&S will constitute S&S's assumption of any of Franchisee's obligations under the Lease.

5. **Assignment and Assumption**.

a. Franchisee shall have the right to assign or otherwise transfer its interest in the Lease to S&S at any time without Landlord's consent, provided that S&S expressly assumes all of Franchisee's obligations under the Lease to the extent such obligations arise after the effective date of such assignment. Franchisee shall not assign the Lease without the prior written consent of S&S.

b. Upon the expiration or termination of the Franchise Agreement, for any reason whatsoever, S&S shall have the right (but not the obligation) to assume the Lease without the need for an assignment of the Lease by Franchisee (provided that if such an assignment is requested by S&S, Franchisee shall execute and deliver the same). In order to exercise this unilateral right, S&S shall deliver written notice thereof to Landlord no later than thirty (30) days after the expiration or termination of the Franchise Agreement, which written notice must contain an express assumption by S&S of all of Franchisee's obligations under the Lease to the extent such obligations arise after the effective date of such notice. Upon Landlord's receipt of such notice, Landlord shall recognize S&S as the tenant under the Lease and S&S shall have all the rights of the tenant thereunder. Furthermore, and notwithstanding anything to the contrary contained in the Lease, if S&S so assumes the Lease, then at any time thereafter S&S shall have the right to assign the Lease to another Scissors & Scotch® Barbershop, provided that (i) such franchisee has been approved by Landlord (such approval not to be unreasonably withheld, conditioned or delayed), and (ii) such franchisee expressly assumes all of the tenant's obligations under the Lease to the extent such obligations arise after the effective date of such assignment. In that event, S&S shall be relieved of any liability for obligations under the Lease to the extent such obligations arise after the effective date of such assignment. The provisions of this Lease Rider, including the provisions of this section, shall apply to any substitute Scissors & Scotch® Barbershop that becomes the tenant under the Lease.

c. Landlord acknowledges that S&S is not a party to the Lease and S&S has no liability thereunder unless and until the Lease is expressly assumed by S&S.

6. **Amendment; Renewal**. Landlord and Franchisee shall not, without the prior written consent of S&S, amend or otherwise modify the Lease in any manner that would materially and adversely affect any of the rights granted to S&S in this Lease Rider. Franchisee shall not renew or extend the Lease without the prior written consent of S&S.

7. **Priority**. The terms of this Lease Rider supersede any conflicting terms of the Lease.

[Signatures on next page]

IN WITNESS WHEREOF, the Parties have executed this Lease Rider as of the date first above written.

S&S:

Scissors & Scotch Franchising, LLC

By:

Title:

FRANCHISEE:

(If Franchisee is a corporation or limited liability company)

Name of Corporation or Limited Liability Company

By:

Title:

(If Franchisee is an individual owner, Franchisee must sign below; if a partnership, all partners must sign below)

Franchisee

Franchisee

Franchisee

Franchisee

LANDLORD:

By:

Printed Name:

Title:

EXHIBIT D – STATEMENT OF OWNERSHIP INTEREST AND PRINCIPALS

STATEMENT OF OWNERSHIP INTERESTS

AND FRANCHISEE'S PRINCIPALS

A. The following is a list of shareholders, partners, member, or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

Name	**Percentage of Ownership/Nature of Interest**

B. The following is a list of all Principals (as defined in this Agreement) as of the date of this Agreement, each of whom shall execute the Confidentiality Agreement and Ancillary Covenant Not to Compete substantially in the form set forth in Exhibit B to this Agreement.

EXHIBIT E - ELECTRONIC FUND TRANSFER AUTHORIZATION

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

The undersigned, _____ ("***Franchisee***"), 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 _____, 20__. A facsimile or electronic signature on this authorization shall be deemed an original signature.

Date: _____, 20___.

_____
Franchisee Name (Printed):

_____
Franchisee Signature (or Authorized Representative if a corporation, limited liability company or other business association)

_____
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 email a copy of this authorization form to Sean Finley at sean@scissorsscotch.com.

EXHIBIT F – DATA SHEET

DATA SHEET

DATED:

Franchisee:					
Address					
Primary Tel:	(____) _____	**Cell #:**	(____) _____	**Fax #:**	(____) _____
Email Address:					

Guarantors:		
Name(s)		Address(es)

Ownership:		
Name(s)		% of Ownership

Territory:

I hereby warrant and represent that the information provided herein is accurate.

By: _____

The terms of this Data Sheet are incorporated into the attached Franchise Agreement.

EXHIBIT D
STATE ADMINISTRATORS

STATE	STATE ADMINISTRATOR	ADDRESS
California	Department of Financial Protection and Innovation	320 West 4th 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 7th Place East, Suite 280 St. Paul, MN 55101-2198
New York	New York State Department of Law Bureau of Investor Protection and Securities	120 Broadway, 23rd Floor New York City, NY 10271
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 E
AGENTS FOR SERVICE OF PROCESS

S&S authorizes the following, to accept service of process on behalf of S&S in the respective states:

STATE	AGENT	ADDRESS
California	Department of Financial Protection and Innovation	320 West 4th 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 7th Place East, Suite 280 St. Paul, MN 55101-2198
New York	Secretary of State of the State of New York	41 State Street Albany, NY 12231-0001
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 F
TABLE OF CONTENTS OF MANUALS

Subject	Number of Pages
Preface	4
Introduction	8
Pre-Opening Procedures	95
Human Resources	55
Managing the Business	86
Daily Shop Procedures	150
Marketing and Promotion	60
Total	**458**

EXHIBIT G
DISCLOSURE ACKNOWLEDGEMENT AGREEMENT

Have one authorized officer initial each highlighted statement on behalf of your entity. If applicant is a corporation, partnership or other entity, this Disclosure Acknowledgement Agreement must be signed both on behalf of the entity by an authorized officer, and individually by each of its shareholders, partners or owners.

Scissors & Scotch Franchising, LLC ("***S&S***"), through the use of this Disclosure Acknowledgement Agreement, desires to confirm that [FRANCHISEE ENITTY] ("***I/We***") fully understands and comprehends that the purchase of a 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 S&S or its affiliates in the purchase of the franchise.

		Initials
1)	I/We received the S&S Franchise Disclosure Document ("***FDD***") at least 14 calendar days prior to signing the Franchise Agreement and have signed and returned the Receipt for the FDD. I/We have had adequate time to review the FDD and have read and understand the information contained in it.	_____
2)	I/We received the Franchise Agreement containing all material terms at least 7 calendar days prior to signing the Franchise Agreement.	_____
3)	I/We have received and personally reviewed the current Franchise Agreement and understand that I/we must follow the terms and conditions of the current Franchise Agreement and comply with the Scissors & Scotch business system at all times.	_____
4)	I/We acknowledge that I/we do not have a right to additional franchises or locations (except as provided for in the Development Agreement, if applicable), that the granting of additional franchises is a decision that is solely within the discretion of Scissors & Scotch, and that no promises or statements have been made, directly or indirectly, by Scissors & Scotch or its employees, agents or representatives, which have led or could lead me/us to believe that there is a promise or expectation of additional franchises.	_____
5)	I/We understand that this franchise, like any franchise or business investment, offers an opportunity but also entails risks and that there is no guaranty that the franchise venture will be successful. I/We acknowledge our willingness to undertake these business risks. I/We further understand that the success or failure of the franchise will depend in large part upon my own skills and abilities, competition, interest rates, inflation, labor and supply costs, lease terms, and other economic and business factors.	_____
6)	Except as contained in Item 19 of the FDD, I/we have not been given by Scissors & Scotch or by any of its employees, agents or representatives and I/we have not relied upon, any oral or written statement or promises, representations or assurances or any actual or projected sales, profits,	_____

earnings or break-even point for this franchise or any other franchise(s).

7) I/We have conducted an independent investigation of this franchise opportunity and the merits and risks of owning and operating a franchise, and have been provided with a list of the names, addresses, and telephone numbers of the Scissors & Scotch franchisees, and have been encouraged by Scissors & Scotch to contact any franchisees of my/our choosing before entering into the Franchise Agreement. I/We have also had the opportunity to communicate with any members of the Scissors & Scotch staff with whom I/we requested to meet. _____

8) I/We understand that the Franchise Agreement is the complete and binding agreement, and I/we cannot rely upon any oral or written promises, representations or assurances of any kind not stated in the Franchise Agreement. _____

9) I/We understand that Scissors & Scotch does not guaranty the availability of suitable real estate and I/we am/are solely responsible for finding suitable locations. _____

10) I/We understand that I/we must follow the approved Pre-Opening Digital Advertising Program and Post-Opening Digital Advertising Program as determined by Scissors & Scotch and must spend at least the minimum amount required on said programs for each franchise opened, as stated in the FDD. _____

11) I/We understand that any training, support, guidance or tools provided by Scissors & Scotch are for the purposes of protecting the SCISSORS & SCOTCH® System Standards and Licensed Marks and to assist us in the operation of our businesses and not for the purpose of controlling or in any way intended to exercise or exert control over our decisions or day-to-day operation of the business. I/We understand that I/we will have sole responsibility for the hiring, wages and other compensation, including benefits, supervision and termination of employees and all other employment and employee related matters. _____

12) I/We understand that we must devote our best efforts to the management and operation of the Scissors & Scotch business and must adhere to ethical business conduct. _____

13) Scissors & Scotch is not in default of any of its obligations under the terms and conditions of a Franchise Agreement pursuant to which I/we operate a franchise, I/we have received satisfactory training and ongoing support from Scissors & Scotch and are satisfied with the investment as it relates to such franchise(s). I/we are not currently in default under any of the terms, covenants, and conditions of any existing Franchise Agreement(s). _____

*NOTE TO MARYLAND RESIDENTS OR FRANCHISEES WITH A SHOP LOCATED IN MARYLAND: This Disclosure Acknowledgement Agreement is not intended to and shall not waive any liability Franchisor may have under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the undersigned have executed this Disclosure Acknowledgement Agreement as of the date noted below.

FRANCHISEE:
[ENTITY NAME]

_____

Name: _____

Title: _____

_____
[NAME], as an individual

_____
[NAME], as an individual

_____
[NAME], as an individual

[*Constituting all of the [members] of Franchisee*]

EXHIBIT ~~G~~H
GENERAL RELEASE

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:	FRANCHISEE:
Scissors & Scotch Franchising, LLC	(Corporate or LLC name)
By: _____	By:_____
Name:_____	Name:_____
Title:_____	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~~I-1
LIST OF CURRENT FRANCHISEES

Franchisee	Shop Address(es)	Contact Info
~~Empire Personal Services Inc.~~	~~1 M Street SE Washington, DC 20003~~	~~Kai Christian kai.christian@scissorsscotch.com~~
	~~331 N Street NE Washington, DC 20003~~	
	~~4000 N Fairfax Dr. Arlington, VA 22203~~	
	~~1902 Reston Metro Plaza, Suite 100 Reston, VA 20190~~	
	~~12227 Pine Bluffs Way, Ste. 109 Parker, CO 80134~~	
	~~7111 E. Lowry Blvd., Suite 106 Denver, CO 80230~~	
Hart S&S Franchises, LLC	100 Crescent Ct #150 Dallas, TX 75201	Kevin Hart kevin.hart@scissorsscotch.com
	5752 Grandscape Blvd Suite #125 The Colony, TX 75056	
HMR Specialists, LLC	7100 West 135th Street Overland Park, KS 66223	Braden Posey braden.posey@scissorsscotch.com
	14905 W 119th Street Olathe, KS 66062	
	4111 W 83rd Street Prairie Village, KS 66208	
	15912 W. 88th Street Lenexa, KS 66219	
	8432 Eager Rd Brentwood, MO 63144	
HSVSATX8, LLC	260 E Basse Rd., Unit 103 San Antonio, TX 78209	Bryan Frnka bryan.frnka@scissorsscotch.com
Mid-TN S&S, Inc.	205 Franklin Rd Suite 120 Brentwood, TN 37027	Kevin Pataluna kevin.pataluna@scissorsscotch.com
Next Life Austin, Inc.	7415 Southwest Pkwy, Suite 200 Austin, TX 78735	Bryan Frnka bryan.frnka@scissorsscotch.com
S&S Aksarben, LLC	2835 S 170th Plaza, Suite 212 Omaha, NE 68130	Dylan Paczosa dylan.paczosa@scissorsscotch.com
S&S Legacy, LLC	6750 Mercy Road, Suite 3 Omaha, NE 68106	Dylan Paczosa dylan.paczosa@scissorsscotch.com
S&S TN, LLC	4031 Aspen Grove Dr., Suite 132	Kevin Pataluna

	Franklin, TN 37064	kevin.pataluna@scissorsscotch.com
Scissors & Scotch Houston LLC	2799 Katy Fwy, Suite 220 Houston, TX 77007	Hinesh Patel hinesh.patel@scissorsscotch.com
Top Shelf Holdings, LLC	980 Howell Mill Road, Suite 003A Atlanta, GA 30318	Chris Echols chris.echols@scissorsscotch.com
Barberly, LLC	4715 25th Ave NE Seattle, WA 98105	Tu.Nguyen tu.nguyen@scissorsscotch.com

EXHIBIT ~~H~~I-2
FRANCHISEES WHO LEFT THE SYSTEM

Franchisee	Prior Shop Address(es)	Contact Info	Reason for Change
Empire Personal Services Inc.	1 M Street SE Washington, DC 20003	Brian Chatwin bwchatwin@gmail.com	Transferred
	331 N Street NE Washington, DC 20003		
	4000 N Fairfax Dr. Arlington, VA 22203		
	1902 Reston Metro Plaza, Suite 100 Reston, VA 20190		
	12227 Pine Bluffs Way, Ste. 109 Parker, CO 80134		
	7111 E. Lowry Blvd., Suite 106 Denver, CO 80230		
Next Life, Inc.	2835 South 170th Plaza, Suite 212, Omaha, NE 68130	Nancy Meduna nancy.meduna@scissorsscotch.com	Transferred
Next Life Aksarben, Inc.	6750 Mercy Road, Suite 3, Omaha, NE 68106	Nancy Meduna nancy.meduna@scissorsscotch.com	Transferred
Plunkett Enterprises S&S, LLC	440 S. 68th St., Ste. 105 West Des Moines, IA 50266	Eric Plunkett Eric.Plunket@me.com	Transferred
	1610 SW Main St Suite 103 Ankeny, IA 50023		Transferred

[*The remainder of this page is intentionally left blank.*]

EXHIBIT ~~I~~J
STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR SCISSORS & SCOTCH FRANCHISING, LLC

The following modifications are made to the **SCISSORS & SCOTCH FRANCHISING, LLC** ("***Franchisor***," "***us***," "***we***," or "***our***") Franchise Disclosure Document ("***FDD***") given to Franchisee ("***Franchisee***," "***you***," or "***your***") and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated_____, 2022 (**"*Franchise Agreement*"**). When the term "***Choice of Law State***" is used, it means Kansas.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum ("***State Addendum***") will modify these agreements to comply with the state's laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD or Franchise Agreement. This State Addendum only applies to the following states: Indiana, Michigan, Ohio.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

ILLINOIS

Addendum to FDD, Development Agreement and Franchise 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 Franchised Business is open for business.

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.

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor This provision supersedes any other term of any document execution in connection with the franchise.

For info about obtaining a liquor license in Illinois, see:
htpps://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

1. Item 5 and Item 7 shall be amended by the addition of the following language:

> "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens."

2. 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."

3. 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."

4. 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."

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

Development Agreement

2. Section 9, under the heading "DEVELOPMENT FEE" shall be amended by adding the following language to the end of Section 9:

"Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement 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 24 under the heading 'CAVEAT' shall be amended by adding the following language to the end if 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."

. 6. Section 27 shall be amended by the addition of the following language:

"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."

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

8. 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.

9. To the extent this Addendum shall be deemed inconsistent with any terms or conditions of the Development Agreement, the terms of this Addendum shall govern.

10. Any capitalized terms that are not defined in this Addendum shall have the meaning given to them in the Development Agreement.

IN WITNESS WHEREOF, the parties to this Addendum have duly executed, sealed and delivered this Addendum to the Development Agreement simultaneously with the signing of the Development Agreement.

FRANCHISOR	FRANCHISESS
_____	_____
By: _____	By:_____
Title: _____	Title: _____

Franchise Agreement

1. Section 11, under the heading "FRANCHISE FEES", shall be amended by adding the following language to the end of Section 11:

> "Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens."

2. Section 17.C. under the heading "CONDITIONS FOR APPROVAL OF ASSIGNMENT OR SALE OF ASSETS" shall be amended by adding the following language to the end of Section 17.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 18 under the heading "RENEWAL OF FRANCHISE" shall be amended by adding the following language to the end of Section 18:

"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."

5. Section 23.J. under the heading "EXCLUSIVE JURISDICTION" shall be amended by adding the following language to the end of Section 23.J.:

"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."

6. Section 27 shall be amended by the addition of the following language:

"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."

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

8. 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.

9. To the extent this Addendum shall be deemed inconsistent with any terms or conditions of the Franchise Agreement, the terms of this Addendum shall govern.

10. Any capitalized terms that are not defined in this Addendum shall have the meaning given to them in the Franchise Agreement.

IN WITNESS WHEREOF, the parties to this Addendum have duly executed, sealed and delivered this Addendum to the Franchise Agreement simultaneously with the signing of the Franchise Agreement.

FRANCHISOR	FRANCHISEE
_____	_____
By: _____	By: _____

Title: _____ Title: _____

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 ten (10) 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.

MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, Sections 80C.01-80C.22, and the Minnesota Rule 2860.4400J, the Franchise Disclosure Document of Home Instead, Inc. for use in the State of Minnesota shall be amended as follows:

Cover Page, Item 5 and Item 7, Additional Disclosure

The Minnesota Department of Commerce has required that payment of the initial franchise fee be deferred until you have completed your initial training and open your first Office for business.

Item 6, Additional Disclosure

Minn. Stat. 604.113, limits the service charge for insufficient funds (dishonored payments) to $30 per occurrence.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of 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 Disclosure Document shall abrogate or reduce any of the franchisee's rights as provided for in Minn. Stat. Sec. 80C, or the franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's

use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

The franchisor will comply with Minn. Stat. Sec. 80C.14, subds. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Minnesota Department of Commerce has required that payment of the initial franchise fee be deferred until Franchisee has completed the initial training and opens the first Barbershop for business.

Minn. Stat. 604.113, limits the service charge for insufficient funds to $30 per occurrence.

With respect to franchises governed by Minnesota Franchise Law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, Franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that Franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the Franchisee's use of franchisor's trademarks ("***Marks***") infringe upon the trademark rights of the third

party. Franchisor does not indemnify against the consequences of Franchisee's use of franchisor's trademark but Franchisor shall indemnify Franchisee for claims against Franchisee solely as it relates to Franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, Franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If Franchisor accepts tender of defense, Franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, Franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by Franchisor shall be effective immediately upon receipt by Franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the Franchisee; (2) the conviction of the Franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the Franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the Franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce Franchisee's rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of Franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims Franchisee may have against Franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to Franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

~~**NEW YORK**~~

~~. 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 SERVICES OR 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 THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 to be 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 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.~~

~~4. 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.~~

~~5. 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.~~

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

WASHINGTON

WASHINGTON STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT, DEVELOPMENT AGREEMENT AND FRANCHISE AGREEMENT

Based on our financial condition, the Washington Department of Financial Institutions, Securities Division, has required that collection of the initial franchise fee be deferred until the franchisor has fulfilled its initial pre-opening obligations and the franchisee is open for business.

Pursuant to RCW 19.100.180(2)(i), it shall be an unfair or deceptive act or practice or an unfair method of competition and therefore unlawful and a violation of this chapter for any person to refuse to renew a franchise without fairly compensating the franchisee for the fair market value, at the time of expiration of the franchise, of the franchisee's inventory, supplies, equipment, and furnishings purchased from the franchisor, and good will, exclusive of personalized materials which have no value to the franchisor, and inventory, supplies, equipment, and furnishings not reasonably required in the conduct of the franchise business: PROVIDED, That compensation need not be made to a franchisee for good will if (i) the franchisee has been given one year's notice of nonrenewal and (ii) the franchisor agrees in writing not to enforce any covenant which restrains the franchisee from competing with the franchisor: PROVIDED FURTHER, That a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.

Pursuant to RCW 19.100.180(2)(j), upon termination for good cause, the franchisor shall purchase from the franchisee at a fair market value at the time of termination, the franchisee's

inventory and supplies, exclusive of (i) personalized materials which have no value to the franchisor; (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii), if the franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the franchisor or on his or her express requirement: PROVIDED, That a franchisor may offset against amounts owed to a franchisee under this subsection any amounts owed by such franchisee to the franchisor.

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

In any mediation or litigation involving a franchise purchased in Washington, the site thereof shall be either in the state of Washington, or in a place mutually agreed upon at that time, or as determined by the mediator or judge, as applicable.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, rights or remedies under the Washington Franchise Investment Protection 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.

[*Remainder of this page intentionally left blank. Next Exhibit follows.*]

EXHIBIT ~~J~~K
SUPPLEMENTAL STATE ADDENDUM

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR SCISSORS & SCOTCH FRANCHISING, LLC

Franchise Disclosure Document

1. Item 1 of the Franchise Disclosure Document is hereby amended by the addition of the following language:

"We offer Area Representative franchises under a separate FDD as a separate line of business. An Area Representative will (1) solicit, recruit, screen and interview prospective unit franchisees; (2) train employees for all shops in their territory, under our approved training programs/curriculum; and (3) provide support to all territory franchisees and oversee quality control checks of processes/brand standards/etc., under our direction. As of the date of this disclosure document, we do not have any Area Representatives.

Except for the area representative franchises, we do not offer franchises in any other line of business. "

2. Item 2 of the Franchise Disclosure Document is hereby amended by the addition of the following language:

"Area Representatives

As of the date of this disclosure document, we do not have any area representatives."

3. Item 8 of the Franchise Disclosure Document is hereby amended by the addition of the following language:

"We, nor our affiliates, arrange any rebates to be received by any Scissors & Scotch Area Representative on required purchases made by unit franchisees"

Franchise Agreement

Section 1, "DEFINITIONS", is hereby amended by the addition of the following new paragraph C. All other applicable paragraph numbers in Section 1 have been revised accordingly.

"C. AREA REPRESENTATIVE AGREEMENT

S&S offers Area Representative franchises under a separate FDD as a separate line of business. An Area Representative will (1) recruit franchisees in their territory; (2) train employees for all shops in their territory, under our approved training programs/curriculum; and

(3) provide support to all territory franchisees and oversee quality control checks of processes/brand standards/etc., under our direction."

EXHIBIT ~~K~~L
ASSIGNMENT OF CONTACT IDENTIFIERS AND ONLINE PRESENCES

The undersigned ("***Franchisee***") hereby acknowledges and agrees that Scissors & Scotch Franchising, LLC ("***Franchisor***") has granted a franchise to Franchisee to operate a SCISSORS & SCOTCH® Barbershop (the "***Franchised Business***"), pursuant to a Franchise Agreement dated [DATE] (the "***Franchise Agreement***"); and that in connection with the operation of that Franchised Business, Franchisor may have authorized Franchisee to acquire and/or maintain certain (1) telephone numbers and other directory listings (each, a "***Contact Identifier***"), and/or (2) website, domain name, email address, social media account, search account, user name, other online presence or presence on any electronic medium of any kind (each, an ***"Online Presence***").

1. **Assignment**. In the event of termination or expiration of the Franchise Agreement, Franchisee hereby sells, assigns, transfers and conveys to Franchisor all of its rights, title and interest in and to all Contact Identifiers and Online Presences pursuant to which Franchisee operated its Franchised Business in any manner, or which display, connect to, or are relating to the franchise system operated by Franchisor, or any tradenames, trademarks or other proprietary materials or symbols of any kind of Franchisor's its affiliates, or a third-party (the "***Third-Party IP Owner***") relating to such franchise system or the Franchised Business. Upon termination or expiration of the Franchise Agreement, Franchisee shall immediately notify the telephone company, listing agencies and any other third-party owning or controlling any Contact Identifiers, and any internet serve provider, website hosting company, domain registrar, social network or other third-party owning or controlling any Online Presence (all such entities collectively "***Registrars***") to assign the Contact Identifiers and Online Presences, as applicable, to Franchisor. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify any applicable Registrar to effectuate the assignment pursuant to the terms hereof, and in such case, Franchisor's liability will accrue exclusively from and after the date of such assignment.

2. **Attorney-in-Fact**. Franchisee irrevocably appoints Franchisor as Franchisee's true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct each Registrar to assign all Contact Identifiers and Online Presences to Franchisor and execute such documents and take such actions as may be necessary to effectuate the assignment. If Franchisee fails to promptly direct the Registrars to assign the Contact Identifiers and Online Presences to Franchisor, Franchisor shall direct the Registrars to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Registrars may accept Franchisor's written direction, the Franchise Agreement, or this Assignment as conclusive proof of Franchisor's or Third-Party IP Owner's exclusive rights in and to the Contact Identifiers and Online Presences, as applicable, upon such termination or expiration. The parties further agree that if the Registrars require that the parties execute any assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment.

3. **Further Assurances**. The parties agree that they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

4. **Representation and Warranties of Franchisee**. Franchisee hereby represents, warrants and covenants to Franchisor as of the date hereof, and as of the date of expiration or termination of the Franchise Agreement, that:

a. All of Franchisee's obligations and indebtedness related to its Contact Identifiers and Online Presences have been paid and are current;
b. Franchisee has full power and legal right to enter into, execute, deliver and perform this Assignment;
c. This Assignment is a legal and binding obligation of Franchisee, enforceable in accordance with the terms hereof;
d. The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which Franchisee is a party or by which Franchisee is bound, and no consent of nor approval by any third party is required in connection herewith; and
e. Franchisee has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements, and Franchisee has obtained all necessary consents to this Assignment.

5. **Miscellaneous**. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Kansas. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of Franchisor shall inure to its benefit and to the benefit of its successors and assigns. Franchisee acknowledges that because the Third-Party IP Owner is the owner of certain trademarks and other intellectual property, Franchisee and Franchisor agree that the Third-Party IP Owner will be a third-party beneficiary of those provisions in this Assignment relating to the usage of such intellectual property, with the independent right to enforce such provisions against Franchisee and to seek damages from Franchisee for its failure to comply with those provisions. Franchisor may assign its rights under this Assignment to any designee. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Assignment may be executed by manual or electronic signature. Either party may rely on the receipt of a document executed or delivered electronically.

[*Remainder of page intentionally left blank Next Exhibit follows.*]

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from the registration: California, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, Virginia, Washington and Wisconsin.

This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws with the following effective dates:

State	**Effective Date**
Illinois	Pending
Kentucky	Effective (one-time registration)
Maryland	Pending
Michigan	Pending
Minnesota	Pending
Nebraska	Effective (one-time registration)
New York	Pending
Texas	Effective (one-time registration)
Virginia	Pending
Washington	Pending

EXHIBIT ~~L~~M
RECEIPTS

RECEIPT
(~~Your~~Our Copy)

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.

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 is located at 1908 Main Street, Kansas City, Missouri 64108. Its telephone number is (913) 981-8004.

The name, principal address and telephone number of each franchise seller offering the franchise is:_____

FTC Issuance date: April 30, ~~2023~~2024.

See Exhibit E for our registered agents authorized to receive service of process.

I have received a disclosure document dated April 30, ~~2023~~2024, that included the following exhibits:

Exhibit A – Financial Statements
Exhibit B – Development Agreement
Exhibit C – Franchise Agreement
Exhibit D – State Administrators
Exhibit E – Agents for Service of Process
Exhibit F – Table of Contents of Manuals
Exhibit G – Disclosure Acknowledgement Agreement
Exhibit ~~G~~H – General Release
Exhibit ~~H~~I-1 – List of Franchisees
Exhibit ~~H~~I-2 – Franchisees Who Left the System
Exhibit ~~I~~J – State Addenda
Exhibit ~~J~~K – Supplemental State Addendum
Exhibit ~~K~~L – Assignment of Contact Identifiers
Exhibit ~~L~~M – Receipts

Signature: _____ Date: _____

Printed Name: _____

(Date, sign and **return this Receipt to S&S**)

RECEIPT

(~~Our~~Your Copy)

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.

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Exhibit ~~K~~L – Assignment of Contact Identifiers
Exhibit ~~L~~M – Receipts

Signature: _____ Date: _____

Printed Name: _____

(Date, sign and **keep this Receipt for your records**)

Summary report: Litera Compare for Word 11.6.0.100 Document comparison done on 7/1/2024 9:36:20 AM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: 4894-2741-4657.1 Scissors & Scotch 2023 FDD as of 09-21-2023.docx	
Modified filename: 4895-6948-1415.1 Scissors Scotch 2024 FDD with FA as of 06-11-2024.docx	
Changes:	
Add	755
~~Delete~~	745
~~Move From~~	0
Move To	0
Table Insert	37
~~Table Delete~~	31
Table moves to	0
~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	41
Embedded Excel	0
Format changes	0
Total Changes:	1609