

## FRANCHISE DISCLOSURE DOCUMENT

Fantastic Sams Salons Corporation

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Beverly, MA 01915

(978) 232-5600

**Franchise@Fantasticsams.com**

[www.fantasticsams.com](http://www.fantasticsams.com)

# ***Fantastic Sams***<sup>®</sup>

Fantastic Sams Salons Corporation grants franchises to own and operate Fantastic Sams<sup>®</sup> haircare salons. Fantastic Sams salons provide a full range of haircare products and services to men, women and children.

The total investment necessary to begin operation of a Fantastic Sams franchise is between \$136,100 and \$246,100. This includes an initial license fee of \$30,000 that must be paid to the franchisor or affiliate.

If you opt to enter into a multi-unit development agreement, you must pay a development fee of between \$50,000 and \$125,000 (depending on how many units will be developed) instead of the initial license fee. Therefore, your total investment for a multi-unit development agreement will be higher than for a single unit franchise agreement. The difference will depend on how many units are to be developed.

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 salon. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact **Director of Franchise Administration** at **50 Dunham Road, Ste. 3000, Beverly, MA 01915** and **(978) 232-5600**.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your contract carefully. Show your contract and this disclosure document to an adviser, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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.

This Disclosure Document was issued on April 7, 2014, and became effective as set forth on the third page of this document entitled "Effective Dates of Disclosure."

# ***Fantastic Sams***<sup>®</sup>

## **STATE COVER PAGE**

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit H for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION OR MEDIATION. OUT-OF-STATE ARBITRATION OR MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY COST YOU MORE TO ARBITRATE OR MEDIATE WITH US IN MASSACHUSETTS THAN IN YOUR OWN STATE.

THE FRANCHISE AGREEMENT STATES THAT MASSACHUSETTS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

THE EFFECTIVE DATES OF THIS FRANCHISE DISCLOSURE DOCUMENT IN THE STATES WITH FRANCHISE REGISTRATION LAWS ARE CONTAINED ON THE FOLLOWING PAGE.

FANTASTIC SAMS SALONS CORPORATION  
HEREBY REPRESENTS THAT THIS DISCLOSURE DOCUMENT  
DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT  
OR  
CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

**EFFECTIVE DATES OF DISCLOSURE DOCUMENT**

<b>STATE</b>	<b>EFFECTIVE DATE</b>
*California	N/A
**Hawaii	N/A
*Illinois	N/A
Indiana	5/11/14
**Maryland	N/A
Michigan	4/15/14
*Minnesota	N/A
*New York	5/14/14
**North Dakota	N/A
**Oregon	N/A
Rhode Island	4/21/14
**South Dakota	N/A
**Virginia	N/A
Washington	7/5/14
Wisconsin	4/16/14
All Other States	4/7/2014

\* Offers for the sale of Fantastic Sams Franchises in the States of California, Illinois, Minnesota and Nevada, as well as certain counties in the State of New York not contained in this Disclosure Document, are currently made under a separate Disclosure Documents.

\*\* We do not offer Fantastic Sams Franchises in any of these states.

**FANTASTIC SAMS SALONS CORPORATION  
FRANCHISE DISCLOSURE DOCUMENT**

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## **Fantastic Sams Salons Corporation Franchise Disclosure Document**

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### **Item 1: The Franchisor, and any Parents, Predecessors and Affiliates**

To simplify the language in this franchise disclosure document, we will refer to ourselves as “we” or the “Region” or “Salons Corp.” Our legal name is Fantastic Sams Salons Corporation and we were incorporated on May 29, 2003, in the state of Delaware. We are a sub-licensor (“Regional Owner”) of Fantastic Sams Franchise Corporation. We will refer to Fantastic Sams Franchise Corporation, as “FSFC.” “You” means the prospective purchaser of a license agreement (“License Agreement” or “Salon License”) that grants the right to open one “Fantastic Sams” haircare salon, and includes the individual shareholders, members or partners if the Salon License is purchased by a corporation, limited liability company or partnership.

#### **FSFC, the Master Franchisor**

FSFC is a Delaware corporation that was formed on May 29, 2003. FSFC’s principal business address is 50 Dunham Road, Beverly, MA 01915. FSFC also does business as “Fantastic Sams.” On August 5, 2003, FSFC, together with Salons Corp and its other affiliates, acquired the assets of FSFC’s immediate predecessors, FS Concepts, Inc., Style Systems, Inc. and Kristina Corporation (together referred to as “the Predecessors”). Previously, on June 30, 1995, FS Concepts, Inc. (“FS Concepts”) acquired the “Fantastic Sams” trademarks, operating systems and the then-existing license agreements for “Fantastic Sams” salons and regions from Fantastic Sams International, Inc. On December 31, 1997, FS Concepts acquired all of Fantastic Sams International, Inc.’s issued and outstanding stock.

FSFC has offered Fantastic Sams regional licenses since September 11, 2003. FSFC does not offer and has not offered franchises in any other line of business. FSFC’s and Salons Corp’s registered agents for service of process are listed in Exhibit A attached to this franchise disclosure document.

#### **FSFC’s Parent and Affiliates**

FSFC’s affiliate, Fantastic Sams Retail Corporation (“Retail Corp”) is a Delaware corporation established August 30, 2005 for the purpose of owning and operating Fantastic Sams Hair Salons. FSFC’s affiliate, Fantastic Sams Distribution Corporation (“Distribution Corp”), has offered certain products for sale to Fantastic Sams franchisees since August 5, 2003. Both Retail Corp and Distribution Corp’s principal offices are located at 50 Dunham Road, Beverly, Massachusetts 01915. Distribution Corp does not offer franchises in any other lines of business and does not operate businesses of the type offered to franchisees. FSFC, Salons Corp, Distribution Corp and Retail Corp are owned by Fantastic Sams International Corporation (“FSI Corp”), a Delaware corporation, which is itself owned by Dessange Group North America, Inc. (“DGNA”), a Delaware corporation established January 12, 2012. The principal place of business for both DGNA and FSI Corp is 50 Dunham Road, Beverly, MA 01915. FSI Corp does not own or operate salons and does not franchise any line of business but reserves the right to do so in the future.

Camille Albane, USA, Inc. (“CA-USA”), a Delaware corporation established May 11, 2012, is also an affiliate of FSFC. Its two subsidiaries, C.Alb Franchising, Inc. and C.Alb Salons, Inc. are both Delaware corporations established May 12, 2012. C.Alb Franchising intends to commence franchising Camille Albane salons in the United States in late 2012. C.Alb Salons intends to develop and operate Camille Albane salons in the United States commencing in late 2012. CA-USA and its subsidiaries all have principal offices located at 50 Dunham Road, Beverly, Massachusetts. For the purposes of this disclosure document, CA-USA and its subsidiaries C.Alb Franchising and C.Alb Salons are referred to collectively as the “CA Entities.”

FSI Corp. is indirectly owned by D. Participations S.A. D. Participations also owns Dessange International S.A. S., also a French corporation (“DISAS.”). DISAS owns, operates, and grants franchises for beauty salon businesses under the “Dessange” and “Camille Albane” brands.

All of these businesses operate from the Paris headquarters of D. Participations and DISAS. DISAS operates and franchises 240 “Dessange” salons in 45 countries and operates and franchises 119 “Camille Albane” salons. DISAS also owns New FBS LLC, a Delaware limited liability company (“New FBS”) with offices at 5454 Wisconsin Avenue, Suite 1550, Chevy Chase, Md. 20815 (tel. +1.301.913.9280). New FBS operates one “Dessange” salon in Chevy Chase, Maryland and franchises six other “Dessange” salons elsewhere in the United States.

#### FSFC’s Predecessors

FS Concepts, a Delaware corporation, did business as “Fantastic Sams” before the sale of its assets to FSFC on August 5, 2003. FS Concepts offered “Fantastic Sams” regional licenses from July 1995 until June 2002. FS Concepts also offered “Fantastic Sams” salon licenses from July 1995 to September 1997. FS Concepts did not offer franchises in any other line of business. FS Concepts does not operate any Fantastic Sams salons and has no continuing business operations.

Style Systems, Inc. (“Style Systems”), a Delaware corporation, offered “Fantastic Sams” salon licenses from September 1997 to May 2003. Style Systems did not offer franchises in any other lines of business and did not itself operate Fantastic Sams salons. Style Systems has no continuing business operations.

Kristina Corporation, (“Kristina”), a California corporation, sold products to franchisees of Style Systems from January 1999 to August 2003, and, during 2002 and 2003, sold products to regional licensees of FS Concepts. Kristina did not offer franchises and did not operate Fantastic Sams salons. Kristina has no continuing business operations.

The ultimate parent company of FS Concepts, Style Systems and Kristina is Opal Concepts, Inc., a Delaware corporation (“Opal Concepts”). The intermediate holding company which owned FS Concepts and Style Systems is Franchise Holdings, Inc., a Delaware corporation (“Franchise Holdings”). Neither Opal Concepts nor Franchise Holdings operates any “Fantastic Sams” salons, and neither one has continuing business operations. In addition to FS Concepts, Style Systems and Kristina, there existed numerous companies under common control with these Predecessors that owned and operated salons at various times under various names, including Fantastic Sams salons. All salons operated by these other entities were sold to other parties or the salons were closed prior to FSFC’s acquisition of assets from FS Concepts and the other Predecessors. FSFC and its affiliates acquired assets only from FS Concepts, Style Systems and Kristina. None of the companies that are under common control with the Predecessors that once operated salons currently owns Fantastic Sams salons, and none of them has any remaining business operations.

Prior to its sale of assets to FS Concepts in 1995, Fantastic Sams International, Inc. (“FS International”), a Tennessee corporation, owned and operated salons from July 1974 to August, 1995, and sold Fantastic Sams franchises from 1976 until June 1995. In July 1995 its name was changed to Getwell Holdings, Inc. FS International does not operate any Fantastic Sams salons and has no current business operations. FS International offered franchises for hair salons called “Big Sam’s” in 1986, and cosmetology schools called “Pro Way Hair School” in 1988 and 1989. FS International sold three Big Sam’s licenses in 1986 and three Pro Way Hair School licenses in 1988-1989.

The “Fantastic Sams” concept was originated and developed by Sam M. Ross, the former President, Chairman and owner of FS International. Mr. Ross is no longer involved with any of the Predecessors or FSFC in any way.

#### Salons Corp, The Franchisor

Salons Corp, a Delaware corporation that was formed on May 29, 2003, is an affiliate of FSFC, under

common control by FSI Corp, and is a sub-licensor of FSFC. We have our principal place of business at 50 Dunham Road, Beverly, Massachusetts 01915, and we have offered Fantastic Sams salon licenses (“Salon Licenses”) since September 11, 2003. We do not offer franchises in other lines of business and do not at this time operate businesses of a type offered to franchisees, but we reserve the right to do so in the future.

### Our Affiliates

On August 20, 2008, we acquired all of the issued and outstanding stock of Berard Industries, Inc., a Rhode Island corporation formed on September 20, 1984 (“BII”). Before August 20, 2008, BII’s principal business address was 1759 Mineral Spring Avenue, North Providence, Rhode Island 02904. Effective August 20, 2008, BII’s principal business address was 50 Dunham Road, 3<sup>rd</sup> Floor, Beverly, Massachusetts 01915. BII offered Fantastic Sams salon licenses, as a Regional Owner, in the State of Rhode Island and certain counties in the of the State of Connecticut and the Commonwealth of Massachusetts that were included in the greater Providence, RI ADI from October 15, 1984 to August 19, 2008. BII offered Fantastic Sams salon licenses in certain counties in the State of Connecticut in the Hartford, CT ADI from January 1, 1994 to August 19, 2008. BII has not offered franchises in any other line of business, and does not, at this time, operate any business of a type offered under this franchise disclosure document. Salons Corp’s registration to begin selling “Fantastic Sams” franchises in BII’s former territory is currently pending.

On August 17, 2007, we acquired all of the issued and outstanding stock of E.B.N. Enterprises, Inc., an Illinois corporation formed on January 9, 1984 (“EBN”). Before August 17, 2007, EBN’s principal business address was 9930 Derby Lane, Westchester, Illinois, 60154. Effective August 17, 2007, EBN’s principal business address was 50 Dunham Road, 3<sup>rd</sup> Floor, Beverly, Massachusetts 01915. EBN offered Fantastic Sams salon licenses, as a Regional Owner, in the State of Illinois from August 2, 1984 until November 19, 2007, and in the State of Indiana from November 14, 1986 until November 5, 2007. EBN had the right to offer salon licenses in certain counties in the States of Michigan and Wisconsin but, as of the date of this franchise disclosure document, had not offered or sold salon licenses in either state. EBN has not offered franchises in any other line of business, and does not, at this time, operate any business of a type offered under this franchise disclosure document. Salons Corp began selling “Fantastic Sams” franchises in EBN’s former territory on the following dates: Illinois on November 19, 2007; Indiana on November 5, 2007; Michigan on October 30, 2007; and Wisconsin on November 5, 2007.

### The Franchise Areas

Salons Corp acquired the rights to certain counties in the States of Arkansas, Illinois, Iowa, Kansas, Missouri, Nebraska and Oklahoma on February 7, 2014 from C&W Enterprises, Ltd., whose principal business address at the time of the acquisition was 9108 Barton Street, Overland Park, Kansas 66214. C&W Enterprises, Ltd. acquired the rights from S.M.R. Enterprises, Inc. to some of these counties. on September 12, 1985 and to the remainder of the counties on May 12, 1989.

Salons Corp acquired the rights to certain counties in the States of Michigan and Ohio on October 4, 2013 from PJE Enterprises, Inc., whose principal business address at the time of the acquisition was 14855 Galleon Drive, Plymouth, MI 48170. PJE Enterprises, Inc. acquired the rights to these counties from S.M.R. Enterprises, Inc. on October 31, 1983.

Salons Corp acquired the rights to certain counties in the States of Georgia, North Carolina and South Carolina on June 17, 2013 through the termination of the regional license agreement held by JAS Investments, Inc., whose principal business address at the time of the termination was 3250 Park Rd., Charlotte, NC, 28209. JAS Investments acquired the rights to these counties from FS Concepts, Inc. on June 12, 2000.

Salons Corp acquired the rights to certain counties in the State of Nevada on July 6, 2012 from WALMAX, LLC, a Nevada corporation whose principal business address at the time of the acquisition was 4520 S. Hualapai Way, Las Vegas, NV 89147. WALMAX, LLC acquired the rights to these counties from FS Concepts, Inc. on December 26, 1997.



Salons Corp acquired the rights to certain counties in the states of New Jersey and Pennsylvania on July 27, 2012 from Global Franchising Group, LLC, a New Jersey limited liability company whose principal business address at the time of the acquisition was 180 Tices Lane, East Brunswick, NJ 08816. Global Franchising Group, LLC acquired the rights to these counties from FS Concepts, Inc. on from June 30, 2001.

Salons Corp acquired the rights to certain counties in the States of New York and Pennsylvania on December 19, 2011 from DIR Corporation, a Missouri corporation whose principal business address at the time of the acquisition was 6010 N. Bailey Avenue, Ste. 1, Amherst, NY 14226. DIR Corporation acquired the rights to these counties from S.M.R. Enterprises, Inc. on December 6, 1982 and June 15, 1984.

Salons Corp acquired the rights to certain counties in the State of Minnesota on November 18, 2011 from Sitmon, Inc., a Minnesota corporation whose principal business address at the time of the acquisition was 6901 East Fish Lake Road, Ste. 170, Maple Grove, MN 55369. Sitmon, Inc. acquired the rights to these counties from FS Concepts, Inc. on December 10, 2001.

Salons Corp acquired the rights to certain counties in the States of Alabama, Georgia, North Carolina and Tennessee on September 30, 2011 from Grandview, Inc., a Tennessee corporation whose principal business address at the time of the acquisition was 6512 Forest Park Drive, Signal Mountain, TN 37377. Grandview, Inc. acquired the rights to these counties from Fantastic Sams International, Inc. on April 13, 1992.

Salons Corp acquired the rights to certain counties in the State of California on April 30, 2010, from Goldenwest Franchising, LLC, a California limited liability company whose principal business address at the time of the acquisition was 13832 Ridgcrest Circle, Tustin, California 92780. Goldenwest Franchising, LLC acquired the rights to these counties from FS Concepts, Inc. on June 30, 2000.

Salons Corp acquired the rights to certain counties in Louisiana on February 23, 2010 from COTC, Inc., a Louisiana corporation, whose principal address was 5604 Gerstner Memorial, Lake Charles, LA 70607. COTC, Inc. acquired the rights to these counties from Fantastic Sams International, Inc. on July 31, 1989.

Salons Corp acquired the rights to certain counties in Kansas, Oklahoma and Texas on December 18, 2009 from L&B Enterprises, Inc. an Oklahoma corporation, whose principal address was 419 N. Meridian Avenue, Oklahoma City, OK 73107. L&B Enterprises, Inc. acquired the rights to these counties from S.M.R. Enterprises, Inc. on February 28, 1986.

Salons Corp acquired the rights to certain counties in New Mexico and Texas on December 30, 2009 from FS New Mexico, Ltd., a Texas limited partnership, and FS South Texas, Ltd., a Texas limited partnership, whose principal addresses were both at 4737 Shavano Oak, San Antonio, TX 78249. FS New Mexico, Ltd., acquired the rights to certain counties in New Mexico and Texas from FS Concepts, Inc. on March 29, 2002. FS South Texas, Ltd., acquired the rights to certain counties in Texas from FS Concepts, Inc. on September 27, 2000.

Salons Corp acquired the rights to certain counties in California and Nevada on March 17, 2009 from Gold Country Salons, LLC, a Nevada limited liability company whose principal address was, at the time of acquisition, 300 Brinkby Street, Reno, Nevada 89509. Gold Country Salons, LLC acquired the rights to these counties from Fantastic Sams Franchise Corporation on September 14, 2004.

Salons Corp acquired the rights to serve as Regional Owner of the Charleston, South Carolina Region on July 16, 2008 from Paulin Enterprises, Inc., ("PEI"), a South Carolina corporation whose principal business address at the time of the acquisition was 106 Greendale Court, Summerville, SC 29485. PEI acquired the regional ownership rights from FS Concepts, Inc. on March 31, 2000. For a period of approximately two and one half years before that date, the Charleston Region was owned and operated by Style Systems, Inc., an affiliate of FS Concepts.

Salons Corp acquired the rights to serve as Regional Owner of the Atlanta Region on September 16, 2005, from Saner Franchise Systems, Inc. ("SFSI"), a Georgia corporation whose principal business address at

the time of the acquisition was 14500 Lochridge Industrial Blvd., Suite “H,” Covington, GA 30014. On September 19, 2005, Fantastic Sams Distribution Corp, an affiliate of Salons Corp, acquired substantially all the inventory of Saner Distribution Systems, Inc., and assumed responsibility for supplying haircare products to franchisees in the Atlanta Region. SFSI acquired the regional ownership rights from its affiliate, Saner Communications, Inc. (“SCI”) on January 4, 2000. SCI had previously acquired the regional ownership rights from FS Concepts on December 21, 1999. For a period of approximately seven months before that date, the Atlanta Region was owned and operated by Style Systems, and affiliate of FS Concepts. Style Systems had acquired its regional ownership rights from Regional Concepts, Inc., a South Carolina corporation, which had operated as a Fantastic Sams Regional Owner in Georgia since May 1984.

Salons Corp acquired the rights to certain counties in the States of Alabama and Mississippi on August 17, 2007, from Raytron Enterprises, Inc. of Florida (“Raytron”), a Florida corporation whose principal business address was, at the time of the acquisition, and currently is, 13041 Automobile Boulevard, Clearwater, Florida 33762. Raytron acquired the rights to these counties from Four States, Inc., a Florida corporation, pursuant to an Assignment Agreement dated March 31, 1995. Four States, Inc. had acquired the regional ownership rights to these counties from Fantastic Sams International, Inc. (“FSI”), on July 21, 1988.

Salons Corp acquired the rights to certain counties in the States of Maine, Massachusetts, New Hampshire and Vermont on October 12, 2007, from Cheveux LLC (“CLLC”), a Massachusetts limited liability company whose principal business address at the time of the acquisition was 50 Dunham Road, 3<sup>rd</sup> Floor, Beverly, Massachusetts 01915. CLLC acquired the rights to these counties from FS Concepts on March 3, 2001.

Salons Corp has the right to offer Fantastic Sams Franchises under this franchise disclosure document in the following states and counties:

In the State of Alabama – Autauga, Barbour, Bibb, Blount, Bullock, Butler, Calhoun, Chambers, Cherokee, Chilton, Clarke, Clay, Cleburne, Coffee, Colbert, Conecuh, Coosa, Covington, Crenshaw, Cullman, Dale, Dallas, De Kalb, Elmore, Escambia, Etowah, Fayette, Franklin, Geneva, Greene, Hale, Henry, Houston, Jackson, Jefferson, Lamar, Lauderdale, Lawrence, Lee, Limestone, Lowndes, Macon, Madison, Marion, Marshall, Monroe, Montgomery, Morgan, Perry, Pickens, Pike, Randolph, Russell, St. Clair, Shelby, Talladega, Tallapoosa, Tuscaloosa, Walker, Washington, Wilcox and Winston counties.

In the State of Alaska – all counties

In the State of Arkansas – Baxter, Boone, Carroll, Fulton, Marion and Newton counties.

The State of Connecticut – all counties

In the State of Delaware -- Kent and New Castle counties.

In the State of Georgia -- Appling, Bacon, Baldwin, Banks, Barrow, Bartow, Bibb, Bleckley, Bryan, Bulloch, Burke, Butts, Calhoun, Candler, Carroll, Catoosa, Chatham, Chattahoochee, Chattooga, Cherokee, Clarke, Clay, Clayton, Cobb, Columbia, Coweta, Crawford, Dade, Dawson, DeKalb, Dodge, Dooly, Douglas, Effingham, Elbert, Emanuel, Evans, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Glascock, Gordon, Greene, Gwinnett, Habersham, Hall, Hancock, Haralson, Harris, Hart, Heard, Henry, Houston, Jackson, Jasper, Jeff Davis, Jefferson, Jenkins, Johnson, Jones, Lamar, Laurens, Liberty, Lincoln, Long, Lumpkin, Macon, Madison, Marion, McDuffie, McIntosh, Meriwether, Monroe, Montgomery, Morgan, Murray, Muscogee, Newton, Oconee, Oglethorpe, Paulding, Peach, Pickens, Pierce, Pike, Polk, Pulaski, Putnam, Quitman, Rabun, Randolph, Richmond, Rockdale, Schley, Screven, Spalding, Stephens, Stewart, Sumter, Talbot, Taliaferro, Tattall, Taylor, Terrell, Toombs, Towns, Treutlen, Troup, Twiggs, Union, Upson, Walker, Walton, Warren, Washington, Wayne, Webster, Wheeler, White, Whitfield, Wilcox, Wilkes and Wilkinson counties.

In the State of Illinois – Adams, Alexander, Bond, Boone, Brown, Bureau, Calhoun, Carroll, Cass, Champaign, Christian, Clinton, Coles, Cook, De Witt, DeKalb, Douglas, DuPage, Edwards, Effingham, Fayette, Ford, Franklin, Fulton, Gallatin, Greene, Grundy, Hamilton, Hancock, Hardin, Henderson, Henry, Iroquois,

Jackson, Jefferson, Jersey, Jo Daviess, Johnson, Kane, Kankakee, Kendall, Knox, La Salle, Lake, Lee, Livingston, Logan, Macon, Macoupin, Madison, Marion, Marshall, Mason, Massas, McDonough, McHenry, McLean, Menard, Mercer, Monroe, Montgomery, Morgan, Moultrie, Ogle, Peoria, Perry, Piatt, Pike, Pope, Pulaski Putnam, Randolph, Rock Island, Saline, Sangamon, Schuyler, Scott, Shelby, St. Clair, Stark, Tazewell, Union, Vermilion, Wabash, Warren, Washington, Wayne, White, Whiteside, Will, Williamson, and Woodford counties.

In the State of Indiana -- Elkhart, Fulton, Jasper, Kosciusko, La Porte, Lagrange, Lake, Marshall, Newton, Porter, Pulaski, St. Joseph and Starke counties.

In the State of Iowa – Adair, Adams, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Bremer, Buchanan, Buena Vista, Butler, Calhoun, Carroll, Cass, Cedar, Cerro Gordo, Cherokee, Chickasaw, Clarke, Clay, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dickinson, Dubuque, Emmet, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Ida, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, Muscatine, O'Brien, Page, Palo Alto, Plymouth, Pocahontas, Polk, Pottawattamie, Poweshiek, Ringgold, Sac, Scott, Shelby, Sioux, Story, Tama, Taylor, Union, Van Buren, Wapello, Warren Washington, Wayne, Webster, Winnebago, Winneshiek, Woodbury, Worth and Wright counties.

In the State of Kansas – Allen, Atchison, Barber, Barton, Bourbon, Brown, Chase, Chatauqua, Cherokee, Cheyenne, Clark, Clay, Cloud, Coffey, Comanche, Crawford, Decatur, Dickinson, Doniphan, Douglas, Edwards, Elk, Ellis, Ellsworth, Finney, Ford, Franklin, Geary, Gove, Graham, Grant, Gray, Greeley, Greenwood, Hamilton, Harper, Haskell, Hodgeman, Jackson, Jefferson, Jewell, Johnson, Kearny, Kiowa, Labette, Lane, Leavenworth, Lincoln, Linn, Logan, Lyon, Marion, Marshall, McPherson, Meade, Miami, Mitchell, Montgomery, Morris, Morton, Nemaha, Neosho, Ness, Norton, Osage, Osborne, Ottawa, Pawnee, Phillips, Pottawatomie, Pratt, Rawlins, Republic, Rice, Riley, Rooks, Rush, Russell, Saline, Scott, Seward, Shawnee, Sheridan, Sherman, Smith, Stafford, Stanton, Stevens, Thomas, Trego, Wabaunsee, Wallace, Washington, Wichita, Wilson, Wyandote and Woodson counties.

In the State of Kentucky – Adair, Allen, Barren, Bell, Butler, Caldwell, Christian, Clinton, Crittenden, Cumberland, Edmonson, Floyd, Hancock, Harlan, Hopkins, Letcher, Livingston, Logan, Lyon, Martin, McCreary, Mclean, Metcalfe, Monroe, Muhlenberg, Ohio, Pike, Simpson, Todd, Trigg, Union, Warren, Wayne, Webster and Whitley counties.

In the State of Louisiana – Acadia, Allen, Avoyelles, Beauregard, Bienville, Bossier, Caddo, Calcasieu, Cameron, Claiborne, De Soto, Evangeline, Grant, Iberia, Jefferson Davis, Lafayette, Natchitoches, Rapides, Red River, Sabine, St. Landry, St. Martin, Vermilion, Vernon and Webster Counties.

In the State of Maine – Androscoggin, Aroostook, Cumberland, Franklin, Hancock, Kennebec, Know, Lincoln, Oxford, Penobscot, Piscataquis, Sagadahoc, Somerset, Waldo, Washington and York counties.

In the State of Maryland – Garrett County.

In the Commonwealth of Massachusetts – Barnstable, Bristol, Dukes, Essex, Franklin, Hampden, Hampshire, Middlesex, Nantucket, Norfolk, Plymouth, Suffolk and Worcester counties.

In the State of Michigan – All counties but Gogebic.

In the State of Minnesota – Aitkin, Anoka, Beltrami, Benton, Big Stone, Blue Earth, Brown, Carlton, Carver, Cass, Chippewa, Chisago, Cook, Cottonwood, Crow Wing, Dakota, Dodge, Douglas, Faribault, Fillmore, Freeborn, Goodhue, Grant, Hennepin, Houston, Hubbard, Isanti, Itasca, Kanabec, Kandiyohi, Koochiching, Lac Qui Parle, Le Sueur, Lyon, Martin, McLeod, Meeker, Mille Lacs, Morrison, Mower, Nicollet, Olmsted, Pine,

Pope, Ramsey, Redwood, Renville, Rice, Scott, Sherburne, Sibley, St. Louis, Stearns, Steele, Stevens, Swift, Todd, Traverse, Wabasha, Wadena, Waseca, Washington, Watonwan, Winona, Wright and Yellow Medicine counties.

In the State of Mississippi – George, Greene, and Jackson counties.

In the State of Missouri – All counties.

In the State of Nebraska – Adams, Antelope, Arthur, Blaine, Boone, Brown, Buffalo, Burt, Butler, Cass, Cedar, Chase, Clay, Colfax, Cuming, Custer, Dakota, Dawson, Dixon, Dodge, Douglas, Dundy, Fillmore, Franklin, Frontier, Furnas, Gage, Garfield, Gosper, Greeley, Hall, Hamilton, Harlan, Hayes, Hitchcock, Holt Hooker, Howard, Jefferson, Johnson, Kearney, Keya Paha, Lancaster, Lincoln, Logan, Loup, Madison, McPherson, Merrick, Nance, Nemaha, Nuckolls, Otoe, Pawnee, Perkins, Phelps, Pierce, Platte, Polk, Red Willow, Richardson, Rock, Saline, Sarpy, Saunders, Seward, Sherman, Stanton, Thayer, Thomas, Thurston, Valley, Washington, Wayne, Webster, Wheeler and York counties.

In the State of Nevada – Clark, Lincoln and Nye counties.

In the State of New Jersey -- Atlantic, Bergen, Burlington, Camden, Cape May, Cumberland, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Salem, Somerset, Sussex, Union and Warren counties.

In the State of New Hampshire – Belknap, Carroll, Cheshire, Coos, Grafton, Hillsborough, Merrimack, Rockingham, Strafford and Sullivan counties.

In the State of New Mexico – Bernalillo, Catron, Chaves, Cibola, Colfax, Curry, De Baca, Dona Ana, Eddy Grant, Guadalupe, Harding, Hidalgo, Lea, Lincoln, Los Alamos, Luna, McKinley, Mora, Otero, Quay, Rio Arriba, Roosevelt, San Juan, San Miguel, Sandoval, Santa Fe, Sierra, Socorro, Taos, Torrance, Union and Valencia counties.

In the State of New York – Allegany, Broome, Cattaraugus, Cayuga, Chautauqua, Chemung, Chenango, Cortland, Delaware, Erie, Genesee, Livingston, Madison, Monroe, Niagara, Onondaga, Ontario, Orleans, Oswego, Schuyler, Seneca, Steuben, Tioga, Tompkins, Wayne, Wyoming and Yates counties.

In the State of North Carolina – Alamance, Alexander, Alleghany, Anson, Ashe, Avery, Buncombe, Burke, Cabarrus, Caldwell, Caswell, Catawba, Cherokee, Clay, Cleveland, Davidson, Davie, Forsyth, Gaston, Graham, Guilford, Haywood, Henderson, Iredell, Jackson, Lincoln, Macon, Madison, McDowell, Mecklenburg, Mitchell, Montgomery, Person, Polk, Randolph, Richmond, Rockingham, Rowan, Rutherford, Stanly, Stokes, Surry, Swain, Transylvania, Union, Watauga, Wilkes, Yadkin and Yancey counties.

In the State of Ohio – Allen, Ashland, Ashtabula, Coshocton, Crawford, Cuyahoga, Defiance, Delaware, Erie, Fairfield, Franklin, Fulton, Geauga, Hancock, Hardin, Harrison, Henry, Holmes, Huron, Knox, Lake, Licking, Lorain, Lucas, Madison, Mahoning, Marion, Medina, Mercer, Morgan, Morrow, Muskingum, Ottawa, Paulding, Portage, Putnam, Richland, Sandusky, Seneca, Stark, Summit, Trumbull, Tuscarawas, Union, Van Wert, Wayne, Williams, Wood and Wyandot counties.

In the State of Oklahoma – Adair, Alfalfa, Atoka, Beckham, Blaine, Bryan, Caddo, Canadian, Carter, Cherokee, Choctaw, Cimarron, Cleveland, Coal, Comanche, Cotton, Craig, Creek, Custer, Delaware, Dewey, Ellis, Garfield, Garvin, Grady, Grant, Greer, Harmon, Harper, Haskell, Hughes, Jackson, Jefferson, Johnston, Kay, Kingfisher, Kiowa, Latimer, Le Flore, Lincoln, Logan, Love, Major, Marshall, Mayes, McClain, McCurtain, McIntosh, Murray, Muskogee, Noble, Nowata, Okfuskee, Oklahoma, Okmulgee, Osage, Ottawa, Pawnee, Payne, Pittsburg, Pontotoc, Pottawatomie, Pushmataha, Roger Mills, Rogers, Seminole, Sequoyah, Stephens, Texas, Tillman, Tulsa, Wagoner, Washington, Washita, Woods, and Woodward counties.

In the State of Pennsylvania – Adams, Bedford, Berks, Blair, Bradford, Bucks, Cambria, Cameron, Carbon, Centre, Chester, Clearfield, Clinton, Columbia, Crawford, Cumberland, Dauphin, Delaware, Elk, Erie, Forest, Franklin, Fulton, Huntingdon, Jefferson, Juniata, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Lycoming, McKean, Mercer, Mifflin, Monroe, Montgomery, Montour, Northampton, Northumberland, Perry, Philadelphia, Pike, Potter, Schuylkill, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Warren, Wayne, Wyoming and York counties.

The State of Rhode Island – all counties

In the State of South Carolina – Abbeville, Aiken, Allendale, Anderson, Bamberg, Barnwell, Beaufort, Beaver, Berkeley, Calhoun, Charleston, Cherokee, Chester, Chesterfield, Clarendon, Colleton, Darlington, Dillon, Dorchester, Edgefield, Fairfield, Florence, Georgetown, Greenville, Greenwood, Hampton, Horry, Jasper, Kershaw, Lancaster, Laurens, Lee, Lexington, Marion, Marlboro, McCormick, Newberry, Oconee, Orangeburg, Pickens, Richland, Saluda, Spartanburg, Sumter, Union, Williamsburg and York counties.

In the State of Tennessee – Anderson, Bledsoe, Blount, Bradley, Campbell, Carter, Claiborne, Cocke, Cumberland, Fentress, Grainger, Greene, Grundy, Hamblen, Hamilton, Hancock, Hawkins, Jefferson, Johnson, Knox, Lawrence, Loudon, Marion, McGinn, Meigs, Monroe, Morgan, Pickett, Polk, Putnam, Roane, Rhea, Robertson, Sequatchie, Scott, Sevier, Sullivan, Unicoi, Union, Warren, and Washington counties.

In the State of Texas -- Anderson, Andrews, Angelina, Aransas, Archer, Armstrong, Atascosa, Austin, Bailey, Bandera, Bastrop, Baylor, Bee, Bell, Bexar, Blanco, Borden, Bosque, Bowie, Brazoria, Brazos, Brewster, Briscoe, Brooks, Brown, Burleson, Burnet, Caldwell, Calhoun, Callahan, Cameron, Camp, Carson, Cass, Castro, Chambers, Cherokee, Childress, Clay, Cochran, Coke, Coleman, Collin, Collingsworth, Colorado, Comal, Comanche, Concho, Cooke, Coryell, Cottle, Crane, Crockett, Crosby, Culberson, Dallam, Dallas, Dawson, Deaf Smith, Delta, Denton, DeWitt, Dickens, Dimmit, Donley, Duval, Eastland, Ector, Edwards, El Paso, Ellis, Erath, Falls, Fannin, Fayette, Fisher, Floyd, Foard, Fort Bend, Franklin, Freestone, Frio, Gaines, Galveston, Garza, Gillespie, Glasscock, Goliad, Gonzales, Gray, Grayson, Gregg, Grimes, Guadalupe, Hale, Hall, Hamilton, Hansford, Hardeman, Hardin, Harris, Harrison, Hartley, Haskell, Hays, Hemphill, Henderson, Hidalgo, Hill, Hockley, Hood, Hopkins, Houston, Howard, Hudspeth, Hunt, Hutchinson, Irion, Jack, Jackson, Jasper, Jeff Davis, Jefferson, Jim Hogg, Jim Wells, Johnson, Jones, Karnes, Kaufman, Kendall, Kenedy, Kent, Kerr, Kimble, King, Kinney, Kleberg, Knox, La Salle, Lamar, Lamb, Lampasas, Lavaca, Lee, Leon, Liberty, Limestone, Lipscomb, Live Oak, Llano, Loving, Lubbock, Lynn, Madison, Marion, Martin, Mason, Matagorda, Maverick, McCulloch, McLennan, McMullen, Medina, Menard, Midland, Milam, Mills, Mitchell, Montague, Montgomery, Moore, Morris, Motley, Nacogdoches, Navarro, Newton, Nolan, Nueces, Ochiltree, Oldham, Orange, Palo Pinto, Panola, Parker, Parmer, Pecos, Polk, Potter, Presidio, Rains, Randall, Reagan, Real, Red River, Reeves, Refugio, Roberts, Robertson, Rockwall, Runnels, Rusk, Sabine, San Augustine, San Jacinto, San Patricio, San Saba, Schleicher, Scurry, Shackelford, Shelby, Sherman, Smith, Somervell, Starr, Stephens, Sterling, Stonewall, Sutton, Swisher, Tarrant, Taylor, Terrell, Terry, Throckmorton, Titus, Tom Green, Travis, Trinity, Tyler, Upshur, Upton, Uvalde, Val Verde, Van Zandt, Victoria, Walker, Waller, Ward, Washington, Webb, Wharton, Wheeler, Wichita, Wilbarger, Willacy, Williamson, Wilson, Winkler, Wise, Wood, Yoakum, Young, Zapata and Zavala counties.

In the State of Vermont – Addison, Caledonia, Chittenden, Essex, Franklin, Grand Isle, Lamoille, Orange, Orleans, Rutland, Washington, Windham and Windsor counties.

In the State of West Virginia – Braxton, Gilmer, Pendleton, Pocahontas, Ritchie, and Webster counties.

In the State of Washington – King and Pierce counties.

In the State of Wisconsin – Kenosha county.

## Franchised Business

Your salon will provide haircare services to men, women and children using the “Fantastic Sams” business system developed by the Predecessors and FSFC (the “System”). Your salon will offer cuts, shampoos, styles, perms and color, plus a full line of haircare products for sale, but may not offer manicure and/or pedicure services. You must have your salon open at all times during normal business hours for at least six days per week.

Your salon will compete with other national haircare chains and franchises, and local beauty and barber salons offering the same or similar products and services.

Under a Multi-Unit Development Agreement, you will open and operate an agreed number of salons within a territory. You will sign a Salon License for each salon, and you must operate each salon in accordance with the System.

## Regulations Specific to the Licensed Business

Each employee of your salon who will actually perform haircare services must be a licensed cosmetologist in the state in which your salon is located. Additionally, your salon must apply for and receive a license from the state to offer cosmetology services before opening. Your salon will also have to comply with various health standards and regulations.

## **Item 2: Business Experience**

The following is a list of directors, principal officers, and other executives who have management responsibilities for the operation of our business relating to the franchises described in this franchise disclosure document. For the purposes of this Item 2, FSFC, Distribution Corp, EBN, BII Retail Corp are sometimes referred to, collectively, as the “FSI Entities.” The principal occupation and business experience of each person during the past five years, including the names and locations of prior employers, are described below. Unless otherwise indicated, the location of the employer is Beverly, Massachusetts.

### **President, Chief Executive Officer & Director: Allyson Hurley King**

Allyson Hurley King has been President, Chief Executive Officer and Director of Salons Corp, DGNA, the FSI Entities and the CA Entities since June 2013. She has also been Chief Executive Office of FSI Corp since June 2013. From September 2010 to April 2013, Ms. King served as Vice President of Education for Clarins USA in New York, New York. Prior to that she held the position of Vice President of Salon Services for Ulta Beauty in Bolingbrook, Illinois from December 2005 to April 2010.

### **President and COO: Linda Chadwick**

Linda Chadwick has been President and Chief Operating Officer of FSI Corp in Beverly, Massachusetts since September 2013. Prior to that Ms. Chadwick was Vice President, Franchise Operations for Burger King Corporation in Miami, Florida from May 2010 through September 2013. From December 2006 through May 2010, she was Senior Director of North America Field Training at Burger King Corporation in Miami, Florida.

### **General Counsel & Secretary, Director: Kenneth S. Kaplan**

Mr. Kaplan has been General Counsel, Secretary and Director of Salons Corp and the FSI Entities since April 2006. He has been General Counsel and Secretary of EBN since August 17, 2007 and of BII since August 20, 2008. He has been Secretary and Director of DGNA since January 12, 2012 and of the CA Entities since June 1, 2012.

### **Vice President of Marketing: Ruth A. Swanson**

Ms. Swanson has been Vice President of Marketing of Salons Corp and the FSI Entities since February 2010. Between May 2008 and January 2010, she was an independent Marketing Consultant based out of Quincy, Massachusetts. Ms. Swanson was Senior Director of Marketing at Kaspersky Lab in Woburn, Massachusetts from October 2007 until May 2008.

**Region Director: Lisa Counts**

Ms. Counts has been the Region Director of the Southwest Region of Fantastic Sams Salons Corp since January 2014. Prior to that Ms. Counts was the Market Manager in Dallas, TX from August 2011 through January 2014. From July 2007 to March 2011, she served as Regional Educator out of our Dallas offices.

**Regional Director: Robert Loffredo**

Mr. Loffredo has been Regional Director for Salons Corp in the Eastern Pennsylvania, Southern New Jersey and New York Regions since July 2005, the New England Region since January 2004, and the Michigan and Southeast Regions since June 2013.

**Regional Director: Jennifer Metzger**

Jennifer Metzger has been Regional Director Salons Corp in Tustin, California since April 2007.

**Regional Director: Vernon Suemnicht**

Mr. Suemnicht has been Region Director for Fantastic Sams Salons Corp (a subsidiary of Dessange Group North America, Inc.) since February 2014. From January 2002 to February 2014, Mr. Suemnicht was Region Director for C&W Operations, a Fantastic Sams regional owner located in St. Louis, Missouri.

**Regional Director: Roxann Huebl**

Ms. Huebl has been Regional Director of the Lakes Region of Salons Corp since March 17, 2014. She was Franchise Business Manager for Salons Corp since November 2013. From June 2011 to July 2013 Ms. Huebl was Director of Franchise Performance for Burger King Corporation in Miami, Florida. Prior to that she was Franchise Business Leader for Burger King in Miami, Florida from October 1995 to May 2011.

**Regional Director: Christi Osburn**

Ms. Osburn has been Regional Director of Salons Corp. in Algonquin, IL since April 2014. She was District Manager for Sleepy's, in Chicago, IL from February 2014 to March 2014. Prior to that Ms. Osburn was Regional Manager for the Ratner Company of Chicago, IL from November 1998 to June 2013.

**Market Manager: Cynthia-Marie Campbell**

Ms. Campbell has been Market Manager of Salons Corp in the Southeast Region in Atlanta, GA since February 2013. Prior to that she was General Manager & Salon Market Trainer for Ulta Cosmetics and Fragrance in Alpharetta, GA from May 2010 through November 2012. From November 2007 through May 2010, Ms. Campbell was President of The Suburban Image Salon, Ltd., of Woodstock, GA.

**Director of Franchise Administration: Julie Johnson**

Ms. Johnson has been the Director of Franchise Administration for Salons Corp in Beverly, Massachusetts since April 2012. Prior to that she served as Contracts Administrator from December 2003 to April 2012 in Beverly, Massachusetts.

**Franchise Sales Director: Marcus Salim**

Mr. Salim has been Franchise Sales Director for Salons Corp since February 2010. From December 2006 to February 2010, he held the position of Director of Franchising for the Atlanta, Ohio, and Kentucky Regions of Salons Corp based out of offices in Sammamish, Washington.

**Franchise Sales Manager: Robert Mitchell**

Mr. Mitchell has been Franchise Sales Manager for Salons Corp since October 2013. From August 2010 to July 2013, Mr. Mitchell was Regional Developer for Sport Clips Haircuts in Knoxville, Tennessee. He was a Managing Partner for Transworld Business Advisors in Knoxville, Tennessee from March 2011 to October 2013. From September 2002 to May 2010, Mr. Mitchell was the Senior Vice President of Franchise Sales for @WORK Franchise, Inc. in Knoxville, Tennessee.

### **Item 3: Litigation**

#### **Litigation Initiated by Salons Corp**

**During our last fiscal year ending December 31, 2013 Fantastic Sams Salons Corporation initiated no actions.**

#### **Other Litigation/Arbitration**

##### Pending Cases against Franchisor or its Affiliates

1. Envision Investments, LLC and R.U.T. 13, LLC. vs. Fantastic Sam's Franchise Corporation, Fantastic Sam's, JAS Investments, Inc. and John Shand: Case No. 12CVS01944, North Carolina General Court of Justice, Superior Court Division, County of Union. Filed July 6, 2012. Plaintiffs are former franchisees of Defendant JAS Investments Inc. ("JAS"), a master franchisee/subfranchisor of Fantastic Sams Franchise Corporation ("FSFC"). Defendant John Shand ("Shand") is the principal shareholder of JAS. Plaintiffs were offered the right to rescind their respective Fantastic Sams franchise agreements by JAS in March 2012 as a result of alleged deficiencies in the franchise disclosure documents ("FDD") provided to them by JAS and Shand before purchasing their franchises. Both Plaintiffs accepted the rescission offer and filed this action (the "Subfranchisee Claims") seeking damages against all Defendants for an amount in excess of \$300,000 each, alleging fraud, breach of contract, breach of Federal and North Carolina franchise disclosure requirements and unfair and deceptive trade practices. Defendants JAS and Shand filed a Cross-Claim against FSFC dated September 6, 2012, alleging that its failure to issue a proper FDD to Plaintiffs resulted from FSFC's failure to provide them (JAS and Shand) with a current FDD related to the sale of Fantastic Sams master franchises (See FSRO cases referred to above), seeking indemnification against the claims of Subfranchisee Claims and damages in excess of \$10,000 for breach of contract and unfair and deceptive trade practices under Chapter 75 of the North Carolina General Statutes (collectively, the "JAS/Shand Cross-Claims"). On September 12, 2012 FSFC filed a Cross-Claim against JAS and Shand alleging unfair trade practices, violation of the Lanham Act and breach of contract, and seeking (i) an order directing JAS to assign all of its license agreements with Fantastic Sams franchisees to FSFC (ii) treble damages for unfair and/or deceptive trade practice pursuant to Chapter 75 of the North Carolina General Statutes; (iii) treble damages for unlawful infringement of its trademarks and an injunction enjoining Shand and JAS from continued infringement of the Fantastic Sams® trademarks (iv) an injunction enjoining JAS and Shand from engaging in the hair care business in North Carolina for 5 years in North Carolina, South Carolina and Georgia and (v) indemnification from the Subfranchisee Claims (collectively, the "FSFC Cross-Claims). On June 11, 2013 Judge W. David Lee of the South Carolina Superior Court, granted FSFC's Summary Judgment Motion against JAS and Shand, ruling that (i) FSFC properly terminated Defendant JAS' (former Region Owner) Regional License Agreement (for N.C.) for a material breach (ii) Defendant JAS violated the Lanham Act by continuing to use the FS Marks (iii) Defendant JAS violated the non-competition provision of the Regional License Agreement after termination by continuing to act as Region Owner to the FS Subfranchisees, and, (iv) enjoining JAS from continuing to act as Region Owner in the NC Region (which FSFC has commenced operating again). FSFC continues to vigorously defend the remaining claims of the Plaintiffs (former JAS Franchisees).

2. Francounsel Group, LLC vs. Dessange International SA, DF Export, Fantastic Sams Distribution Corporation, Fantastic Sams Franchise Corporation, Fantastic Sams Holding Corporation, Fantastic Sams International Corporation, Fantastic Sams Retail Corporation, Fantastic Sams Salons Corporation, et al., Case No. 1:12-CV-11071-NMG, U.S. District Court, District of Massachusetts (served June 22, 2012). Plaintiff, Francounsel filed this case against the Fantastic Sams entities (the "FS Entities") and against the Dessange entities (the "Dessange Entities") based on an alleged agreement between Plaintiff and the Dessange Entities under which Plaintiff would have received a brokers fee in the event the FS Entities had purchased franchise



rights to the Dessange or Camille Albane concepts from the Dessange Entities for the U.S. Plaintiff, under several causes of action, including breach of contract and fraud, claims to be entitled to a brokers' fee and other damages (in an amount no less than \$5,000,000 USD) arising from the January 12, 2012 purchase of the FS Entities by the Dessange Entities. The FS Entities do not believe that there is any merit to Plaintiff's claims against them and will vigorously defend this matter with the Dessange Entities. The parties submitted the dispute to non-binding Mediation in Boston, Massachusetts on October 17, 2012 which concluded without settlement. On December 14, 2012 Defendant's filed a Motion to Dismiss the Complaint on numerous grounds including that the matter should be tried by Tribunals of Paris France under the doctrine of *forum non convenient*. On 9/30/13 Federal District Judge Gorton dismissed all claims against the Dessange defendants. The Court also dismissed all of Plaintiff's claims against the FS Entities except the allegation of fraud and violation of c.93A of the Massachusetts General laws. The FS Entities have filed their Answer to the remaining Claims and the case has moved into the discovery phase.

3. FSRO Association, Ltd. vs. Fantastic Sams Franchise Corporation: American Arbitration Association (filed July 26, 2011). Plaintiff, FSRO Association, LTD. ("FSRO"), on behalf of its members ("Region Owners"), filed an Arbitration Demand against our affiliate FSFC with the American Arbitration Association in New York ("AAA"). Under individual regional license agreements with FSFC ("RLAs"), Region Owners, as master franchisees of FSFC, were granted the right to offer and sell subfranchises for Fantastic Sams Hair Salons to subfranchisees in designated geographic areas in the U.S. ("Regions"). Since 2005 FSFC has not offered or sold new RLAs and has re-purchased 11 Regions from Region Owners. In its Arbitration Demand, FSRO claims that by not having a current Franchise Disclosure Document ("FDD") for the sale of new RLAs, FSFC has "chilled" the ability of the Region Owners to sell their Regions on the open market and, in doing so, has violated their individual RLAs and the Massachusetts Unfair and Deceptive Trade Practices Act (the "UDTPA"). FSRO seeks an Arbitral award (i) declaring that FSFC is in violation of the Region Owners' individual RLAs; (ii) ordering FSFC to issue a current FDD for RLAs, and (iii) awarding FSRO attorney's fees and costs under the UDTPA claim. FSFC will vigorously defend this matter and does not believe that the Plaintiff will be successful in its claims against FSFC. The parties signed a settlement agreement dated September 12, 2012 pursuant to which FSFC agreed to issue a new Franchise Disclosure Document by January 31, 2013, at which time this arbitration shall automatically be dismissed with prejudice. On January 31, 2013 FSFC delivered a copy of the new FDD to Plaintiff's Counsel and advised the AAA that all conditions of the Settlement Agreement have been met.

#### Concluded Cases

**During the ten-year period immediately preceding the date of this franchise disclosure document, Salons Corp, its affiliates, which offer franchises under the Fantastic Sams principal trademarks, and other persons identified in Item 2 of this franchise disclosure document have been the subject of the following legal proceedings or arbitrations (or were the subject of counterclaims in the following legal proceedings or arbitrations), which have since been concluded.**

4. Phillip P. Sauder vs. Fantastic Sams Salons Corporation, et. al.: Case No. 342-248046-10, U.S. District Court for Tarrant County, Texas, File No 348 253048 11(filed September 2010). Plaintiff signed a franchise agreement with FSSC on December 4, 2008 to develop a Fantastic Sams salon in the Dallas, Texas Region, paying FSSC the standard \$30,000 franchise fee. Plaintiff was unable to get bank financing to develop the Salon from defendant First Bank of Houston ("First Bank") and filed this case against FSSC, First Bank and the other defendants demanding refund of the franchise fee and seeking damages for alleged fraud, misrepresentation and violation of the Texas Deceptive Trade Practices Act and the FTC Franchise Rule. The parties entered into a settlement agreement dated February 7, 2012 pursuant to which the Defendants agreed to pay Plaintiff \$11,000.00 and the case was dismissed.

Other than the 4actions described in this Item 3, no litigation is required to be disclosed in this franchise disclosure document.

**Item 4: Bankruptcy**

No person previously identified in Items 1 or 2 of this franchise disclosure document has been involved as a debtor in proceedings under the U.S. Bankruptcy Code, or under the laws of foreign nations relating to bankruptcy, required to be disclosed in this Item.

**Item 5: Initial Fees**

The Initial License Fee for an individual Fantastic Sams Salon License is \$30,000, payable when you sign the Salon License.

If you enter into a Multi-Unit Development Agreement, you will pay a nonrefundable Development Fee when you sign the Development Agreement. The Development Fee is currently \$50,000 for three salons, \$70,000 for five salons and \$125,000 for ten salons. The Development Fee is instead of the Initial License Fees that would otherwise apply. You will also be required to sign a License Agreement for each salon you develop under to the Multi-Unit Development Agreement.

Franchisees who purchased licenses in prior years may have paid lower fees, and many current franchisees will, under the terms of their existing Salon Licenses, pay lower initial license fees if they purchase additional licenses in the future.

From time to time Salons Corp offers limited time incentives to existing franchisees whose licenses are scheduled to renew within one to two years (“Renewal Incentive Programs”). The Renewal Incentive Programs are offered for a specific duration of time, offer a reduced fee of anywhere between Zero to One Thousand Dollars, and may include specific criteria the qualifying franchisees must meet, including, but not limited to, such things as upgrading salon décor to the current system standard within a specified period of time or upgrading the salon’s point of sale system.

If you are acquiring a new Fantastic Sams license (whether for a new salon or an existing salon), then you or your “Designated Salon Manager” (an owner or employee who will be responsible for the day-to-day operations of the salon), must attend and successfully complete our New Owner Training programs, including our “Salon Fundamentals Course” training program (sometimes referred to as “SFC”), before you open your “Fantastic Sams” salon (See Item 11). Salons Corp recommends that at least one owner who is named on the Salon License attend New Owner Training (including SFC). You must pay our then-current training fee for the first person to attend training, which is currently \$1,395 and is nonrefundable. In addition, there is a charge for classroom materials, not to exceed \$150. If you decide to send more than one person to the same training session, the training fee for each additional person is currently \$895 and is nonrefundable. There is also a charge for classroom materials, not to exceed \$150. The training fee includes instruction and lunch during the five days of training. The training fee does not include travel, lodging, other meals, personal expenses or compensation to the employee attending training. Beginning in 2011, the SFC program will be computerized. A portable laptop computer will be required for each attendee.

We do not regularly finance or allow installment payments for Development Fees, the first or any subsequent Initial License Fees or training fees, although financing alternatives may be available to qualified candidates from outside financing sources. For further information, please refer to Item 10 of this franchise disclosure document.

**Item 6: Other Fees**

You will pay the following fees under each Salon License:

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Weekly License Fee	\$340.78	Each Monday your salon remains in operation or uses the Fantastic Sams trademarks	Notes 1& 2
National Advertising Fund Fee	\$135.46	Each Monday your salon remains in operation or uses the Fantastic Sams trademarks	Notes 1, 2 & 3
Regional Advertising Fund Fee	Varies depending on Licensee Council decisions (Note 5)	Each Monday your salon remains in operation or uses the Fantastic Sams trademarks	Note 5
Assignment Fee	\$7,500 or 25% of the then current Initial License Fee, whichever is greater	Upon transfer of your Salon License	Must be paid upon a License Agreement being transferred or assigned.
Renewal Fee	\$7,500 or 25% of the then current Initial License Fee, whichever is greater	After your 10 year term expires	
Finder's Fee	\$5,000 or 5% of total consideration	Close of escrow or transfer	You only have to pay if Salons Corp is engaged by you to identify a buyer for your salon. See Note 6.
Attorney's Fees	Varies	On demand	You only have to pay if Salons Corp must hire an attorney because of your breach.
Non Reporting Fee	\$20.00 per week, per salon	On a Weekly Basis	Payable for each week that you do not report weekly sales and/or other information that we require. See Note 7

You will pay the following fees under the Development Agreement:

Type of Fee	Amount	Due Date	Remarks
Assignment Fee	25% of the then-current Development Fee being charged for the equivalent development rights.	Upon transfer of your Development Agreement	This amount must be paid at the time your Development Agreement is transferred or assigned. The assignment fee specified in the Salon License Agreement for transfer of each salon must also be paid at this time.

All fees are due and payable to FSFC, Salons Corp or Fantastic Sams National Advertising Fund, Inc. ("NAF") and all fees are nonrefundable.

Salons Corp and FSFC's other subfranchisors offer franchises under different terms, including different fees, in markets other than your market. Neither Salons Corp, nor FSFC's subfranchisors offer franchises under different terms in your market.

Our collection, and that of FSFC's other subfranchisors, of these fees has varied in the past fiscal year in various and different circumstances.

**NOTES:**

(1) The Weekly License Fee and National Advertising Fund Fee (the "NAF Fee") are payable in advance on Monday, beginning with the first full week your salon is in operation but no later than one year from the date you sign the Salon License. These fees will be collected by automatic bank draft each week from your account for the entire term of your Salon License, starting when you open your "Fantastic Sams" salon. In addition to the NAF Fee, Salons Corp recommends that you spend not less than 5% of your gross revenues toward local advertising.

On occasion we may, in our discretion, offer to abate weekly license fees, in whole or in part (a "License Fee Abatement"), for a limited time following the opening of the Salon (the "Abatement Period"). If you are offered and elect to accept a License Fee Abatement, weekly license fees for the balance of the term following the Abatement Period will be higher than the then-current weekly license fees (the "Adjusted Weekly License Fee"). In such instance, the total Adjusted Weekly License Fees paid during the term of your Salon License Agreement may exceed the amount you would have paid if you had elected not to receive the License Fee Abatement. The decision to accept a License Fee Abatement, if offered, will be at your option. During the past fiscal year, in various and unique circumstances, our collection of these fees has varied.

(2) During the term of your Salon License, the Weekly License Fee and NAF Fee will be adjusted based upon the average change in an index calculated by the federal government called the Consumer Price Index for Personal Care Services ("CPI"). This adjustment will occur on the work week ending on the first Friday in August of each year

In addition to the annual cost of living adjustment to the weekly fees, the Weekly License Fee will, at the option of Salons Corp, also be increased each year by an additional amount of up to \$5 per week, commencing with the work week ending on the first Friday in August of each year.

(3) NAF Fees are collected by Salons Corp and deposited into an account of Fantastic Sams National Advertising Fund, Inc. ("NAF"), a nonprofit Tennessee corporation not controlled by FSFC or Salons Corp. NAF is managed by a Board of Directors made up of Regional Owners like us, franchisees like you and one representative from FSFC. The purpose of NAF and the manner in which the funds are utilized by the NAF Board of Directors are described in Item 11 of this franchise disclosure document.

(4) By signing the Salon License, you agree to participate and adhere to the actions of a Licensee Council in your general geographic area. Each Licensee Council has the power to assess additional fees for promotional or advertising purposes upon the majority vote of the franchisees in your area, and you would be required to pay these whenever due. Salons Corp does not have controlling voting power over any cooperative advertising programs.

(5) If you propose to assign any interest in your License Agreement, Salons Corp may offer its services to assist you in identifying a potential buyer. If you accept the finder's services of Salons Corp, you must sign a Finder's Agreement (attached to this disclosure document as Exhibit J) and pay a finder's fee of \$5,000 or 5% of the total consideration paid for the salon, whichever is greater, at the time that the sale is closed. This fee is in addition to any applicable assignment fee.

(6) You will be required to pay us a fee of \$20 each week you fail to provide us with any report required under the Salon License.

**Item 7: Estimated Initial Investment**

The following Chart A describes your initial investment for a single, new "Fantastic Sams" salon. Please read these charts together with the notes that follow.

**Chart A: New Salon**  
**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount (Low-High)</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Initial License Fee <sup>(1)</sup>	\$30,000	Lump Sum	When you sign the Salon License	Salons Corp
New Owner/SFC Training Fee <sup>(2)</sup>	\$0- to \$2,600	Lump Sum	Before your Training	Salons Corp or FSFC
Travel and Living Expenses For You and Your Employees During Training <sup>(3)</sup>	\$1,500 to \$3,000	As Incurred	During Training	Airlines, Hotels & Restaurants
Leasehold Improvements <sup>(4)</sup> <i>(including architectural fees)</i>	\$30,000 to \$80,000	As Incurred	Before you open your Salon	Landlord, Suppliers & Contractors
Rent <sup>(4)</sup>	\$1,600 to \$7,000	Lump Sum	Before you open your Salon	Landlord & Suppliers
Utility Deposit <sup>(5)</sup>	\$500 to \$1,500	Lump Sum	Before you open your Salon	Utility companies
Initial Haircare Product Inventory (3 month supply) <sup>(6)</sup>	\$8,000 to \$14,000	As Incurred	Before you open your Salon	Salons Corp or Other Distributor
Salon Equipment <sup>(7)</sup>	\$18,000 to \$25,000	Lump Sum	Before you open your Salon	Suppliers
Other Equipment, Fixtures, and Furnishings <sup>(8)</sup>	\$5,000 to \$10,000	Lump Sum	Before you open your Salon	Suppliers
Salon Supplies - Non Technical (3 month supply)	\$2,500 to \$4,500	As Incurred	Before you open your Salon	Suppliers
Salon Identity and Graphics Kit (interior graphics)	\$500 to \$1,500	Lump Sum	Before you open your Salon	Salons Corp or Other Distributors

Type of Expenditure	Amount (Low-High)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Advertising (first 3 months) <sup>(9)</sup>	\$7,500 to \$15,000	As Incurred	As Arranged	Suppliers
Insurance <sup>(10)</sup>	\$1,000 to \$2,000	Non-refundable as required	As Incurred	Insurance Company
Additional Funds - 3 Months <sup>(11)</sup>	\$30,000 to \$50,000	As Incurred	As Arranged	Employees, Suppliers & Utilities
TOTAL <sup>(11)(12)</sup>	\$136,100 to \$246,100			

NOTES:

(1) \$30,000 is the normal Initial License Fee for an individual Salon License. If you enter into a Multi-Unit Development Agreement, your estimated initial investment will include a Development Fee payable to Salons Corp (see Item 5). Your estimated initial investment for each salon will be described above, except that the Development Fee is instead of the Initial License Fees that would otherwise be payable.

(2) The higher estimate described above reflects the cost to you if you elect to send two people. The estimate provided does not include amounts for transportation, lodging and meals (see Item 5).

(3) The estimate provided for Travel and Living Expenses during Training is a general figure and will vary depending upon the number of people sent, accommodations available, distance traveled and a variety of other factors. The lower estimate described above approximates the cost for one person attending, while the higher estimate approximates the cost for two people attending. These amounts are not provided by FSFC or Salons Corp (see Item 5).

(4) Most new salons are developed in multi-unit commercial establishments such as "strip centers." Our estimate for rental costs is based on an assumption that the typical Fantastic Sams salon occupies 1,000 to 1,400 sq. ft., and rents for between \$20 to \$60 per square foot, depending on the market rental rates. The rental cost is calculated at net rent, which does not include common area maintenance fees, which may be charged on a monthly, quarterly or yearly basis. Your rent deposit equals approximately one month's rent. Depending on the landlord, you may be required to pay a security deposit as well, which is typically equal to one month's rent. The typical lease term is a five year lease with one option to renew for a further five years. You must modify your salon location to meet our standards of decor established for Fantastic Sams salons ("leasehold improvements"). The costs of leasehold improvements, including architectural expenses, depending on the lease, may be amortized over the lease term thus increasing the rent, or the landlord may provide a cost allowance for leasehold improvements. In some cases, leasehold improvements must be paid in full by you. Due to variable materials and labor costs, leasehold improvement costs cannot be estimated with precision. The higher figure assumes you pay the full cost of leasehold improvements before salon opening.

(5) The estimate assumes that you may be required to provide various utility deposits which could range from \$500 to \$1,500.

(6) Estimates for the cost of Initial Haircare Product Inventory assume that you will install the new salon décor with the expanded retail product line.

(7) Beauty salon equipment such as shampoo bowls, dryers, styling/shampoo/reception chairs, mirrors, styling stations and styling mats, etc., must be acquired before salon opening. If purchased, the price to you is approximately \$18,000 to \$25,000. You may choose to lease the equipment; however, there is no leasing program available through Salons Corp for salon equipment. You may purchase or lease the equipment from any approved supplier. The estimates provided assume cash payment for the equipment necessary to furnish a nine (9) station salon.

(8) You must purchase certain equipment from various approved vendors other than FSFC or Salons Corp, including training tapes, price board, washing machine and dryer, manuals, signage, and a POS/computer system.

(9) Advertising is essential to the successful operation of a Fantastic Sams salon. We recommend that, on a continuing basis, you spend not less than 5% of your gross revenues toward advertising, in addition to the NAF fee. However, advertising during the first three months is crucial to the eventual success of the salon. Therefore, we recommend an additional amount be spent on advertising in the first 90 days of operation. These payments are made to local media suppliers such as newspapers, radio, television or direct mail.

(10) You must maintain the minimum insurance coverage set forth in Section 5(p) of the Salon License. For all insurance, you must include FSFC and Salons Corp as additional insureds as well as furnish us with proof of that coverage every 12 months. Because insurance premiums vary greatly with companies and with business insurance packages, it is difficult to give an exact figure or even an approximate figure for the annual or monthly insurance costs. Insurance fees are paid to an insurance agency, person or entity chosen by you.

(11) Salons Corp recommends that you have these additional funds for the first three months' ordinary, extraordinary and miscellaneous operating expenses. Depending on a number of factors you may need to have additional capital available to operate your particular Fantastic Sams hair salon.

(12) The lower total initial investment set forth above assumes you lease your salon equipment. Payments to FSFC and Salons Corp are not refundable. Payments made to other suppliers are generally not refundable unless you negotiate refund terms and conditions with a particular supplier.

## **Item 8: Restrictions on Sources of Products and Services**

### **Product Purchase and Sale Requirements**

You must sell Fantastic Sams branded shampoos, conditioners and related haircare products ("FS Branded Products") in your salon, carry recommended minimum inventory levels of these products, and allocate at least 60% of your retail shelf display space to these products, unless the Operations Manuals permit a lesser percentage. In order to maintain uniformity and quality of services provided by all franchisees, you must also use only designated FS Branded Products and other specifically approved products in providing haircare services to customers of your Salon. In the absence of an FS Branded Product for hair color services, you must use only hair color products in your salon that are designated by us and which have been approved by FSFC. You must purchase FS Branded Products from distributors approved by FSFC. Your purchase of FS Branded Products will constitute approximately 7% of the total investment required to start your Fantastic Sams business. FS Branded Products will constitute approximately 60% of your initial and on-going haircare product inventory purchases.

In addition to the FS Branded Products, you will need to purchase other approved national brands of haircare products ("National Brand Products") to be displayed and sold at your salon. Your purchase of approved National Brand Products will be a major on-going expense, and will make up approximately 40% of your initial and on-going haircare product inventory purchases. There are no requirements as to where you may purchase National Brand Products. Distribution Corp, from time to time, develops Fantastic Sams branded haircare tools and accessories, for example hair dryers, flat-irons, brushes, shears, etc., ("FS Accessories"), which it sells to Salons Corp franchisees and to other Region Owners for resale in salons. Currently, there is no requirement that you purchase and/or offer FS Accessories for sale in your salon.

FS Branded Products and FS Accessories may not be offered or sold at or from any location other than a Fantastic Sams salon without our prior written consent, which we may grant or deny in our sole discretion. You may not offer or sell FS Branded Products or FS Accessories at wholesale, via catalog or over the internet in any manner whatsoever.

FSFC receives a royalty of up to 15% of the sales price for FS Branded Products sold by Regional Owners to "Fantastic Sams" salons in their regions ("Product Royalties"). During the period January 1, 2013 to December 31, 2013, FSFC received \$266,371, or 7.1 % of FSFC's total revenues of \$3,725,502, for that period from Product Royalties.

Distribution Corp, an affiliate of FSFC, is in the business of distributing, through designated logistical service providers, both FS Branded Products and National Brand Products to Salons Corp's franchised salons and to the licensees of certain Regional Owners. In May, 2008, Distribution Corp entered into an agreement with TIGI Linea, LP, ("TIGI"), designating TIGI as a preferred vendor of certain National Brand Products ("TIGI Products"). Distribution Corp may purchase TIGI Products directly from TIGI for distribution to Fantastic Sams salons or authorize approved Region Owners to purchase such products from TIGI for distribution to salons in their Regions. Distribution Corp may also elect to have TIGI ship TIGI Products directly to Fantastic Sams salons for orders placed by salons through Distribution Corp ("Direct Ship Orders"). Distribution Corp may receive administrative and promotion fees from TIGI related to TIGI Products purchased by Distribution Corp, Region Owners and salons. During the period January 1, 2013 to December 31, 2013, Distribution Corp had revenues from the sale of FS Branded Products, FS Accessories and National Brand Products to Fantastic Sams licensees, and from administrative and promotion fees related to TIGI Products in the amount of 1,786,027, which constituted 100% of Distribution Corp's total revenues for that period.

In 1994, FS International implemented a program with the manufacturer of certain FS Branded Products and Regional Owners for the establishment and funding of a Product Promotion Fund for production of promotional materials for in-salon advertising and promotion of the FS Branded Products. Under this program, the manufacturer, Regional Owners and FSFC each contribute a percentage of the manufacturer's net sales price of the FS Branded Products to the Product Promotion Fund. For the period from January 1, 2013 to December 31, 2013, a total of \$106,366.38 was contributed to the Product Promotion Fund. The Product Promotion Fund is managed by a board consisting of three Regional Owner representatives and one representative from each of FSFC and the manufacturer.

Under the terms of an agreement between Zotos International, Inc., and FSFC a portion of the net sales derived by Zotos from the manufacture and sale of FS Branded Products is allocated for the support of the Fantastic Sams system, as follows: (1) on a monthly basis, between 5% and 6% of net sales, depending on sales volume, is paid to the Product Promotion Fund described above; (2) on a monthly basis, 5% of net sales will be paid to FSFC for use in educational programs (for which FSFC has agreed to provide Regional Owners with an annual, proposed budget, as well as a report on how the funds were actually expended); (3) on a monthly basis, 2% of net sales is paid to FSFC and used to defray the costs of conferences or national conventions where the FS Branded Products are promoted; and (4) under circumstances outlined in the agreement, surplus amounts previously allocated by Zotos to an obsolete product allotment account (established for the purpose of offsetting the cost of obsolete inventory and funded by an accrual of 1% of net sales) may be paid to the Product Promotion Fund, and, conversely, Zotos's monthly contribution to the Product Promotion Fund may be temporarily reduced by up to 1% of net sales to cover a shortfall in the obsolete product allotment account.

If you are opening a new salon, you must purchase approved salon equipment for use in your salon. You may purchase this equipment from suppliers of your choice; however, it is recommended that you use sources from FSFC's approved vendor list. FSFC and its affiliates do not sell salon equipment and receive no revenue from sales by approved suppliers. After your initial purchase of this equipment, which will constitute approximately 16-22% of your total initial investment in your new salon, you should only have to periodically spend additional funds on equipment in the salon for routine repairs, replacement and expansion plans.

Except as described above, you need not purchase from or deal with specific people or companies to buy goods or services required in the operation of your salon. FSFC and its Predecessors have formulated standards and specifications for the products and services sold at Fantastic Sams Salons, and for approved suppliers, to provide uniformity throughout the Fantastic Sams system. Standards and specifications are outlined in the Operations Manuals and are modified as needed by updates to the Operations Manuals to address changing market conditions or other circumstances. In the Operations Manuals and other materials you will receive upon signing your Salon License and attending training, FSFC has listed certain approved products, goods, equipment and supplies along with a list of approved vendors. You need not purchase these goods from approved vendors,



nor are you limited in purchasing solely these goods. No officers or directors of Salons Corp or FSFC have any ownership interest in any of the approved suppliers that is required to be disclosed.

### Supplier Approval

Should you decide not to purchase from approved suppliers, your proposed supplier must become approved under the specifications in the Operations Manual. If you want to obtain approval for a supplier, then you must send representative samples and specifications of that supplier's products or services to Salons Corp, which will then send them to FSFC. Within 60 days after receiving the necessary samples and information, FSFC will determine whether the supplier complies with FSFC's established uniformity requirements, quality standards and specifications, and will advise you in writing as to its determination at no cost to you. FSFC's criteria for supplier approval will be provided to you upon request.

### Product/Service Approval

Whenever a franchisee, Regional Owner or outside vendor asks FSFC to review a product, a good or a service to potentially add to FSFC's approved list, FSFC first evaluates the product or service to see if its addition would fit the "Fantastic Sams" System. This is an arbitrary decision made by the management of FSFC. If it is deemed not to be a fit, in-salon testing may not occur. If deemed appropriate for the brand, the product will either be tested by FSFC, a Regional Owner, or a franchisee for a period of time sufficient to adequately evaluate its benefits. FSFC will test the ability of the product or service to add to the revenue or atmosphere of a salon; the capability of salon employees of the salon to properly use or implement the product or service; the services available from the manufacturer or seller of the product; the quality, historical background and stability of the manufacturer and seller; the "fit" with the Fantastic Sams System; and many other elements, both tangible and intangible. This testing process may take as long as six to nine months. FSFC does not charge a fee for this testing process. Whenever you request that we evaluate a new product, we follow the same preliminary steps as FSFC. We must then request that FSFC also approve the goods or services, and we cannot implement it in the region until FSFC has given its approval.

We require you to maintain minimum insurance coverages described in Section 5(p) of the Salon License, including a minimum of \$25,000 for business contents coverage, and \$1,000,000 in comprehensive general liability insurance. For all types of insurance, you must include FSFC and Salons Corp as additional insureds and loss payees and furnish us with proof of such coverages every twelve months. Insurance fees are paid to an insurance agency, person or entity chosen by you, and neither FSFC nor Salons Corp derives any revenue from your purchase of required insurance coverage.

From time to time FSFC may organize a convention for Fantastic Sams franchisees, Regional Owners and stylists. It is strongly encouraged, but not required, that you attend the convention. To participate in the convention, attendees must register with the convention management agency chosen by FSFC and pay attendance fees to the agency. To maximize attendance at conventions, FSFC and its agency budget convention revenues and costs to break even; however, in the past FSFC has been required to supplement attendance fees in order to cover all convention costs. In addition, suppliers are often requested to make contributions and provide sponsorships to defray the costs of the convention. The size of these contributions and sponsorships will vary from supplier to supplier and from year to year. In the event that attendance at a convention were to materially exceed the projected enrollment, FSFC would receive the excess revenues from the agency.

FSFC and Salons Corp reserve the right to revoke the approval of any supplier at any time. Except as stated above, FSFC and Salons Corp do not derive revenue from your purchases of goods or services.

**Item 9: Franchisee's Obligations****FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the salon license and other agreements. It will help you find more detailed information in the salon license and in other items of this disclosure document.**

<b>Obligation</b>		<b>Section in Salon License</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Sections 1 and 5(d)	Items 7 and 11
b.	Pre-opening purchases/leases	Section 5(f)	Item 8
c.	Site development and other pre-opening requirements	Section 5(f)	Items 5, 7 and 11
d.	Initial and ongoing training	Sections 3(b) and 5(c)	Items 6 and 11
e.	Opening	Sections 1(b), 3; 7(a)	Item 11
f.	Fees	Sections 3; 7(c), 5(a), 5(n), 10(e) and 14;	Items 5 and 6
g.	Compliance with standards and policies/Operations Manual	Sections 5(j) and 6	Items 11 and 16
h.	Trademarks and proprietary information	Sections 5(b),5(o), and 5(r)	Items 13 and 14
i.	Restrictions on products/services offered	Section 8	Items 8 and 16
j.	Warranty and customer service requirements	None	
k.	Territorial development and sales quotas	None	Item 12
l.	Ongoing product/service purchases	Section 8	Item 8
m.	Maintenance, appearance and remodeling requirements	Sections 5(f) and 5(g)	Item 11
n.	Insurance	Section 5(p);	Item 7
o.	Advertising	Section 7	Items 6 and 11
p.	Indemnification	Sections 5(q) and 9	Item 17
q.	Owner's participation/ management/staffing	Sections 3(b), 5(c) and 5(j)	Items 11 and 15
r.	Records/reports	Section 5(n)	Item 6
s.	Inspections/audits	Section 5(m)	Item 17
t.	Transfer	Sections 10 and 12(d)	Item 17
u.	Renewal	Section 14	Item 17
v.	Post-termination obligations	Section 12(d)	Items 15 and 17
w.	Non-competition covenants	Section 11	Items 15 and 17

Obligation		Section in Salon License	Disclosure Document Item
x.	Dispute resolution	Section 13	Item 17

**The following table lists your principal obligations under the Multi-Unit Development Agreement. It will help you find more detailed information about your obligations in the Multi-Unit Development Agreement and in other items of this Franchise Disclosure Document.**

Obligation		Section in Multi-Unit Development Agreement	Disclosure document item
a.	Site selection and acquisition/lease	None	Items 7 and 11
b.	Pre-opening purchases/leases	None	Item 8
c.	Site development and other pre-opening requirements	None	Items 5, 7 and 11
d.	Initial and ongoing training	None	Items 6 and 11
e.	Opening	Section 4	Item 11
f.	Fees	Section 3	Items 5 and 6
g.	Compliance with standards and policies/Operations Manual	Section 5	Items 11 and 16
h.	Trademarks and proprietary information	Sections 5 and 8	Items 13 and 14
i.	Restrictions on products/services offered	None	Items 8 and 16
j.	Warranty and customer service requirements	None	None
k.	Development and sales quotas	Section 4 & 5 <sup>(1)</sup>	Item 12
l.	Ongoing product/service purchases	None	Item 8
m.	Maintenance, appearance and remodeling requirements	None	Item 11
n.	Insurance	None	Item 7
o.	Advertising	Section 3	Items 6 and 11
p.	Indemnification	Section 5	Item 17
q.	Owner's participation/ management/staffing	Sections 6	Items 11 and 15
r.	Records/reports	None	Item 6
s.	Inspections/audits	None	Item 17
t.	Transfer	Section 7	Item 17
u.	Renewal	None	Item 17
v.	Post-termination obligations	Section 9	Items 15 and 17
w.	Non-competition covenants	Sections 8 and 9	Items 15 and 17
x.	Dispute resolution	Section 10	Item 17

- (1) If your Multi-Unit Development Agreement specifically provides for ten (10) salon licenses, upon the opening for your 6<sup>th</sup> salon, you will be required to establish a training facility and, upon the opening of your 8<sup>th</sup> salon, you will be required to hire a technical educator. These obligations are specifically described in Section 5.d. and 5.e. of your Multi-Unit Development Agreement.

## **Item 10. Financing**

Neither FSFC nor Salons Corp offers direct or indirect financing. Salons Corp does not guaranty your note, lease or other obligation.

## **Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training**

**Except as disclosed below, Salons Corp is not required to provide you with any assistance.**

### **Pre-Opening Obligations**

Before you open your business, Salons Corp will provide training to you which is described below (Salon License, Section 4(a)).

Salons Corp provides a training program to you, your salon managers and stylists. You must attend the training program before your Fantastic Sams hair salon is opened for business.

The training consists of certain classroom and on the job training. The owner and manager classes consist of a minimum of 5 days of training, which are held approximately four times per year. Hair stylist training is held throughout the year at facilities established by Salons Corp and at other designated training facilities. Further, additional manager, owner and hairstylist training is given in regional seminars regularly held around the region.

The content of the stylist training consists of hairstyling techniques, sales training, thorough indoctrination in the Fantastic Sams system and motivational development. The content of the manager and owner training consists of an in-depth discussion of the history, development and operation of the Fantastic Sams system, explanation of the accounting system, inventory control, other financial management techniques, job descriptions, advertising, sales, promotion, market study and other marketing plans, customer and employee relations and practical experience in the operation of a haircare center.

All instructors have had many years of experience in the haircare industry in hairstyling, managing and/or owning haircare centers. The instructors include training personnel from both product manufacturers and Salons Corp's staff.

Other than the tuition charged for SFC, Salons Corp does not currently charge any tuition or other training costs for you or your employees, but Salons Corp reserves the right to so in the future. However, Salons Corp reserves the right to charge reasonable sums for the training materials and the products used in any training session. You and your employees have the right to attend these training sessions without purchasing these training materials and products from Salons Corp. Further, Salons Corp will not be responsible for the transportation charges for any personnel to and from the training site, nor any living expenses during the training program. Salons Corp does not compensate you or any of your employees during any training sessions.

Additional, optional training is available upon request to be provided in conjunction with pre-existing training schedules.

The New Owner's Training Program includes the Salon Fundamentals Course which is presented by Salons Corp or FSFC in Massachusetts or, at the company's discretion, an alternative location. The Salon Fundamentals Course is required of all new Fantastic Sams licensees. Classes occur over a five-day period and are scheduled to be held quarterly, but may be rescheduled if a minimum number of five new licensees do not register to attend. The classes are held at facilities designated by Salons Corp or FSFC and cover an in-depth discussion of the Fantastic Sams system, together with salon operations, management, customer service, and marketing and advertising.

Salon Fundamentals Course classes are primarily taught by individuals who have at least five years' experience in the haircare industry, either owning and/or operating salons, and/or providing technical education to trained stylists.. The fee structure for the Salon Fundamentals Course is set forth in Item 5 above. All travel, lodging and other expenses associated with this type of training will be your responsibility.

**TRAINING PROGRAM<sup>(1)</sup>**

<b>Subject</b>	<b>Hours Of Classroom Training</b>	<b>Hours Of On The Job Training</b>	<b>Location<sup>(2)</sup></b>
Business Plan & Analysis	5	0	See Footnote 2
Salon Operations	10	0	See Footnote 2
Foundations for Business Success	5	0	See Footnote 2
Human Resources	5	0	See Footnote 2
Recruiting and Retaining Stylists	5	0	See Footnote 2
Customer Service	5	0	See Footnote 2
Marketing and Advertising	5	0	See Footnote 2
<b>TOTAL</b>	<b>40</b>	<b>0</b>	

(1) You also must also attend the New Owner's Training Program if you: (a) purchase a second or subsequent "Fantastic Sams" license, (b) renew your Salon License(s), or (c) receive an assignment of a "Fantastic Sams" salon license, unless the training is waived in writing by Salons Corp. In these cases, you will pay all costs you incur in attending these New Owner's Training Programs, including training program costs owed to Salons Corp or other third party and travel, lodging, meals and other incidental expenses (see Item 7 of this franchise disclosure document).

(2) The New Owner's Training Program is conducted in Massachusetts or at other locations in the regional territory designated by Salons Corp.

**Post-Opening Obligations**

During the operation of your franchised business, Salons Corp will provide you with owner, management and stylist classes and courses at the facilities established by Salons Corp. In addition, Salons Corp will conduct training and consultation sessions at facilities established by Salons Corp; additionally, skilled personnel, if requested by you, will be made available to assist in solving special problems at your expense (License Agreement, Section 4);

Each year Salons Corp will provide regional seminars for you, your stylists and managers; further, annually, there will be voluntary hairstyling seminars for your stylists (License Agreement, Section 4). Salons Corp will consult with and recommend to you advertising, merchandise and marketing materials, data and advice as may be deemed helpful and as developed by Salons Corp (Salon License, Section 7). Additionally,

Salons Corp will advise you of new developments and improvements in the Fantastic Sams System (Salon License, Section 6).

Salons Corp will lend you the 427-page Operations Manuals and materials that contain the information about the Fantastic Sams system; these manuals and materials are confidential and may be revised by Salons Corp from time to time (Salon License, Section 6). The Table of Contents of the Operations Manual is attached as Exhibit F to this franchise disclosure document.

A list of the approved manufacturers, lines of products and individual haircare products from which you may select for use in your hair salon (License Agreement, Section 8) will be made available to you by Salons Corp.

A separate Tennessee nonprofit corporation, the Fantastic Sam's National Advertising Fund, Inc. ("NAF"), of which you, as a "Fantastic Sams" franchisee, will be a member, provides advertising materials, guidelines and services to the entire "Fantastic Sams" System. The National Advertising Fund is used exclusively for marketing, advertising or public relations. The NAF must spend at least 85% of the National Advertising Contribution on either: (a) media that in the advertising industry is regarded as "National Media;" or (b) reimbursement of local or regional media that covers the area you serve and is approved according to NAF guidelines. Once 3,000 "Fantastic Sams" hair salons operate within the U.S., then 85% of the National Advertising Fees contributed to the National Advertising Fund will be spent on media, which, in the advertising industry, is regarded as "National Media."

Using amounts not to exceed 15% of the weekly national advertising fees, the NAF hires a professional advertising agency to create and disseminate an advertising kit with sample print advertisements that you may use to advertise your salon in the local print media. The NAF also retains the agency to produce commercials for use on radio and television. A portion of these fees may also be spent on a disproportionate basis to engage in test marketing, conduct surveys of advertising effectiveness, produce new commercials, produce print ads, produce advertising campaigns and promotions, develop public relations campaigns and promotions, pay for the expenses of the National Advertising Fund or other purposes deemed beneficial by NAF to the general recognition of the Fantastic Sams name and success of the Fantastic Sams system. The weekly national advertising fees are not used for advertising aimed exclusively at soliciting new Fantastic Sams franchisees.

Salons Corp and the NAF may reimburse themselves from the National Advertising Fund for reasonable bookkeeping, accounting, reporting and legal expenses incurred with respect to the National Advertising Fund. Neither Salons Corp nor the NAF will be liable for any act or omission with respect to the National Advertising Fund that is consistent with your Salon License or done in good faith.

The National Advertising Fund is governed by a board of directors comprised of seven board members: two franchisees, four Regional Owners and one FSFC-appointed representative. Each of the franchisee or Regional Owner directors serves a staggered term of three years, which means that each year either two or three new directors will be elected. The Regional Owner directors are elected at an annual meeting. The Regional Owners nominate the franchisee members, who are then selected by the NAF board to serve as directors.

The weekly national advertising fees are placed in a separate bank account owned by NAF and governed and controlled by its board of directors. All franchisees contribute to this fund on an equal basis for each salon. NAF currently reimburses Regional Owners, including Salons Corp, for a portion of the expenses incurred in collecting and administering the weekly national advertising fees, if all guidelines are met. Neither FSFC, Salons Corp nor any affiliate of either of them receives any other payment for providing goods or services to NAF.

NAF is audited annually. You may request a copy of the audited financial statements by notifying the NAF board of directors. As reported to us by NAF, during the last fiscal year for which audited figures are available, which ended July 31, 2013, NAF spent 11.16% on production, 85.87% on media placement and 2.97% in administrative costs. In the event NAF fees are not spent in the fiscal year in which they are received, they would be carried over and used in the succeeding year, and any such carried-over funds would be subject to Federal taxes. Any questions regarding the carried over funds may be directed to NAF.

You may also use your own advertising materials and are not limited to the use of those created only for NAF. However, advertising that comes from NAF, including the ad kit, is “pre-approved” and does not require prior submission to Salons Corp for approval. Any other advertising must be reviewed and approved in writing by Salons Corp before placement in any media.

By signing your Salon License, you must participate and be bound by the actions of licensee councils in your general geographic area, if any exist or are established in the future. If a licensee council exists in your area, it would have the power to assess additional fees upon the majority vote of the other licensees in your area and you must pay these fees whenever due. The weekly regional advertising contribution is subject to adjustment by the majority vote of the licensees within the regional advertising council. The weekly regional advertising contribution is payable according to the procedure set forth above in Note 6 to Item 6 of this franchise disclosure document.

Under the terms of the Salon License, FSFC and Salons Corp have the right to establish standards for a computer system which each salon owner must use. FSFC currently requires that salon owners use a computer system for managing the inventory control, product ordering, staffing, customer relations, and other aspects of their businesses, and has the right to require licensees to upgrade this type of computer system in the future. FSFC and Salons Corp also require that salon owners purchase or lease a point of sale system from approved vendors. A computer is required to run the point of sale software. This computer must meet the minimum requirements mandated by the point of sale vendor, including having a minimum amount of available hard drive space and memory, an encrypted credit card scanner, a barcode scanner, scanning wand, cash drawer and receipt printer, and in order to communicate with the POS servers, the computer must have an internal network card.

Additionally, a non-wireless, security-configured firewall router must be wired to a network. A computer with these capabilities typically sells at retail for \$2000 to \$2500. FSFC requires that you purchase an approved POS system, accounting, and inventory management software, High Speed Internet connection (DSL, Cable or Fiber Optic), compatible e-mail, business management, database management and data transfer software, all of which are available through commercial computer hardware and software vendors. FSFC may modify these requirements to address changes in business and technology, and may require franchisees to upgrade their computer hardware and software to comply with FSFC then-current standards. FSFC and Salons Corp require that any credit card processing and POS system meet all PCI compliance standards. FSFC cannot estimate the cost of any these upgrades at this time. FSFC does not provide computer maintenance and support services. Franchisees must arrange for these services at a cost negotiated with the service provider. SALONS CORP and FSFC shall have the right to directly access all sales, financial, marketing, management, customer list and other business information and all other data maintained and stored in your computer databases (“Data and Information”). You must configure and maintain your computer system to permit FSFC and Salons Corp to access the Data and Information by modem and telephone lines on the internet/World Wide Web and to permit SALONS CORP and FSFC to upload and download the Data and Information and other business information from and to your computer system.

Except as described above, Salons Corp does not provide you with any other services and products.

You may select the location for your new hair salon within Salons Corp’s designated territory. Salons Corp has the right to approve on a reasonable basis any proposed location. You may not relocate or use any other location for a “Fantastic Sams” salon without Salons Corp’s prior written consent. Once you have notified Salons Corp of a site, Salons Corp will request that you provide certain information about the location for Salons Corp’s review. Once this information has been submitted, Salons Corp may physically inspect the

site or request photographic information. Salons Corp will use its best efforts to notify you of its approval or disapproval as soon as possible. In selecting the location for your initial haircare center and in recommending locations selected by you, Salons Corp takes into consideration the traffic patterns, population density, type of population in the nearby vicinity, proximity of certain key businesses and proximity of competing and other haircare centers. In addition, Salons Corp takes into consideration the prior history of the location with regard to its prior success or potential for future success. If Salons Corp disapproves of your site selection, you will not be allowed to open the salon in the selected location, and you must find an alternative location that Salons Corp approves. If the exact location for your “Fantastic Sams” hair salon is not specified in your Salon License on the date your Salon License is signed by Salons Corp, then you must obtain a location approved by Salons Corp, and you must open your “Fantastic Sams” salon for regular business within 12 months of the date of your Salon License, unless this date is extended in writing by Salons Corp. Regardless of whether you open your “Fantastic Sams” salon on a timely basis, all of Salons Corp’s initial obligations related to opening your “Fantastic Sams” salon will be deemed to have been satisfied as of the last day of the calendar year following the calendar year in which you signed your Salon License, and all associated fees will be deemed to have been earned by Salons Corp as of that date. If you are converting your existing salon, we must approve your current salon location.

It typically takes 3 to 12 months to open a new salon. Several factors affect the length of time between signing your Salon License and opening your salon, including the amount of time spent locating a site for the salon and negotiating a lease with the landlord, completion of the build-out of the interior of the salon, strikes, supply shortages or weather delays in construction, obtaining required building and other permits and licenses, securing adequate financing to pay for necessary pre-opening expenses, hiring of the staff to be employed in the salon and receipt and installation of salon equipment.

**Item 12: Territory**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. After execution of your Salon License and after locating and obtaining approval of a site for your salon, we will grant you a limited protected area (the “Protected Area”) equal to a one-half mile radius of your Salon location (Salon License Section 2). This means that neither FSFC nor Salons Corp will allow another franchisee to open a Fantastic Sams salon within your Protected Area. However, by granting you a Protected Area, we do not prohibit other salon owners, including Salons Corp if applicable, from advertising in or drawing guests from your Protected Area, nor do we prohibit affiliates of FSFC or their licensees (including affiliates of Salons Corp, if applicable) from operating salons under names other than Fantastic Sams in your Protected Area.

If you have not chosen your Salon location when you sign your Salon License, we will grant you a location “to be determined” upon the approval of the site and before actual opening of the salon (License Agreement Section 1.b). If you desire to relocate your salon after it has opened, you must follow the same guidelines for site location and approval set forth in Item 11 above. We may or may not allow you to move the salon at our sole discretion. Once the salon closes, either to relocate or for other reasons, your Protected Area will cease to exist. You will receive a new Protected Area equal to a one-half mile radius from your new Salon location when you resume operations.

You do not receive any option, right of first refusal or other right to open additional salons under the Salon License. If you desire to open additional salons close to or in a contiguous area to your current salon, you may request that we grant you an additional License. No additional Salon License will be issued if the additional salon is within the Protected Area of another “Fantastic Sams” salon. We will review the potential new location using the same guidelines as set forth above in Item 11 before granting our approval for an additional location. We will also review, among other factors, your current standing under your Salon License and the operational history of your salon. Salons Corp in its sole discretion may or may not grant you an additional License.



Under a Multi-Unit Development Agreement or under any Salon License, neither FSFC nor Salons Corp will be restricted in the distribution of “Fantastic Sams” branded haircare products or similar products or services either within or outside of your Protected Area. FSFC will be able to market these products and other goods bearing the “Fantastic Sams” trademarks or different trademarks within your Protected Area. Neither FSFC nor Salons Corp currently distributes products or goods in the manner described above, but both retain the right to do so in the future. Companies under common ownership with FSFC are not limited as to the establishment of businesses selling haircare products or services under trademarks other than “Fantastic Sams,” or as to the establishment of other channels of distribution for “Fantastic Sams” branded products, within or outside of your Protected Area.

You will not be required to achieve a certain level or volume of service to retain your rights to the Protected Area in your Salon License. However, you must remain in good standing under the terms of your Salon License and continue to operate your salon.

If you sign a Multi-Unit Development Agreement, you will receive the right to develop a certain number of additional “Fantastic Sams” salons at approved locations within a defined “Development Area.” You will receive no exclusivity in the Development Area. We may grant Multi-Unit Developer Agreements to other parties in the same Development Area.

You must open the required number of salons within the time permitted in the development schedule contained in your Multi-Unit Development Agreement to retain your rights to your Multi-Unit Development Agreement. If you do not do so, Salons Corp will have the right to terminate your Multi-Unit Development Agreement. If the Multi-Unit Development Agreement is terminated, you will continue to operate your individual salons pursuant to the Salon Licenses signed before termination of your Multi-Unit Development Agreement.

**Item 13: Trademarks**

Under your Salon License, Salons Corp licenses you to use all of FSFC’s names and trademarks currently used or which may later be used in the operation of Fantastic Sams salons. We have listed below FSFC’s principal trademarks and service marks, which are registered on the Principal Register of the United States Patent and Trademark Office. All required affidavits and renewals have been timely filed with the United States Patent and Trademark Office:

FANTASTIC SAMS	
Registration Number:	2,374,938
Registration Date:	August 8, 2000

FANTASTIC SAMS	
Registration Number:	1,909,009
Registration Date:	August 1, 1995

FSFC owns all rights to the marks listed above and has filed all required affidavits and renewals for marks that FSFC has decided to continue to use in the future. Under a license agreement between FSFC and Salons Corp, FSFC has granted Salons Corp the right to sublicense all its registered trademarks. You may use these trademarks, as registered, in operating your salon. However, you may not use any of the marks or any derivative of them in your business name. In addition to the principal registered marks listed above, FSFC owns a variety of other trademarks and service marks which may also be used in operating your business.

There are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the Trademark Administrator of this state, any court of this state, any

pending interference, infringement, opposition or cancellation proceeding or material litigation involving the above referenced marks.

There are no agreements currently in effect which significantly limit our rights to use or license the use of these service marks in any manner material to the licensed business, except as may be discussed above or in Item 3 of this franchise disclosure document, entitled Litigation.

Neither FSFC nor Salons Corp is obligated by the Salon License to protect any and all rights that you have to use the service marks or to protect you against any claims of infringement or unfair competition with respect to the marks. We have no plans for compensating Licensees for any modification or loss of the right to use a particular registered mark. If you become aware of another person or party using the same or similar trademarks to those we license to you in the Salon License, you must notify us immediately of this use.

Neither FSFC nor Salons Corp is obligated under your Salon License to protect any of your rights to use these trademarks against claims of infringement or unfair competition, nor will we compensate, indemnify or defend you in any proceedings regarding the use of these trademarks. Should you be prohibited from using these trademarks, FSFC will agree to mutual termination of the Salon License and full mutual releases of all liability thereunder.

Neither FSFC nor Salons Corp knows of any party infringing upon the use of FSFC's marks or holding any superior rights to use the marks, except as may be noted in Item 3 of this franchise disclosure document.

#### **Item 14: Patents, Copyrights and Proprietary Information**

Although neither FSFC nor Salons Corp has filed applications for copyright registration, FSFC claims copyright protection and a proprietary interest in all written and video materials used in conjunction with the Fantastic Sams System. FSFC and Salons Corp hold no patents. We also know of no party infringing upon the use of our copyrights or proprietary information, except as may be noted in Item 3 of this franchise disclosure document.

Over the term of your Salon License, Salons Corp and FSFC will be disclosing and providing you with certain confidential and proprietary information concerning the Fantastic Sams System and the procedures, operation and data and other trade secrets used in connection with the Fantastic Sams System. The Salon License requires that you keep this information confidential. This obligation continues beyond the termination or expiration of the Salon License.

You must notify us immediately should you become aware of any party infringing on information we claim as proprietary. Please review Section 5 of the Salon License regarding our rights and requirements regarding protection of confidential and proprietary information.

#### **Item 15: Obligation to Participate in the Actual Operation of the Franchise Business**

You must personally guarantee all the obligations which may arise out of the operation of your Salon (Salon License Section 18 and Multi-Unit Development Agreement, Section 14).

You must at all times retain and exercise management control over your salon, unless Salons Corp approves otherwise. You are an independent contractor, and as such, must exercise full, complete, and unfettered control over, and have full responsibility for, any employee and labor relations matters arising out of the operation of your salon, including the hiring, firing, disciplining, compensation, work schedules, and other terms and conditions of employment of your employees. While your Salon License does not require you to participate in the direct, day-to-day operations of your salon, we recommend that you become personally involved in the operation of the business.

You may not compete with any Fantastic Sams salon or participate in the haircare or other related businesses for a specified period of time after the termination or expiration of your Salon License [Salon License, Section 12(d)(10) and Multi-Unit Development Agreement, Section 9(f)(3)]. You also may not open a competing business while the Salon License is in force (Salon License, Section 11 and Multi-Unit Development Agreement, Section 8(b)). You must keep confidential any information you receive while a licensee of Fantastic Sams [Salon License, Section 5 and Multi-Unit Development Agreement, Section 5(d) or 5(f)].

Salons Corp will not limit you in any way in selecting or employing a “Designated Salon Manager.” Salons Corp recommends that your Designated Salon Manager and any replacement Designated Salon Manager attend Salon Fundamentals Course in California, Massachusetts or at an alternative location chosen by FSFC (see Items 5 and 11). The Designated Salon Manager need not have an equity or ownership interest in your salon.

FSFC will require any attendee of Salon Fundamentals Course class or any other training class to sign a confidentiality agreement agreeing to keep the contents of the class confidential. We also recommend that you require all of your employees to sign a confidentiality and non-compete agreement before assuming any employment duties or gaining access to any trade secrets.

**Item 16: Restrictions on What the Franchisee May Sell**

You will sell only goods or services which have been approved by FSFC and Salons Corp (Salon License, Section 8). You are not required to sell all the goods or services approved by us. You are also not restricted in any way under the Salon License as to the guests you service in your salon. You may only perform haircare services for your customers. You may not perform nail or makeup services.

FSFC and Salons Corp retain the right to approve and disapprove goods or services that you may sell in your salon, and there are no limits on the rights of FSFC or Salons Corp to make these changes. You need not sell every approved good or service in your salon, but are encouraged to do so.

**Item 17: Renewal, Termination, Transfer and Dispute Resolution**

This table lists important provisions of the Salon License. You should read these provisions in the Salon License attached to this franchise disclosure document.

**THE FRANCHISE RELATIONSHIP**

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

Provision		Section in License Agreement	Summary*
a.	Length of the franchise term	Section 14	10 Years from the date the salon is opened or 11 years from the date of execution, whichever is earlier.
b.	Renewal or extension of the term	Section 14	If you are in good standing, you can add an additional term of 10 years upon request.
c.	Requirements for franchisee to renew or extend	Section 14	Sign a new Salon License, which may have terms that are materially different from the current form of Salon License (such as different fees and different legal terms); pay a renewal fee; modernize your Salon on a schedule agreed to by Salons Corp; and sign a general release.
d.	Termination by franchisee	Section 12(a)	None.
e.	Termination by Franchisor without cause	Section 12(c)	None.
f.	Termination by Franchisor with cause	Section 12(b) & (c)	Your Salon License can be terminated if you default.

Provision		Section in License Agreement	Summary*
g.	“Cause” defined – curable defaults	Section 12(c)	Any breach of Salon License, including: you breach an equipment lease with FSFC or Salons Corp; you fail to pay any amount to FSFC or Salons Corp; you fail to perform any obligation required by any local, regional or national licensee council; you use the Marks in manner inconsistent with FSFC's standards; you engage in any conduct which materially impairs the System; you fail to pass a salon inspection within one year of receiving a notice of deficiency; you fail to execute a collateral assignment of lease; you fail to surrender your salon location according to the collateral assignment of lease; you fail to notify Salons Corp of the death or incapacity of any of the licensee's principals; and you fail to maintain a Designated Salon Manager.
h.	“Cause” defined –non-curable defaults	Section 12(b)	We have the right to terminate the Salon License immediately for nonpayment of fees for two consecutive weeks or four weeks in any year, abandonment of the salon, conviction for criminal misconduct, repeated defaults even if cured, refusal to be drafted for fees, breach of a confidentiality agreement, bankruptcy or assignment of assets for the benefit of creditors.
i.	Franchisee’s obligations on termination or non-renewal	Section 12(d)	Complete de-identification, payment of all amounts due, and return of all Manuals (also see r. below).
j.	Assignment of the contract by Franchisor	Section 10(f)	No restrictions.
k.	“Transfer” by franchisee - definition	Section 10(a)	Includes transfer of license, assets or ownership change.
l.	Franchisor’s approval of transfer by franchisee	Section 10(a)	Based on evaluation of new owner, but will not be unreasonably withheld.
m.	Conditions for Franchisor's approval of transfer	Section 10(a)	Transferee owner qualifies; you satisfy all debts owed to Salons Corp and FSFC; transfer fee paid; new Salon License signed by transferee; you sign a general release; transferee attends Designated Salon Manager's training class; you deliver necessary documents to transferee; and transferee modernizes the salon location.
n.	Franchisor and FSFC's right of first refusal to acquire your business	Section 10(b)	You must first offer the sale of your salon to Salons Corp and FSFC. Salons Corp or FSFC must respond to your offer within 30 days.
o.	Franchisor's option to purchase your business	Not Applicable	None.
p.	Death or disability of franchisee	Section 10(c)	No automatic assignment through probate; heirs must qualify (See l. & m. above).
q.	Non-competition covenants during the term of the franchise	Section 11	You may not participate in any business that is in any way competitive with a Fantastic Sams salon.
r.	Non-competition covenants after the franchise is terminated or expires	Sections 12(d), 9 & 10	You may not participate in any business that is in any way competitive with a Fantastic Sams salon and which is within five miles of your salon or two and one-half miles of any Fantastic Sams salon for the remaining unexpired term of your Salon License or two years from termination of your Salon License, whichever is longer.
s.	Modification of the agreement	Section 17(e)	Must be in writing and signed by you and the Regional Owner and a copy must be sent to and accepted by FSFC; Manuals also subject to revision.

Provision		Section in License Agreement	Summary*
t.	Integration/merger clauses	Section 17(d)	The Salon License constitutes the entire and complete agreement between you and Salons Corp, not excluding representations made in the FDD, (subject to FTC or Federal law).
u.	Dispute resolution by arbitration or mediation	Section 13	All disputes must be arbitrated in Boston, Massachusetts.
v.	Choice of forum <sup>(See Note 3)</sup>	Section 17(c)	Mediation, arbitration and litigation must be in Boston, Massachusetts, see u. above.
w.	Choice of law <sup>(See Note 3)</sup>	Section 17(k)	Governing law will be the law of the Commonwealth of Massachusetts.

**This table lists important provisions of the Multi-Unit Development Agreements. You should read these provisions in the Multi-Unit Development Agreements attached to this franchise disclosure document.**

Provision <sup>(1)</sup>		Section in Multi-Unit Development Agreement	Summary*
a.	Length of the franchise term	Section 11	Until anniversary of Agreement corresponding to final year of the development schedule.
b.	Renewal or extension of the term	None	
c.	Requirements for franchisee to renew or extend	Not Applicable	
d.	Termination by franchisee	Section 9	None
e.	Termination by franchisor without cause	Section 9	None
f.	Termination by franchisor with cause	Section 9	Your Multi-Unit Development Agreement can be terminated if you default.
g.	"Cause" defined – curable defaults <sup>1)</sup>	Section 9	Any breach of Multi-Unit Development Agreement or any Salon License; you use the Marks in manner inconsistent with FSFC's standards; you engage in any conduct which materially impairs the System; you violate any policies established by FSFC.
h.	"Cause" defined - non-curable defaults	Section 9	Salons Corp may terminate the Multi-Unit Development Agreement immediately for nonpayment of fees for two consecutive weeks; abandonment of your business; conviction of criminal misconduct; repeated defaults even if cured; refusal to be drafted for fees; breach of a confidentiality agreement; bankruptcy; or assignment of assets for the benefit of creditors.
i.	Franchisee's obligations on termination/non-renewal	Section 9	Payment of all amounts due; continue to operate existing, non-defaulting salon(s) pursuant to signed Salon License(s); (also see r. below).

<b>Provision<sup>(1)</sup></b>		<b>Section in Multi-Unit Development Agreement</b>	<b>Summary*</b>
j.	Assignment of contract by franchisor	Section 7	No restrictions.
k.	"Transfer" by franchisee – defined	Section 7	Includes transfer of license, assets or ownership change.
l.	Franchisor's approval of transfer by franchisee	Section 7	Based on evaluation of new owner and Salons Corp's prior written approval.
m.	Conditions for Franchisor's approval of transfer	Section 7	Based on evaluation of new owner and Salons Corp's prior written approval.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 7	You must first offer the sale of your business to Salons Corp. Salons Corp must respond to your offer within 30 days.
o.	Franchisor's option to purchase your business	Not Applicable	None
p.	Death or disability of franchisee	Section 7	No automatic assignment through probate; heirs must qualify (See l. & m. above).
q.	Non-competition covenants during the term of the franchise	Section 8	You may not participate in any business that is in any way competitive with a Fantastic Sams salon.
r.	Non-competition covenants after the franchise is terminated or expires	Section 9	You may not participate in any business that is in any way competitive with a Fantastic Sams salon and which is within the Development Area or within two and one half miles of your or any Fantastic Sams salon for the remaining un-expired term of your Multi-Unit Development Agreement or two years from termination of your Multi-Unit Development Agreement, whichever is longer.
s.	Modification of the agreement	Section 13	Must be in writing, signed by you, and accepted by Salons Corp; Operations Manuals also subject to revision.
t.	Integration or merger clauses	Section 13	The Multi-Unit Development Agreement constitutes the entire and complete agreement between you and Salons Corp, not excluding representations made in the FDD, (subject to FTC or Federal law).
u.	Dispute resolution by arbitration or mediation <sup>(2)</sup>	Section 10	Except for certain claims, all disputes are first subject to mediation and then arbitration in Boston, Massachusetts.
v.	Choice of forum <sup>(See Note 3)</sup>	Sections 10 and 13	Mediation, arbitration and litigation must be in Boston, Massachusetts.
w.	Choice of law <sup>(See Note 3)</sup>	Section 13	Governing law will be the law of the Commonwealth of Massachusetts.

NOTES:

- (1) The Salon License provides for termination by Salons Corp upon your becoming bankrupt. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).
- (2) Salons Corp may, in accordance with applicable law, seek and obtain injunctive relief from a court of competent jurisdiction, against threatened conduct that will cause damage to Salons Corp.
- (3) Under Illinois statute 705/4, these provisions may not be enforceable. (See **Exhibit J-1** of this document).

**Item 18: Public Figures**

Neither FSFC nor Salons Corp uses any public figure to promote this franchise.

**Item 19: Financial Performance Representations**

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

We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize any employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting the **Legal Department, 50 Dunham Road, Suite 3000, Beverly, MA 01915, Tel. 978-232-5600**, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20: Outlets and Franchisee Information**

Table 1  
System-Wide Outlet Summary  
For Calendar Years 2011 - 2013  
FSFC System Wide

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	1118***	1086	-32
	2012	1085***	1077	-8
	2013	1077***	1048	-29
*Company-Owned	2011	119***	118	-1
	2012	118***	126	+8
	2013	126	118	-8
Total Outlets	2011	1237***	1204	-33
	2012	1203***	1203***	0
	2013	1203***	1166	-37

\*Notes: For the purpose of the System-Wide Item 20 charts contained in this Franchise Disclosure Document, units listed as “Company-Owned” include (i) units owned by Fantastic Sams Franchise Corporation and/or by its Region Owners (and/or by their respective parent, affiliates or subsidiaries) and (ii) units which are otherwise under common control by Fantastic Sams Franchise Corporation or a Region Owner and the franchisee. There are also seven “Dessange” salons operated in the US, in Fort Lauderdale

(Fla.), Chevy Chase (Md.), Ann Arbor (Mich.), Nashville (Tenn.), Austin and Houston (Texas), and Tysons Corner (Va.)

\*\*The adjustment in numbers reflects acquisition of regions by the Master Franchisor thereby changing the status of salons from company-owned salons to franchised salons.

\*\*\* The adjustment in beginning year number reflects the report of salon activity after the close of the previous year.

Table 1(a)  
Region-Wide Outlet Summary  
For Years 2011 - 2013  
FSSC Regions Only  
as of December 31

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	398	356	-42
	2012	356	516*	+160
	2013	516	545*	+29
Company-Owned	2011	0	13*	13
	2012	13	17*	+4
	2013	17	17	0
Total Outlets	2011	398	369	-29
	2012	369	533*	+164
	2013	533	562*	+29

Note: For the purpose of the Regional Item 20 charts contained in this Franchise Disclosure Document, units listed as “Company-Owned” include (i) units owned by Fantastic Sams Salons Corporation and/or its respective parent, affiliates or subsidiaries and (ii) units which are otherwise under common control by Fantastic Sams Salons Corporation and the franchisee.

\*These numbers include franchised outlets in regions acquired by FSSC during the period.

Table 2  
Transfers of Outlets from Franchisees to New Owners  
(other than the Franchisor)  
For Calendar Years 2011 - 2013  
FSFC System-Wide

State	Year	Number of Transfers
Alabama	2011	1
	2012	0
	2013	0
Alaska	2011	0
	2012	0
	2013	0
Arizona	2011	1
	2012	0
	2013	0
Arkansas	2011	0
	2012	2
	2013	1
California	2011	4
	2012	12
	2013	7
Connecticut	2011	0
	2012	0



State	Year	Number of Transfers
	2013	0
Colorado	2011	4
	2012	3
	2013	4
Delaware	2011	0
	2012	0
	2013	0
District of Columbia	2011	0
	2012	0
	2013	0
Florida	2011	2
	2012	3
	2013	7
Georgia	2011	1
	2012	1
	2013	0
Hawaii	2011	0
	2012	1
	2013	0
Idaho	2011	1
	2012	1
	2013	3
Illinois	2011	1
	2012	0
	2013	1
Indiana	2011	0
	2012	2
	2013	0
Iowa	2011	0
	2012	0
	2013	1
Kansas	2011	1
	2012	0
	2013	1
Kentucky	2011	1
	2012	1
	2013	0
Louisiana	2011	2
	2012	1
	2013	4
Maine	2011	0
	2012	0
	2013	0
Maryland	2011	0
	2012	0
	2013	0
Massachusetts	2011	0
	2012	0
	2013	0

State	Year	Number of Transfers
Michigan	2011	2
	2012	4
	2013	0
Minnesota	2011	4
	2012	2
	2013	3
Mississippi	2011	0
	2012	0
	2013	0
Missouri	2011	1
	2012	0
	2013	0
Montana	2011	0
	2012	0
	2013	0
Nebraska	2011	0
	2012	0
	2013	0
Nevada	2011	2
	2012	0
	2013	0
New Hampshire	2011	0
	2012	1
	2013	0
New Jersey	2011	1
	2012	0
	2013	0
New Mexico	2011	0
	2012	0
	2013	3
New York	2011	2
	2012	4
	2013	1
North Carolina	2011	8
	2012	8
	2013	7
North Dakota	2011	1
	2012	0
	2013	0
Ohio	2011	0
	2012	0
	2013	0
Oklahoma	2011	0
	2012	0
	2013	0
Oregon	2011	0
	2012	0
	2013	0
Pennsylvania	2011	0

State	Year	Number of Transfers
	2012	0
	2013	1
Rhode Island	2011	0
	2012	0
	2013	0
South Carolina	2011	0
	2012	0
	2013	0
South Dakota	2011	0
	2012	0
	2013	0
Tennessee	2011	0
	2012	1
	2013	1
Texas	2011	14
	2012	15
	2013	13
Utah	2011	2
	2012	0
	2013	2
Vermont	2011	0
	2012	0
	2013	0
Virginia	2011	1
	2012	2
	2013	3
Washington	2011	0
	2012	0
	2013	0
West Virginia	2011	0
	2012	0
	2013	0
Wisconsin	2011	0
	2012	0
	2013	0
Wyoming	2011	0
	2012	0
	2013	0
Total	2011	57
	2012	64
	2013	63

Table 2(a)  
Transfers of Outlets within the Region from Franchisees to New Owners  
(other than the Franchisor)  
For Years 2011 - 2013  
FSSC Regions Only  
as of December 31

State	Year	Number of Transfers
Alabama	2011	1
	2012	0
	2013	0
Alaska	2011	0
	2012	0
	2013	0
California	2011	16
	2012	8
	2013	4
Colorado	2011	0
	2012	0
	2013	0
Connecticut	2011	0
	2012	0
	2013	0
Delaware	2011	0
	2012	0
	2013	0
Georgia	2011	4
	2012	2
	2013	0
Illinois	2011	0
	2012	1
	2013	1
Indiana	2011	0
	2012	0
	2013	0
Iowa	2011	0
	2012	0
	2013	0
Kansas	2011	0
	2012	0
	2013	0
Kentucky	2011	0
	2012	0
	2013	0
Louisiana	2011	0
	2012	1
	2013	1
Maine	2011	0

State	Year	Number of Transfers
	2012	0
	2013	0
Maryland	2011	0
	2012	0
	2013	0
Massachusetts	2011	1
	2012	0
	2013	0
Michigan	2011	0
	2012	0
	2013	0
Minnesota	2011	0
	2012	2
	2013	4
Mississippi	2011	0
	2012	0
	2013	0
Missouri	2011	0
	2012	0
	2013	0
Nebraska	2011	0
	2012	0
	2013	0
Nevada	2011	1
	2012	0
	2013	0
New Hampshire	2011	0
	2012	1
	2013	0
New Jersey	2011	0
	2012	0
	2013	0
New Mexico	2011	0
	2012	0
	2013	3
New York	2011	0
	2012	4
	2013	1
North Carolina	2011	0
	2012	0
	2013	0
Ohio	2011	0
	2012	0
	2013	0
Oklahoma	2011	0
	2012	0
	2013	0
Pennsylvania	2011	0
	2012	0

State	Year	Number of Transfers
	2013	1
Rhode Island	2011	0
	2012	0
	2013	0
South Carolina	2011	0
	2012	0
	2013	0
Tennessee	2011	0
	2012	0
	2013	0
Texas	2011	17
	2012	16
	2013	13
Vermont	2011	0
	2012	0
	2013	0
Washington	2011	0
	2012	0
	2013	0
West Virginia	2011	0
	2012	0
	2013	0
Wisconsin	2011	0
	2012	0
	2013	0
Total	2011	39
	2012	35
	2013	28

Table 3  
Status of Franchised Outlets  
For Calendar Years 2011 - 2013  
FSFC System-Wide

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
Alabama	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Alaska	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	1	0
Arizona	2011	36	0	0	1	0	0	35
	2012	35	2	0	0	0	0	37
	2013	37	0	0	0	0	0	37
Arkansas	2011	3	0	0	0	0	1	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	1	0	1
California	2011	200**	5	1	1	1	12	190
	2012	190	8	0	2	1	5	190
	2013	190	4	1	3	2	4	184
	2011	1	0	0	1	0	0	0
Connecticut	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Colorado	2011	42	0	0	1	0	0	41
	2012	41	1	0	0	1	1	40
	2013	40	0	0	1	0	0	39
	2011	0	0	0	0	0	0	0
Delaware	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
District of Columbia	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Florida	2011	98	2	3	0	0	5	92
	2012	92	5	2	0	0	4	91
	2013	91	2	1	0	0	0	92
Georgia	2011	30	4	0	0	0	1	33
	2012	33	0	0	1	0	2	30
	2013	30	0	1	6	0	1	22
Hawaii	2011	20	1	0	0	0	1	20
	2012	20**	2	0	0	0	2	20
	2013	20	0	0	2	0	0	18
Idaho	2011	11	1	0	0	0	0	12
	2012	12	0	0	0	0	2	10
	2013	10	0	0	0	0	0	10
Illinois	2011	42	1	0	5	0	4	34
	2012	34	1	0	0	0	2	33
	2013	33	0	0	0	0	2	31
Indiana	2011	29	1	0	1	0	0	29
	2012	29	0	0	0	0	0	29
	2013	29	0	0	1	0	1	27
Iowa	2011	7	0	0	0	0	0	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Kansas	2011	9	0	0	0	1	1	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	0	0	0	7
Kentucky	2011	15	0	0	0	0	0	15
	2012	15	0	0	0	1	1	13
	2013	13	0	0	0	0	0	13
Louisiana	2011	19	1	0	0	0	1	19
	2012	19	2	0	0	0	0	21

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
	2013	21	3	0	0	0	1	23
Maine	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Maryland	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	4	1
	2013	1	1	0	0	0	0	2
Massachusetts	2011	14	0	0	0	0	0	14
	2012	14	0	0	0	0	0	14
	2013	14	1	0	0	0	0	15
Michigan	2011	57	0	0	1	0	1	55
	2012	55	1	0	1	1	3	51
	2013	51	1	2	3	0	4	43
Minnesota	2011	104	7	0	0	0	0	111
	2012	111	8	0	0	0	0	119
	2013	119	4	1	0	0	4	118
Mississippi	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	0	1	8
	2013	8	1	0	0	0	0	9
Missouri	2011	35	1	0	0	0	1	35
	2012	35	1	0	0	0	0	36
	2013	36	0	0	0	0	1	35
Montana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Nebraska	2011	2	0	0	0	0	1	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Nevada	2011	21	0	0	0	0	1	20
	2012	20	10	0	0	0	0	21
	2013	21	1	0	0	0	1	21
New Hampshire	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
New Jersey	2011	16**	1	0	0	0	1	16
	2012	15**	0	0	0	0	1	14
	2013	14	0	0	0	0	1	13
New Mexico	2011	3	0	0	0	0	1	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3
New York	2011	30	1	0	0	0	0	31
	2012	31	0	0	1	0	0	30
	2013	30	0	0	0	0	2	28
North Carolina	2011	37	11	0	2	2	1	43
	2012	43	3	0	0	4	0	41**
	2013	41	6	0	0	0	2	45



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
North Dakota	2011	2	0	0	0	0	0	2
	2012	2	0	0	1	0	1	0
	2013	0	0	0	0	0	0	0
Ohio	2011	4	0	0	0	0	0	4
	2012	4	2	0	0	0	0	6
	2013	6	0	0	0	0	1	5
Oklahoma	2011	4	0	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	1	0	1	1
Oregon	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Pennsylvania	2011	22**	1	0	0	0	0	23
	2012	22**	0	0	0	0	0	22
	2013	22	0	0	0	0	2	20
Rhode Island	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	0	0	9
	2013	9	0	0	0	0	0	9
South Carolina	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
South Dakota	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Tennessee	2011	13	0	0	0	0	0	13
	2012	13	0	0	0	0	0	13
	2013	13	0	1	0	0	0	12
Texas	2011	76**	4	1	1	0	5	73
	2012	73	1	1	0	0	4	69
	2013	69	3	0	0	0	4	68
Utah	2011	18	2	0	0	0	1	19
	2012	19	0	0	0	0	0	18**
	2013	18	2	0	0	0	1	19
Vermont	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Virginia	2011	14	0	0	0	0	2	12
	2012	12	2	0	0	0	1	13
	2013	13	1	0	0	0	0	14
Washington	2011	10	0	0	0	0	3	7
	2012	7	0	0	0	0	0	7
	2013	7	0	0	1	0	1	5
West Virginia	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Wisconsin	2011	38	2	1	0	0	7	32

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
Wyoming	2012	32	6	1	0	0	1	36
	2013	36	2	0	0	0	0	38
	2011	5	0	0	0	0	1	4
	2012	40	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Total	2011	1118**	46	6	14	4	54	1086
	2012	1085**	47	4	6	8	35	1077**
	2013	1077	34	7	18	3	35	1048

\* The adjustment in numbers reflects acquisition of regions by the Master Franchisor thereby changing the status of salons from company-owned salons to franchised salons.

\*\* Adjusted beginning number reflects salon activity reported after the close of the previous year.

*If you buy into the franchise, your contact information may be disclosed in the future to other buyers when you leave the system.*

Table 3 (a)  
Status of Franchised Outlets in the Region  
For Years 2011 - 2013  
FSSC Regions Only  
as of December 31

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
Alabama	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Alaska	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	1	0
California	2011	192	5	1	1	13	12	169
	2012	170	10	1	1	0	7	171
	2013	171	2	0	3	0	5	165
Colorado	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Connecticut	2011	1	0	0	0	0	0	1
	2012	1	0	0	1	0	0	0
	2013	0	0	0	0	0	0	0
Delaware	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Georgia	2011	34	1	0	0	0	3	32
	2012	32	3	0	0	0	5	30
	2013	30	0	0	6	0	2	22
Illinois	2011	34	1	1	4	0	6	24
	2012	24	2	0	0	0	3	23

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
	2013	23	0	0	0	0	2	21
Indiana	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Iowa	2011	0	0	0	0	0	0	0
	2012	0	*1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Kansas	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Kentucky	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Louisiana	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	0	0	9
	2013	9	0	0	0	0	1	8
Maine	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Maryland	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Massachusetts	2011	15	0	0	0	0	1	14
	2012	14	0	0	0	0	0	14
	2013	14	1	0	0	0	0	15
Michigan	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	44*	0	0	0	0	44
Minnesota	2011	0	0	0	0	0	0	0
	2012	0	117	0	0	0	0	117*
	2013	117	4	0	0	0	5	116
Mississippi	2011	1	0	0	0	0	0	1
	2012	1	0	0	1	0	0	0
	2013	0	0	0	0	0	0	0
Missouri	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Nebraska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Nevada	2011	2	0	0	0	0	0	2
	2012	2	19	0	0	0	0	21*
	2013	21	1	0	0	0	1	21
New Hampshire	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
New Jersey	2011	4	0	0	0	0	0	4
	2012	4	11	0	0	0	1	14*
	2013	14	0	0	0	0	1	13
New Mexico	2011	3	1	0	0	0	1	3
	2012	3	1	0	0	0	1	3
	2013	3	0	0	0	0	0	3
New York	2011	1	0	0	0	0	0	1
	2012	1	20	0	1	0	0	20*
	2013	20	0	0	0	0	2	18
North Carolina	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	7*	0	0	0	0	7
Ohio	2011	2	0	0	0	0	0	2
	2012	2	2	0	0	0	0	4
	2013	4	2*	0	0	0	1	5
Oklahoma	2011	4	0	0	0	0	1	3
	2012	3	0	0	0	0	0	3
	2013	3	0	0	1	0	1	1
Pennsylvania	2011	4	0	0	0	0	1	3
	2012	3	1	0	0	0	0	4*
	2013	4	0	0	0	0	1	3
Rhode Island	2011	9	0	0	0	0	0	9
	2012	9	0	0	0	0	0	9
	2013	9	0	0	0	0	0	9
South Carolina	2011	2	0	0	0	0	1	1
	2012	1	0	1	0	0	0	0
	2013	0	0	0	0	0	0	0
Tennessee	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Texas	2011	78	4	2	1	0	5	74
	2012	74	4	1	0	0	8	69
	2013	69	3	0	0	0	4	68
Vermont	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Washington	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
West Virginia	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Wisconsin	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
<b>Total</b>	<b>2011</b>	<b>398</b>	<b>12</b>	<b>4</b>	<b>6</b>	<b>13</b>	<b>31</b>	<b>356</b>

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations/Other Reasons	Outlets at End of Year
	2012	356	192	3	4	0	25	516
	2013	516	66	0	10	0	27	545

\* These numbers include franchised outlets in regions acquired by FSSC during the period.

*If you buy into the franchise, your contact information may be disclosed in the future to other buyers when you leave the system.*

Table 4  
Status of Company-Owned Outlets  
For Calendar Years 2012 - 2013  
FSFC System-Wide

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Alabama	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Alaska	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Arizona	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Arkansas	2011	3	0	0	0	0	3
	2012	3	0	0	0	0	3
	2013	3	1	1	0	0	5
California	2011	15**	0	1	0	0	16
	2012	16	2	1	0	0	19
	2013	19	1	2	1	1	20
Connecticut	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Colorado	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	1**
	2013	1	0	0	0	0	1
Delaware	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
District of Columbia	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Florida	2011	10	0	0	0	0	10
	2012	10	0	0	0	0	10
	2013	10	0	0	0	1	9
Georgia	2011	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Hawaii	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2011	2	0	0	0	0	2
Idaho	2012	2	0	0	0	1	1
	2013	1	0	0	1	0	0
	2011	0	0	0	0	0	0
Illinois	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Indiana	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
	2011	1	0	0	0	0	1
Iowa	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Kansas	2012	5	0	0	0	0	5
	2013	5	0	0	0	0	5
	2011	5	0	1	1	0	5
Kentucky	2012	17	0	1	0	0	18
	2013	18	0	0	0	0	18
	2011	17	0	0	0	0	17
Louisiana	2012	9	0	0	0	1	7**
	2013	7	0	0	0	2	5
	2011	9	0	0	0	0	9
Maine	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Maryland	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Massachusetts	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Michigan	2012	0	0	0	0	0	1**
	2013	1	0	0	0	0	1
	2011	0	0	0	0	0	0
Minnesota	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Mississippi	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Missouri	2012	15	0	0	0	0	15
	2011	15	0	0	0	0	15

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2013	15	0	0	0	0	15
Montana	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Nebraska	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Nevada	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
New Hampshire	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
New Jersey	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
New Mexico	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
New York	2011	3	0	0	0	0	3
	2012	3	0	0	0	0	3
	2013	3	0	0	0	0	3
North Carolina	2011	2	0	2	0	1	3
	2012	0	0	4	0	0	7
	2013	7	0	0	1	3	3
North Dakota	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Ohio	2011	3	0	0	0	0	3
	2012	4**	0	0	0	0	4
	2013	4	0	0	0	0	4
Oklahoma	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Oregon	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Pennsylvania	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Rhode Island	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	00
South Carolina	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
South Dakota	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Tennessee	2011	17	0	0	0	1	16
	2012	16	0	0	0	0	16
	2013	16	0	0	1	0	15
Texas	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Utah	2011	3	0	0	0	2	1
	2012	1	0	0	0	0	1
	2013	2	0	0	0	2	0
Vermont	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Virginia	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Washington	2011	5	0	0	0	0	5
	2012	5	0	0	0	0	5
	2013	5	0	0	0	0	5
West Virginia	2011	4	0	0	0	0	4
	2012	3**	0	0	0	0	3
	2013	3	0	0	0	0	3
Wisconsin	2011	4	0	0	0	0	4
	2012	4	0	0	0	0	4
	2013	4	0	0	0	0	4
Wyoming	2011	0	0	0	0	0	0
	2012	0	0	0	0	0	0
	2013	0	0	0	0	0	0
Total	2011	119**	0	4	1	4	118
	2012	118**	2	8	0	2	126
	2013	126	2	3	4	9	118

\* The adjustment in numbers reflects acquisition of the region by the Master Franchisor thereby changing the status of salons from company-owned salons to franchised salons.

\*\* Adjusted beginning number reflects salon activity reported after the close of the previous year.



Table 4 (a)  
 Status of Region's Company-Owned Outlets  
 For Years 2011 - 2013  
 FSSC Regions Only  
 as of December 31

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California	2011	0	0	13	0	0	13
	2012	13	0	0	0	0	13
	2013	13	0	0	0	0	13
Georgia	2011	0	0	0	0	0	0
	2012	0	1*	0	0	0	1*
	2013	1	0	0	0	0	1
Tennessee	2011	0	0	0	0	0	0
	2012	0	3*	0	0	0	3*
	2013	3	0	0	0	0	3
Total	2011	0	0	13	0	0	13
	2012	13	4*	0	0	0	17*
	2013	17	0	0	0	0	17

Table 5  
 Projected Openings as of December 31, 2013 for 2014  
 FSFC System-Wide

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Year
Alabama	0	0	0
Alaska	0	0	0
Arizona	4	4	0
Arkansas	0	0	0
California	21	11	0
Connecticut	0	0	0
Colorado	6	1	1
Delaware	0	1	0
District of Columbia	0	0	0
Florida	8	3	0
Georgia	4	2	0
Hawaii	2	2	0
Idaho	0	0	0
Illinois	6	3	0
Indiana	1	1	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	1	2	0
Louisiana	1	1	0
Maine	0	0	0

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Year
Maryland	0	4	0
Massachusetts	0	2	0
Michigan	1	1	0
Minnesota	4	4	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	1	1	0
New Hampshire	0	0	0
New Jersey	2	1	0
New Mexico	1	0	0
New York	2	1	0
North Carolina	2	4	0
North Dakota	0	0	0
Ohio	0	0	0
Oklahoma	0	0	0
Oregon	0	1	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	8	8	0
Utah	1	0	0
Vermont	0	0	0
Virginia	0	4	0
Washington	0	0	0
West Virginia	1	1	0
Wisconsin	0	0	0
Wyoming	0	0	0
<b>Total</b>	<b>77</b>	<b>63</b>	<b>1</b>

In some instances, current and former franchisees signed provisions restricting their ability to speak openly about their experience with Fantastic Sams. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

Table 5(a)  
 Projected Regional Openings as of December 31, 2013 for 2014  
 FSSC Regions Only

State	Franchise Agreements Signed But Outlet Not Opened (as of December 31, 2013)	Projected New Franchised Outlets in the Next Fiscal Year (by December 31, 2014)	Projected New Company-Owned Outlets in the Next Year (by December 31, 2014)
Alabama	0	0	0
Alaska	0	0	0
California	16	8	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	0	0	0
Georgia	4	2	0
Illinois	6	3	0
Indiana	0	0	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	0	0
Louisiana	1	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	2	0
Michigan	1	1	0
Minnesota	4	4	0
Mississippi	0	0	0
Missouri	0	0	0
Nebraska	0	0	0
Nevada	1	1	0
New Hampshire	0	0	0
New Jersey	2	1	0
New Mexico	1	0	0
New York	2	1	0
North Carolina	1	3	0
Ohio	0	0	0
Oklahoma	0	0	0
Pennsylvania	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
Tennessee	0	0	0
Texas	8	8	0
Vermont	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
<b>Total</b>	<b>39</b>	<b>34</b>	<b>0</b>

In some instances, current and former franchisees signed provisions restricting their ability to speak openly about their experience with Fantastic Sams. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no franchise-specific franchisee organizations associated with this franchise system that need to be disclosed in this disclosure document.

**Item 21: Financial Statements**

Attached as Exhibit C are the audited financial statements of Salons Corp for the fiscal years ended December 31, 2013, December 31, 2012, June 30, 2012 and June 30, 2011. Also included in Exhibit C are the financial statements of FSFC for the fiscal years ended December 31, 2013, December 31, 2012, June 30, 2012, and June 30, 2011. Salons Corp and FSFC had no business activity before the acquisition of the Fantastic Sams assets on August 5, 2003. The financial statements of FSFC are attached for purposes of satisfying various legal requirements. **The fiscal year for FSFC and Salons Corp ends on December 31.**

**Item 22: Contracts**

Attached as Exhibit D-1 and D-2 are the Fantastic Sams Salon License Agreement and applicable State Addenda to the Salon License Agreement. Attached as Exhibit E-1 and E-2 are the Multi-Unit Development Agreement and applicable State Addenda to the Multi-Unit Development Agreement. Attached as Exhibit G is the Fantastic Sams Franchise Disclosure Questionnaire. Attached as Exhibit I is the Fantastic Sams Finder's Agreement.

**Item 23: Receipt**

The last page of this franchise disclosure document is a detachable acknowledgment of receipt.