

FRANCHISE DISCLOSURE DOCUMENT



The Snip-its Franchise Company, LLC
A Massachusetts limited liability company
6409 City West Parkway, Suite 205-A
Eden Prairie, Minnesota 55344
(952) 288-2222
www.snipits.com
sales@snipits.com

The franchisee will operate a branded entertainment hair care salon business focusing on the specific hair care, spa services, and entertainment (including birthday party) needs of children, operating in buildings that bear our custom interior and exterior trade dress (the “**Snip-its Salon**”).

The total investment necessary to begin operation of a Snip-its Salon franchise ranges from \$120,300 to \$255,433. This includes \$27,500 that must be paid to us or our affiliates.

We offer a “3-Pack Agreement” or “5-Pack Agreement” where you will sign three or five franchise agreements (respectively) simultaneously, with certain modifications to address the timeline for opening those Snip-its Salons. Your estimated total investment necessary to begin operation at each of the Snip-its Salons under a 3-Pack Agreement or a 5-Pack Agreement will, as noted above, range from \$120,300 to \$255,433. This includes \$50,000 (under a 3-Pack Agreement) or \$75,000 (under a 5-Pack Agreement) that must be paid to us or our affiliates.

If you enter into a development agreement, the development fee will be \$50,000 if you plan to develop three salons, and \$75,000 if you plan to develop five salons.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact James George at 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344, telephone (952) 288-2222.

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

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

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

The issuance date of this Franchise Disclosure Document is March 31, 2014.

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 administrators listed in Exhibit C 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.

Risk factors:

- *1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO MEDIATE AND LITIGATE ONLY IN THE STATE IN WHICH THE FRANCHISOR MAINTAINS ITS PRINCIPAL PLACE OF BUSINESS. THE FRANCHISOR IS CURRENTLY LOCATED IN MINNESOTA. OUT OF STATE MEDIATION AND LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE OR LITIGATE WITH THE FRANCHISOR IN ITS STATE THAN IN YOUR HOME STATE.
 - *2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF MINNESOTA GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
 - *3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.
- * Local law may supersede these franchise agreement provisions. Certain states require the superseding provisions to appear in an addendum in this disclosure document (see Exhibits J and K).

We may periodically use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchises. 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.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

The effective dates of this disclosure document in the states listed below are:

STATES	EFFECTIVE DATE
California	April 23, 2014
Florida	April 29, 2014
Illinois	April 1, 2014
Indiana	April 9, 2014
Kentucky	March 31, 2014
Michigan	April 9, 2014
Maryland	April 11, 2014
Minnesota	April 8, 2014
Nebraska	March 31, 2014
New York	July 17, 2014
Rhode Island	April 2, 2014
Texas	March 31, 2014
Virginia	April 15, 2014
Washington	May 29, 2014
Wisconsin	April 1, 2014

**SNIP-ITS
FRANCHISE DISCLOSURE DOCUMENT**

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A	Franchise Agreement	H	Financial Statements
B	Area Development Agreement; 3-Pack Agreement; and 5-Pack Agreement	I	Table of Contents for Manual
C	List of State Administrators	J	State-Specific Disclosures
D	Agents for Service of Process	K	State-Specific Agreement Amendments
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F	List of Former Snip-its Franchisees	M	General Release
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The Franchisor

The Snip-its Franchise Company, LLC (“us”, “our” or “we”) is the franchisor.

We are a Massachusetts limited liability company, and we were incorporated on January 29, 2003. We maintain our principal place of business at 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344. We do not maintain sales offices at any location other than our principal place of business. We conduct business under the name and mark “Snip-its,” and we do not conduct business under any other name.

We franchise the right to operate a Snip-its Salon (the “Salon”), which is a hair cutting and hair care salon and business that focuses on children, and is described below in greater detail. We began to offer such franchises in the second quarter of 2003. We do not offer any franchises other than as described in this disclosure document, and we do not engage in any business activity other than such franchising activities and the operation of salons using the “Snip-its” name and mark.

Our Parent, Predecessors and Affiliates

We do not have any predecessors or affiliates.

Our parent company is The Snip-its Corporation (the “Parent”). The Parent is a Massachusetts corporation, and was incorporated on December 3, 1996. The Parent maintains its principal place of business at 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344.

The Parent currently owns and operates one Snip-its Salon (see Item 20 for details). The Parent has owned and operated Snip-its Salons since its inception; however, Snip-its Salons have been operating since 1995, and the entities that created the concept were formed in 1992. The first Snip-its Salon opened in 1995 (the “Framingham Salon”), and was owned by an affiliate of the Parent, Snip-its, L.P. (“Snip-its, L.P.”). Snip-its, L.P. was formed on August 30, 1995 for the purpose of operating the Framingham Salon. Snip-its, L.P.’s general partner and predecessor was Snip-its, Inc. (“Snip-its, Inc.”), which was formed on August 3, 1992. When the Parent was formed in 1996, the Framingham Salon was transferred to the Parent, and Snip-its, L.P. and Snip-its, Inc. were dissolved.

The Parent also may offer and sell products (such as video games, music, and other entertainment-oriented products that will be used at, or sold at, the Snip-its Salons) to franchisees (see Item 8 for details). The Parent does not and has not in the past offered franchises in our or any other line of business.

The Franchise Offered

Franchise Agreement

We will offer to enter into franchise agreements (“Franchise Agreements”) with qualified entities and persons (“you”) that wish to establish and operate a Snip-its Salon. (In this disclosure document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee”.) The form of

Franchise Agreement that we intend to offer to you should you and we mutually agree to enter into a franchise relationship is attached to this disclosure document as Exhibit A.

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate a Salon at an agreed-upon specified location (the “**Approved Location**”). If, at the time you enter into the Franchise Agreement, you do not have an Approved Location, you must lease, sublease, or acquire a site for the location of the Salon, subject to our approval, according to the site selection addendum (“**Site Selection Addendum**”) which is attached to the Franchise Agreement as Exhibit B. The procedures for finding, selecting and receiving authorization for a site under the Site Selection Addendum are described in Item 11 of this disclosure document. As described below in Item 12, the Franchise Agreement will establish a geographic area within which your Salon will be located (the “**Territory**”). Item 12 of this disclosure document, and the Franchise Agreement, will describe the rights that you and we will have with respect to the Territory.

Area Development Agreement

We also may offer an area development agreement (the “**Development Agreement**”) to qualified entities and persons (“**you**” or the “**Developer**”). The Development Agreement grants the right to establish and operate a specified number of Snip-its Salons in a specified area (the “**Development Area**”) at specific locations to be designated in separate Franchise Agreements. The form of Development Agreement that we intend to offer is attached to this disclosure document as Exhibit B.

If you sign a Development Agreement, you must open each Snip-its Salon according to the schedule for developing Snip-its Salons described in Exhibit A to the Development Agreement (the “**Development Schedule**”). The Developer must exercise each development right by executing a Franchise Agreement for the establishment and operation of a Snip-its Salon.

The number of Snip-its Salons to be established under the Development Schedule will be mutually determined by you and us. During the term of the Development Schedule you must operate and maintain at least the number of Snip-its Salons which are required to be established according to the terms of the Development Schedule.

3-Pack Agreement and 5-Pack Agreement

We also offer to certain qualified individuals the opportunity to sign a “**3-Pack Agreement**” or “**5-Pack Agreement**.” Under those agreements, you will simultaneously sign all three or five Franchise Agreements, respectively, for the Snip-its Salons to be operated under those Franchise Agreements. The 3-Pack Agreement and 5-Pack Agreement will modify those Franchise Agreements to establish an appropriate development schedule for the timeline of development of the Snip-its Salons to be established under each signed Franchise Agreement.

When you enter into the 3-Pack Agreement, you will pay us a fee in the amount of \$50,000 instead of paying the total initial franchise fees due under all three Franchise Agreements. And when you enter into the 5-Pack Agreement, you pay us a fee in the amount of \$75,000 instead of paying the total initial franchise fees due under all five Franchise Agreements. Other than the amount of the initial franchise fee that you must pay and the timeline for opening the Snip-its Salons under the Franchise Agreements, the 3-Pack Agreement and 5-Pack Agreement do not materially modify any other terms of the Franchise Agreements.

Snip-its Salons

We own a format and system (the “**System**”) relating to the establishment and operation of branded entertainment hair care salon businesses (“**Snip-its Salons**”) focusing on the specific hair care, spa services, and entertainment (including birthday party) needs of children, operating in buildings that bear our custom interior and exterior trade dress, under the “Snip-its” name and marks. Snip-its Salons focus on the details of creating an exciting and adventurous store experience and delivering high-quality, consistent haircuts to children. The distinguishing characteristics of the System include a specially-designed building or facility for hair care, spa services, and entertainment (including birthday party) operations, with specially developed equipment, equipment layouts, and signage; distinctive interior and exterior design, trade dress and accessories; unique proprietary animated cartoon characters (the “**Characters**”); proprietary computer games; specialized proprietary hair care products, including, without limitation, shampoos, conditioners and styling aids (“**Proprietary Products**,” further described below), and non-proprietary products; procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; a proprietary, point-of-sale, management and marketing computer system; training and assistance; and advertising and promotional programs. Snip-its Salons typically will be located in a covered mall, uncovered shopping center, or strip shopping center, in either urban or suburban areas.

We identify the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “Snip-its”, and such other trade names, service marks, and trademarks (the “**Proprietary Marks**”), as are now designated (and may in the future be designated by us in writing) for use in connection with the System.

You must operate your Salon according to our standards and procedures, as set out in our Confidential Operating Manual (the “**Manual**”). We will lend you a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use the Proprietary Marks that we designate in writing for use with the System. We may periodically change and improve parts of the System.

The Proprietary Products are a complete line of premium quality haircare items designed and formulated specifically for children. Each product is made to be ultra-gentle on children’s sensitive hair, eyes and skin, utilizing naturally-based renewable ingredients and botanical extracts. The Proprietary Products are generally tear-free, irritant and alcohol-free, and avoid commonly known allergens. Where possible, ingredients that help counter the sun’s damaging rays are included. We feature shampoo and body washes for daily cleansing, specialty shampoos, conditioners and styling aids, in a variety of kid-friendly fragrances also pleasing to adults.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Salon operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain real estate permits (*e.g.*, zoning), real estate licenses, and operational licenses. In some states, there are also regulations promulgated or enforced by a cosmetology board or similar entity that pertain to hair cutting and other activities in connection with the operation of the Salon. You and your hair stylists and other employees must comply with all such cosmetology laws and similar laws and regulations, as well as applicable federal, state, and local laws and regulations in connection with the operation of your Salon. Other than cosmetology-

related regulations, we are not aware of any federal or state laws or regulations that pertain to your operation of your Salon. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Salon's operation.

Competition

The hair care industry is highly competitive, but also fragmented, and the vast majority of hair care salons are independently owned and operated. You may compete with hair cutting businesses that provide service to all age groups, which businesses may be national, regional, and local chains as well as independently owned and operating salons. You can also expect to compete in your market with locally-owned businesses, as well as national and regional chains that focus exclusively on the children's market segment of the hair cutting industry. Children's hair care salon concepts compete on the basis of many factors, such as price, service, quality and appeal of products and the retail experience, location, promotions and marketing programs.

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ITEM 2
BUSINESS EXPERIENCE

Founder and Director:

Joanna B. Meiseles

Ms. Meiseles has been our Founder and a member of the Board of Directors since our inception in January 2003. She is also the founder, and a member of the Board of Directors of the Parent, and has been since its inception in December 1996. Since September 2012, Ms. Meiseles has also been Senior Director Operations for Mass Challenge, Inc. in Boston, Massachusetts. Ms. Meiseles was President and CEO of the Snip-its Franchise Company, LLC and the Parent, the Snip-its Corporation, from their inception through October 2008. Ms. Meiseles was also President and founder of Snip-its, Inc. and Snip-its, L.P. from their inception in August 1992 and August 1995, respectively, until their mutual dissolution in 1996 in conjunction with the creation of the Parent.

President and Chief Executive Officer:

James W. George

Mr. George has been our President and Chief Executive Officer since October 2008. Mr. George was our Chief Operating Officer from February 2008 to October 2008. From February 2006 to February 2008, he was self-employed as a business consultant in Minneapolis, Minnesota. Mr. George was President and Chief Operating Officer of HCX Salons International in Ft. Lauderdale, Florida from September 2003 to February 2006. He was Chief Operating Officer of Street Eats Limited in Minneapolis, Minnesota from July 2000 to June 2003. From 1985 through March 2000, Mr. George held several positions with (and for several of the brands owned and operated by) The Barbers Hairstyling and Regis Corporation in Minneapolis, Minnesota, including Vice President of Franchise Services and Vice President and General Manager. Mr. George also is, and has been, since February 2007, President of JG Winslow Holdings, Inc. (a franchisee of Massage Envy) in Eden Prairie, Minnesota, since June 2010 has been President of ME Tonka, Inc. (a franchisee of Massage Envy) in Minnetonka, Minnesota, and since May 2012 has been President of ME Tonka II (a franchisee of Massage Envy) in Minnetonka, Minnesota.

Controller:

Craig Voss

Mr. Voss has been our Controller since October 2008. From February 2008 to May 2008, he was a Finance Supervisor-Business Programs for Imation in Oakdale, Minnesota. Before that, Mr. Voss held positions as a Financial Analyst, Senior Financial Analyst, Service Team Leader and Financial Analysis Manager for Regis Corporation in Minneapolis, Minnesota from July 2003 to February 2008. From May 2000 to January 2003, he was the Director of Financial Operations for Street Eats Limited in Minneapolis, Minnesota. Before that, Mr. Voss was a Financial Analyst and a Senior Financial Analyst for The Barbers Hairstyling and Regis Corporation in Minneapolis, Minnesota from October 1995 to May 2000.

Vice President of Franchise Development:

Kimberly M. Ellis

Ms. Ellis has been our Vice President of Franchise Development since December 2012. Before that, from August 2010 to November 2012, she was a Senior Consultant for MSA Worldwide in Lakeville, Minnesota. From April 2009 to July 2010, Ms. Ellis was Vice President of Business Development for Process Peak in Lakeville, Minnesota. She was Vice President Online Strategy and Lead Generation for Hot Dish Advertising in Minneapolis, Minnesota from September 2008 to March 2009. Ms. Ellis was President of Capistar Franchise Holdings – Bison Advertising in Eden Prairie, Minnesota from April 2003 to June 2008, and was Vice President Marketing for Capistar Franchise Holdings – Franchise in Eden Prairie, Minnesota from April 2000 to April 2003. She was Director of Operations for Regis Corporation – Trade Secret Salons in Minneapolis, Minnesota from January 1996 to February 1997, Director of Marketing and Salon Services for Premier Salons International in Minneapolis, Minnesota from February 1994 to January 1996, and Franchise Development Manager for Great Clips for Hair in Minneapolis, Minnesota from December 1989 to February 1994.

Franchise Operations Consultant: **Christine Ochoa**

Ms. Ochoa has been our Franchise Operations Consultant since September 2007. From February 2006 to September 2007, she was Corporate District Manager for Cool Cuts 4 Kids in Euless, Texas. From April 2004 to February 2006, she was Operations Analyst for HCX Salons International in Ft. Lauderdale, Florida. From June 2003 to February 2004, Ms. Ochoa was Business Development Manager for Davexlabs in Azusa, California, and from April 1997 to June 2003, she was Regional Manager/Service Team Leader for Regis Corporation in Minneapolis, Minnesota.

Director of Marketing: **Jen Formanek**

Ms. Formanek has been our Director of Marketing since January 2012. From May 2010 until December 2011 she was our Marketing Manager. From November 2006 to May 2010, she worked at the Mall of America in Bloomington, Minnesota where she held positions as a Retail Marketing Coordinator and as an Interactive Marketing Specialist. From January 2001 to September 2006, Ms. Formanek worked at Regis Corporation in Edina, Minnesota where she held positions as Franchise Product Sales & Communications Coordinator and as a Marketing Coordinator.

Field Financial Analyst: **Jason Blom**

Mr. Blom has been our Field Financial Analyst since March 2007. From June 2006 to March 2007, he was a contractor for HealthPartners Research Foundation in Minneapolis, Minnesota. From October 2005 to February 2006, Mr. Blom was a Field Financial Analyst for HCX Salons International in Fort Lauderdale, Florida, and from January 2001 to September 2005, he was a Budget Analyst for Regis Corporation in Minneapolis, Minnesota. From December 1997 until December 2000, Mr. Blom held positions as a Fixed Asset Accountant and Lease Payables Accountant for Regis Corporation.

Director of Artistic Education: **Marsha Cole**

Ms. Cole has been our Director of Artistic Education since September 2008. From July 2006 to September 2008, Ms. Cole served as the Manager of Technical Training for ULTA, Cosmetics and Fragrance in Bolingbrook, Illinois. Before that, she was the Director of Artistic Education for HCX Salons International in Ft. Lauderdale, Florida from October 2003 to March 2006. From September 1984 to October 2003, Ms. Cole was the Artistic Director for Regis Corporation in Minneapolis, Minnesota.

Product Sales and Development Consultant: **Jim Cohn**

Mr. Cohn has been our Product Sales and Development Consultant since January 2010. He is also currently, and has been since February 2008, Sales Consultant, Specialist and Trainer for Macy's Corporation in Edina, Minnesota. Mr. Cohn was President of On Pont, Inc., Lusan Products, in Madrid, Iowa, from January 1999 to December 2010. He was Director, Product Sales and Development for HCX Corporation, in Ft. Lauderdale, Florida, from March 2008 to February 2009.

Development Consultant: **Robert T. Newman**

Mr. Newman has been our Development Consultant, in Duxbury, Massachusetts, since January 2014. He has served as an independent consultant to us intermittently since January 2005. Before that, Mr. Newman held several positions with Allied Domecq QSR (and Dunkin Donuts before that) in Randolph, Massachusetts from 1972 to 2003, including Director of Global Design Services from October 2000 to December 2003, Director of International Design and Construction from May 1990 to October 2000, and Director of Construction (with Dunkin' Donuts) from September 1972 to May 1984.

Member of the Board of Directors of the Parent: **Joseph J. Tischler**

Mr. Tischler has served as a member of the Board of Directors of the Parent since September 1999. He also serves as General Partner of Still River Management Co. in Boston, Massachusetts as he has been since December 1995.

Member of the Board of Directors of the Parent:

Mitchell Roberts

Mr. Roberts has served as a member of the Board of Directors of the Parent since February 2005. He also serves as a franchise owner for PR Management Corp. in Newton, Massachusetts as he has been since May 1999.

Note: Listed above are our directors, principal officers, and other executives who have management responsibility for the operation of our business concerning the franchises described in this disclosure document. The principal occupation and business experience of each during the last five years, including the names and location of prior employers, are indicated in the table above. Unless otherwise indicated, the location of the employer is Eden Prairie, Minnesota.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Initial Franchise Fee

When you sign the Franchise Agreement you must pay us an initial franchise fee of \$25,000 (the “**Initial Franchise Fee**”); however, if you enter into the Franchise Agreement, or a future franchise agreement, with us for the establishment of your second or subsequent Salon within two years of the date you enter into the Franchise Agreement, or your previous franchise agreement with us, then the Initial Franchise Fee will be 75% of the then-current initial franchise fee for new franchisees entering the System. The Initial Franchise Fee and the discount for additional Salons is uniformly applied. If you have paid to us a development fee under a Development Agreement, and the Salon is established under the Development Schedule, then we will credit to you the portion of the development fee paid to us for the Salon, as described below. The Initial Franchise Fee is non-refundable in consideration of administrative and other expenses we incur in granting the franchise and for our lost or deferred opportunity to franchise others.

Development Fee

When you sign a Development Agreement, you must pay us a non-refundable development fee (the “**Development Fee**”) in the amount of: (a) \$50,000 if you are to establish and operate three Snip-its Salons under the Development Schedule, or (b) \$75,000 if you are to establish and operate five Snip-its Salons under the Development Schedule.

If you remain in full compliance with the Development Schedule, and are not otherwise in default under any provisions of the Development Agreement, or any other Franchise Agreement, then for each

Snip-its Salon to be established under the Development Schedule, you will not be required to pay an Initial Franchise Fee. The Development Fee is uniform.

3-Pack Agreement and 5-Pack Agreement

If you enter into a 3-Pack Agreement, you will pay us a fee in the amount of \$50,000. That fee is paid to us instead of paying all three Initial Franchise Fees (which would otherwise total \$75,000) due under the three Franchise Agreements you sign in connection with the 3-Pack Agreement. If you enter into a 5-Pack Agreement, you will pay us a fee in the amount of \$75,000. That fee is paid to us instead of paying all five Initial Franchise Fees (which would otherwise total \$125,000) due under the five Franchise Agreements you sign in connection with the 5-Pack Agreement.

Training Fee

At our expense, we will train your initial staff of hair stylists and receptionists (not to exceed ten individuals). We expect that this training, for all or a majority of your hair stylist and receptionist staff, will take place before you open for business. For each hair stylist or receptionist you wish to train in addition to the initial staff of ten, you must pay an additional fee of \$40 per stylist or receptionist per day.

Initial Purchase of Certain Products and Trade Dress Elements

In addition to the fees described above, you will be required to purchase from us or our affiliates our proprietary Snip-its point of sale computer (“**POS**”) system, at a cost of \$2,500. This payment is non-refundable. See Item 7 below for more details on the purchase of these items. There are additional items that you will have to buy as part of your initial outlays, as described in Item 7 below.

Application of Payments

Proceeds from the initial franchise fees and development fees go into our general fund and, in part, compensate us for the lost or deferred opportunity to franchise others and, in part, are used to pay or defray some of the costs we may incur as a result of: (1) screening and approving prospective franchisees; (2) providing advice and assistance to franchisees; (3) incurring legal fees, accounting fees, and other costs to comply with the federal and state laws governing this offering; (4) developing, registering, and protecting the Proprietary Marks; (5) prior research and development relating to the System; (6) prior development of our training programs; new salon training, or on-going training; and (7) marketing and general administrative expenses.

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ITEM 6
OTHER FEES

Type of Fee (Note 1)	Amount	Date Due	Remarks
Royalty	5% of Gross Sales for the first year, and 6% of Gross Sales for the balance of the term (Note 2)	Each Accounting Period, on or before the third business day, calculated on the Gross Sales for the prior Accounting Period	See Note 2 for the definition of "Gross Sales," "Accounting Period," and for the royalty fees for franchising established Snip-its Salons.
Marketing Contribution and Marketing Fund	1.5% of Gross Sales for the first year, and 2% of Gross Sales for the balance of the term (Note 3)	Same as Royalty	See the description of "Gross Sales" above. In addition, see Note 3, and Item 11 below for a description of the marketing cooperative contribution and local advertising and promotion expenditures.
Additional Stylist and Receptionist Training (Note 4)	Our per-diem charges, which will not exceed \$40 per stylist or receptionist per day, plus our out-of-pocket costs (See Note 4)	Upon demand	See Note 4 for a description of all training fees in addition to the initial training fee for hair stylists and receptionists. You will also be required to pay all expenses incurred in connection with such training. For each hair stylist or receptionist you wish to train in addition to the initial staff (of ten), we reserve the right to require you to pay a fee of \$40 for each additional stylist or receptionist to be trained per day, plus expenses.
Additional Highly Trained Personnel training (Note 4)	Our per-diem charges, which will not exceed \$115 per Highly Trained Personnel per day, plus our out-of-pocket costs (See Note 4)	Upon demand	If as part of initial training you ask that we train more than three Highly Trained Personnel, we reserve the right to require you to pay a fee of \$115 for each additional person to be trained per day. See Note 4 for a description of these charges, and for the definition of "Highly Trained Personnel."
Transfer Fee	50% of then-current initial franchise fee	50% at time of transfer approval request; balance at time of transfer	Payable only if you make a transfer (as defined in the Franchise Agreement), which includes the sale of your franchised business, your company, or a controlling interest in your company. If you transfer to a current Snip-its franchisee, the transfer fee will be 25% of the then-current initial franchise fee.
Computer licensing fee	Currently none; but may not exceed \$2,000	Upon demand	We reserve the right to require you to purchase certain computer hardware and software, for which you may be required to pay a licensing fee which (whether a one-time fee or periodic payments) will not exceed \$2,000.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Costs and Attorneys' Fees	Will vary under circumstances	Upon demand	Only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the agreement.
Canceled Check	\$50	Upon demand, if incurred	If you make a payment to us by check and such check is returned to you from a financial institution without having made payment to us, or if there are insufficient funds in your account from which we will make a withdrawal by electronic funds transfer, then we have the right to charge you the fee.
Supplier Testing	Will vary	Upon demand, if incurred	If you propose a new supplier of products, and we inspect the supplier or test the supplier's products, we may charge you or the supplier for our costs in conducting those inspections or running those tests.
Interest on Overdue Amounts	1.5% per month on the underpayment (Note 5)	Upon demand	Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Audit Costs	All costs and expenses associated with the audit, reasonable accounting and legal costs.	Upon demand	Payable only if we audit because you did not submit sales statements or keep books and records, or if you underreport your sales or underpay your royalties by 2% or more. (You will also have to pay interest on the underpayment (see "interest" above and Note 5)).
Franchisee Advisory Council Dues	Dues that will compensate the Franchisee Advisory Council for the reasonable expenses of its activities.	Upon demand and as incurred	Please refer to the description of the Franchisee Advisory Council in Item 11 for further details.
Indemnity	Will vary under circumstances	As incurred	You must indemnify us, and reimburse us for our costs (including our attorneys' fees) if we are sued or held liable in any case having anything to do with your business operations.

Type of Fee (Note 1)	Amount	Date Due	Remarks
Technology Fee	We reserve the right to charge this fee, which we currently expect, when charged, to range from \$25 to \$150 per month; but we reserve the right to increase this fee in the future in such reasonable amounts as necessary to compensate us for new technological initiatives.	Monthly	See Note 6.

(Please review the above table in conjunction with the notes that follow.)

Notes:

1. All fees are imposed by and are payable to us. All fees non-refundable and are uniformly applied.
2. The Royalty Fee will be 5% of Gross Sales during the initial Accounting Period following the Opening Date and for the following 26 Accounting Periods (or equivalent time period, in the event we change the length of an Accounting Period), and 6% of Gross Sales during the remainder of the term, including any renewal term(s), of the Franchise Agreement. However, if you enter into a Franchise Agreement due to a transfer or sale from us, or an existing franchisee, for the operation of an already established Snip-its Salon which has been open and in operation for at least one year, then the Royalty Fee will be six percent of Gross Sales for the entire term.

The term “**Gross Sales**” means all revenue from the sale of all products and services offered at or from the Salon, and all other income of every kind and nature related to, derived from, or originating from the Salon, including off-premises catering and special events, revenue from credit and debit machines, and proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that “Gross Sales” excludes any customer refunds, coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

We require that you must pay your royalties and marketing fund contributions by electronic fund transfer by the third business day of each Accounting Period. For this purpose, the term “**Accounting Period**” means a two week period beginning on a Monday and ending on the second Sunday following that Monday, or such other period of time that we may designate; provided, however, that we will not designate more than 26 periods during each calendar year as an “Accounting Period.” The first Accounting Period will also include any days from and including the Opening Date (defined below) through the two-week period beginning on the first Monday following the Opening Date.

The “**Opening Date**” will be the date upon which the Salon opens for business.

3. The Marketing Contribution will be 1.5% of Gross Sales during the initial Accounting Period following the Opening Date and for the following 26 Accounting Periods (or equivalent time

period, in the event we change the length of an Accounting Period), and 2% of Gross Sales during the remainder of the term, including any renewal term(s), of the Franchise Agreement.

You may also be required under the Franchise Agreement to make expenditures toward local advertising and promotion, and to join and contribute to a regional advertising and marketing cooperative (a “**Cooperative**”), if formed for the area in which the Salon is located. These expenditures and contributions are not payable to us and further details about these payments can be found below in Item 11, under the subheading “Marketing.” As discussed below in Item 11, if we or the Parent contribute to a Cooperative, we will have the same voting rights for our Snip-its Salons as do our franchisees with respect to their Snip-its Salons.

4. As described in Item 5, we will train at our expense your initial complement of hair stylists and receptionists (up to and including ten individuals). This training may be conducted, at our option, at your Salon or at our designated training location. You must pay us all expenses we incur in connection with sending one of our instructors to conduct this training, including the costs of transportation, lodging, meals, wages, and worker’s compensation insurance. If you wish to train any hair stylists or receptionists in addition to the initial complement of ten, we reserve the right to charge a fee of \$40 per day for each such additional person to be trained (for instruction).

As described in Item 11 below, the initial training program will provide training for up to three of your Highly Trained Personnel. “**Highly Trained Personnel**” will include you, or if you are a corporation, partnership, limited liability company, or limited liability partnership, one of your Principals who you designate to supervise the operation of the Salon, and who we have previously approved (the “**Operating Partner**”), and a full-time general manager of the Salon (the “**Salon Manager**”). (If the “Franchisee” is an individual, “you” will also be the “Operating Partner.”) For each additional Highly Trained Personnel you wish to train during the initial training program, or for additional training of Highly Trained Personnel following the initial training program, we reserve the right to charge fees equal to \$115 per day per person. Initial and continuing training of Highly Trained Personnel will take place at our corporate training facility, currently in Eden Prairie, Minnesota. You will be responsible for all out-of-pocket expenses incurred in connection with providing such training for your Highly Trained Personnel.

5. Interest starts to accrue when your payment was initially due. Interest rates will not exceed any maximum rate that may be imposed under applicable law.
6. The monthly technology fee (“**Technology Fee**”) is to reimburse us for our costs and expenses associated with providing the Salon with technological assistance relating to the point-of-sale system, computing, reporting, communication, Internet-based initiatives, and other technologies that are now used, and that may in the future be developed, for the System.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure (1)	Estimated Amount/ (Low-High Range)	Method Of Payment	When Due	Whether Refundable	To Whom Payment Is To Be Made
Initial Franchise Fee (2)	\$18,750 to \$25,000	Lump sum	Upon signing Franchise Agreement	See Item 5	Us
Security Deposit and Rent (3)	\$4,000 to \$16,333	Lump Sum	Upon signing lease	As negotiated	Landlord
Staff Recruiting	\$150 to \$1,000	As incurred	As incurred	No	Third Parties
Travel and living expenses while training (4)	\$100 to \$2,100	As incurred	During training	As negotiated	Third parties
Architecture Fees (5)	\$3,000 to \$5,500	Lump sum	As incurred	No	Architects
Base Construction and Leasehold improvements (6)	\$27,000 to \$65,000	As incurred	As incurred	No	Contractors
Millwork	\$18,000 to \$27,000	As incurred	As incurred	No	Contractors, Approved Millwork Suppliers
“Snipification” of Salon (7)	\$16,000 to \$30,000	Installments	50% on order, 50% on delivery	No	Approved Suppliers
Computers, Software, and Set-up (8)	\$4,000 to \$6,000	Lump sum	As incurred	No	Computer suppliers and equipment suppliers; Us
Exterior Signage (9)	\$4,000 to \$6,000	Lump sum	As incurred	No	Suppliers
Furniture (10)	\$2,800 to \$5,500	Lump sum	As incurred	No	Suppliers
Audio visual equipment	\$1,500 to \$4,500	Lump sum	As incurred	No	Suppliers
Initial Inventory & Salon Supplies (11)	\$3,500 to \$13,000	Installments	As incurred	No	Suppliers
Shipping (12)	\$1,500 to \$4,000	As incurred	As incurred	No	Suppliers, Carriers

Type of Expenditure (1)	Estimated Amount/ (Low-High Range)	Method Of Payment	When Due	Whether Refundable	To Whom Payment Is To Be Made
Insurance	\$500 to \$1,500	As incurred	As incurred	No	Insurance carrier(s)
Professional Services (13)	\$500 to \$3,000	As incurred	As incurred	No	Attorneys, accountants and other professionals
Grand Opening Advertising (14)	\$10,000 to \$15,000	As incurred	Within 90 days after opening of the Salon	No	Advertising suppliers
Additional Funds (3 Months) (15)	\$5,000 to \$25,000	As incurred	As incurred	See note 16	Us, suppliers, employees and other creditors
Total Estimated Initial Investment (Note 16)	\$120,300 to \$255,433				

Notes:

Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions. Unless stated otherwise, none of the amounts in the charts are refundable.

1. Type of Expenditure. The estimates in the chart are based on Snip-its Salons ranging from three to five cutting stations, one wash station and, in some cases, an enclosed birthday party room.

2. Initial Franchise Fee. As discussed in Item 5, the Initial Franchise Fee is \$25,000, but if you are signing a Franchise Agreement for your second or additional Snip-its Salon within two years from the date you entered into your previous Franchise Agreement with us, the Initial Franchise Fee will be 75% of the then-current initial franchise fee for new franchisees entering the System. The franchise fee must be paid when the Franchise Agreement is signed. As also discussed in Item 5, if you sign a Development Agreement, you will be required to pay us a Development Fee of either \$50,000 or \$75,000, depending on the number of Snip-its Salons you wish to develop. The Development Fee is non-refundable, but will include the Initial Franchise Fees for each of the Franchise Agreements you are required to sign in connection with the Development Schedule. The chart does not reflect the payment of Development Fees. Also, if you sign a 3-Pack Agreement or a 5-Pack Agreement, you will be required to pay us a fee in the amount of \$50,000 or \$75,000, depending on which of these agreements you sign. That fee is non-refundable, but will include the Initial Franchise Fees for each of the Franchise Agreements you sign at the same time as the 3-Pack Agreement or 5-Pack Agreement.

3. Security Deposit and Rent. The prototypical Snip-its Salon is between 600 and 1,400 square feet in size. The cost per square foot for leasing commercial space varies considerably depending upon the location and market conditions affecting commercial property. We estimate the gross rent of leasing commercial space per square foot to be between \$20 and \$35 annually. The amounts in the chart reflect our estimate for your payment of a security deposit and rent in connection with leasing space for

the operation of the Salon. Landlords will vary in the amount they charge for a security deposit and rent. Often, and in our experience, landlords will grant a pre-opening rent abatement, but there is no guarantee that this will be the case for you. The estimates in the chart reflect a one month security deposit and three months of operating rent for a total of four months' rent. You should consult a real estate broker and/or other professionals in your area to assess the typical leasing costs for your target market area.

4. Travel and Living Expenses while Training. You will need to arrange for transportation, lodging and food for yourself and for your employees during training. The cost will depend on the distance you and your employees must travel and the type of accommodations you choose. The estimates in the chart are per person trained. We do not anticipate that you will need more than three Highly Trained Personnel for the operation of the Salon.

5. Architecture Fees. We will provide prototypical drawings for your Salon, but you will need to commission additional drawings to meet the specifications of the Approved Location.

6. Base Construction and Leasehold Improvements. You will need to construct improvements of, or "build out," the premises at which you will operate the Salon. These improvements may include, for example, wiring, flooring, sheetrock, plumbing, paint, and décor items as well as custom millwork, salon chairs and furniture, fixtures and equipment which must be constructed according to our specifications. Costs are likely to vary depending upon the size, location, and overall condition of the premises, and may be much higher, if you already have or wish to establish your Salon in an area where special requirements of any kind (e.g., historical, architectural, or preservation requirements) will apply.

7. "Snipification" of Salon. The "Snipification" of Salon refers to the major creative, trademarked and copyrighted decorative elements (including the Characters) of a Snip-its Salon that you must purchase from us or our designated vendor.

8. Computers, Software, and Set-up. The Salon will be equipped with our proprietary computer point-of sale (POS) system, as well as interactive hair cutting stations, which will include computer game "play-stations" at each hair cutting chair. The amount in the chart covers the computer hardware and software needed for the POS system and the Snip-its play-stations. You must purchase from us, and we will deliver to you, our proprietary POS system which will include all hardware and software necessary to operate the POS system. In addition to facilitating purchase transactions, receipt generation and sales tracking, the POS system also connects directly with the Snip-its portal management system. See Item 11 for details on our proprietary POS system and the hardware and software that it utilizes.

9. Exterior Signage. We require you to purchase an illuminated Snip-its sign for the exterior of the Salon. The estimate in the chart is based on the cost of our prototype exterior sign. However, the specific location and/or shopping center where the Salon will be located may have different requirements and regulations dictating the size, layout and illumination of the exterior signage for the Salon. You will be required to abide by these regulations and as a result may experience higher or lower costs for your exterior signage. Also, this estimate does not include any other signage beyond our single prototype.

10. Furniture. The estimate in the chart above is for all of the fixtures and furniture needed for the Snip-its Salon.

11. Initial Inventory & Salon Supplies. The estimate in the chart above is for the supply of products and supplies (including Proprietary Products) during the initial phase of operation of the Salon. These items will include the Proprietary Products, other retail items such as toys and beauty supplies, as

well as miscellaneous Salon supplies for stylists, the front desk and back room. Items of inventory which you are required to obtain from our designated sources of supply are paid for at standard prices and terms. All items of inventory which you obtain from sources of your own choosing are paid for directly to the supplier of those inventory items at prices agreed upon by you and the supplier. Start-up inventory of products and supplies will vary based on expected volume of business and size of storage areas in the building.

12. Shipping. This estimate is for the cost of shipping items needed for the Snip-its Salon, such as furniture, fixtures and the Snipification package. This expense may be higher depending on location and shipping method.

13. Professional Services. This is an estimate for legal and/or accounting expenses you may incur in the initial phase of the franchised business.

14. Grand Opening Advertising. We will assist you in developing and conducting a grand opening advertising program. You are required under the Franchise Agreement to spend a minimum of \$10,000 on Grand Opening Advertising, but you may spend more on this program. The estimate is for the initial promotion and advertising efforts you will need to make. These efforts must begin within seven days after the commencement of operations at the Salon, and must be completed within 90 days after the commencement of operations. Additional details regarding the grand opening advertising program can be found in Item 11, under the subheading "Marketing."

15. Additional Funds. You will need additional capital to support on-going expenses, such as payroll and utilities, insurance, lease deposits, licenses, inventory, security, salon repairs and maintenance, and miscellaneous expenses. The estimate also includes pre-opening expenses such as organization expenses, and telephone and other service-related expenses. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period. You will need to have staff on-hand before opening to prepare the Salon for opening, for training, orientation, and related purposes.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

16. Total. The figures in the chart and the explanatory notes are only estimates.

We relied on the experience of the existing Snip-its Salons when preparing these figures. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Salon; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these estimates on your own, preferably with a business advisor of your own choosing.

ITEM 8 **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

General

To insure that the highest degree of quality and service is maintained, you must operate the Salon in strict conformity with the methods, standards, and specifications as we may from time to time prescribe in the Manuals or otherwise in writing.

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must buy all products, ingredients, supplies, equipment, materials, and other products used or offered for sale at the Salon only from suppliers (including manufacturers, distributors, and other sources) that meet our specifications as set forth in the Manual and/or that we have approved in writing. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors: whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications; whether the supplier has adequate quality controls and capacity to supply the System's needs promptly and reliably; and whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies. You may not buy from any supplier that we have not yet approved in writing, and you must stop buying from any supplier who we approve, but later disapprove. We have the right to designate only one manufacturer, distributor, reseller and/or vendor for any particular item. We may be a supplier of any product, and we may be the sole approved supplier of any product. As of the date of this disclosure document, we are a supplier for only the proprietary POS System.

In order to maintain the high standards of quality and uniformity associated with Proprietary Products offered and sold at Snip-its Salons operating under the System, you must purchase Proprietary Products only from our designee(s). The Proprietary Products offered and sold at the Salon are manufactured according to our confidential and proprietary standards and specifications, and are our Proprietary Products. In connection with the handling, storage, transport and delivery of any Proprietary Products purchased from us, our affiliates or designee(s), any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Products will not be attributable to nor constitute our negligence.

If you want to buy any products or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). There is no limit on the time we may take in evaluating a proposed supplier or product, however we typically will provide you with approval or disapproval of such supplier or product within two weeks. We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or

other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers. Criteria for products and suppliers will include whether the products are child-oriented, safe for children of all ages, and meet our guidelines under the System. Criteria for suppliers will be made available to you upon request. Suppliers will be judged on their ability to consistently and reliably provide goods that meet our criteria. We reserve the right, at our option, to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria.

You must buy (or lease) and maintain a computer system. More detailed information concerning the computer system can be found in Item 11 of this disclosure document under the heading "Computer Systems." In general terms, you must obtain a computer system that includes certain hardware and software items and peripheral devices (such as printers). Among other things, you must meet our requirements concerning: (a) back office and point of sale systems; (b) cash register systems; (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) Internet access mode (e.g., form of telecommunications connection) and speed.

The only Proprietary Products that you must purchase from us is our proprietary POS system. During our fiscal year ended December 31, 2013 franchisee purchases of required items from us (the proprietary POS system) totaled \$10,981, which represented less than one percent of our total revenues of \$1,489,977.

In addition to the Proprietary Products (other than the proprietary POS system), you must purchase other items for the Salon solely from our designee(s). These products include a portion of the trademarked elements of the Salon design/build-out (including materials bearing the Characters), millwork, proprietary salon supplies and marketing materials, and Snip-its computer play-station games and other entertainment-oriented items.

None of our officers own any interest in any company that is a supplier to Snip-its franchisees.

You must allow us or our agents, at any reasonable time, to remove samples of products offered in your Salon, without payment, in amounts reasonably necessary for testing by us or an independent laboratory to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Salon fails to conform to our specifications.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval.

We estimate that your purchases from approved suppliers or according to our specifications will represent approximately 75% to 90% of your total purchases in the establishment of the Salon, and 75% to 90% of your total purchases in the continuing operation of the Salon.

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the Salons in our system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the franchised network of Salons.

We may collect and retain certain manufacturing allowances, marketing allowances, rebates, credits, monies, payments and benefits (collectively, "**Allowances**") offered to us or to our affiliates by

manufacturers, suppliers and distributors based upon your purchases of products and other goods and services. These Allowances are based on System-wide purchases of equipment, hair care supplies, paper goods, merchandise and other items. During our fiscal year ended December 31, 2013, we received Allowances in the amount of \$7,015 from one of our product manufacturers, and we contributed all of those amounts to the Marketing Fund. It is our present intention to contribute at least a portion of any Allowances to the Marketing Fund or use these monies in a manner that we believe will be in the interest of promoting or enhancing the Snip-its brand, including, for example, promotions, public relations, customer feedback, and service and product developments.

We may negotiate purchase arrangements, including price terms, for some items, supplies or equipment. We have entered into a distribution agreement with a distributor for the purpose of selling products (including Proprietary Products) to our company Salons and franchisees, and to provide fulfillment services to our franchisees. The distributor will provide a 15% discount on all items it sells to company Salons and franchised Salons, except for “Snip-its” brand Proprietary Products, “OPI” brand products, and “Moroccan Oil” brand products. The distributor will provide a 10% discount on “Snip-its” brand Proprietary Products and “OPI” brand products, and no discount on “Moroccan Oil” brand products, sold to Salons. We will receive an Allowance from the distributor equal to 5% of the distributor’s gross price on all monthly invoiced sales of products (not including Proprietary Products) to company-owned and franchised Salons. There are currently no other purchasing arrangements, however, if we do negotiate such arrangements in the future, we will be seeking to promote the overall interests of our franchise System and our interests as the franchisor. As of the date of this disclosure document, there are no purchasing or distribution cooperatives.

Except as described in this Item 8, we do not provide any material benefits to you based on your use of designated or approved suppliers.

Insurance

Under the Franchise Agreement, you must obtain and maintain the insurance coverages and policies that we prescribe in the Manuals. Each insurance policy must be issued by an issuer we approve, who must have a rating of at least “A” in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the Salon is located. All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given sixty days’ prior written notice. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

ITEM 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item(s) in Disclosure Document
a. Site selection and acquisition/lease	§ 1 in Franchise Agreement; Site Selection Addendum; § 3.1 in Development Agreement	8 and 11
b. Pre-opening purchases/leases	§ 5 in Franchise Agreement; Site Selection Addendum; none in Development Agreement	5, 7, and 8
c. Site development and other pre-opening requirements	§§ 3.2, 3.3, 5.2, 5.3, 5.4, 5.5, and 10.8 in Franchise Agreement; Site Selection Addendum; § 3.1 in Development Agreement	8 and 11
d. Initial and ongoing training	§§ 3.1, 5.5 and 12.4.8 in Franchise Agreement; none in Development Agreement	11
e. Opening	§§ 5.2, 5.3 and 5.4 in Franchise Agreement; none in Development Agreement; § 5 in the 3-Pack Agreement and 5-Pack Agreement	11
f. Fees	§§ 2.2.9, 4, 10.1, 10.3, and 12.4.9 in Franchise Agreement; § 2.1 in Development Agreement; §§ 1 and 5.3 in the 3-Pack Agreement and 5-Pack Agreement	5 and 6
g. Compliance with standards and policies/Operating Manual	§§ 1.4, 3.4, 5, 7, and 9 in Franchise Agreement; § 6.3 in Development Agreement	8, 11, and 14
h. Trademarks and proprietary information	§§ 1.1 and 6 in Franchise Agreement; §§ 1.4 and 1.5 in Development Agreement	13 and 14
i. Restrictions on products/services offered	§§ 1.4, 5.1, 5.12 and 5.13 in Franchise Agreement; none in Development Agreement	5, 8, and 16
j. Warranty and customer service requirements	§ 5.7 in Franchise Agreement; none in Development Agreement	16
k. Territorial development	§§ 1.2 and 1.3 in Franchise Agreement; § 1 in Development Agreement	12
l. Ongoing product/service purchases	§ 5 in Franchise Agreement; none in Development Agreement	8

Obligation	Section in Agreement	Item(s) in Disclosure Document
m. Maintenance, appearance and remodeling requirements	§§ 2.2.3, 5, and 12.4.5 in Franchise Agreement; none in Development Agreement	8
n. Insurance	§ 11 in Franchise Agreement; none in Development Agreement	7 and 8
o. Advertising	§§1.3, 5 and 10 in Franchise Agreement; none in Development Agreement	6, 8, and 11
p. Indemnification	§ 17.4 and Ex. C in Franchise Agreement; § 11 in Development Agreement	Not Applicable
q. Owner's participation/management/staffing	§§ 5.7, 5.19 and 15 in Franchise Agreement; § 5.3.3 in Development Agreement	15
r. Records/reports	§§ 4.2, 5 and 9 in Franchise Agreement; § 5.5 in Development Agreement	6
s. Inspection/audits	§§ 5 and 9 in Franchise Agreement; none in Development Agreement	6 and 11
t. Transfer	§12 in Franchise Agreement; § 7 in Development Agreement	17
u. Renewal	§ 2.2 in Franchise Agreement; none in Development Agreement	17
v. Post-termination obligations	§ 14 in Franchise Agreement; § 6.5 in Development Agreement	17
w. Non-competition covenants	§ 15 in Franchise Agreement; § 8 in Development Agreement	17
x. Dispute resolution	§ 23 in Franchise Agreement; § 15 in Development Agreement	17
y. Taxes/permits	§§ 5.2 and 16 in Franchise Agreement; § 10 in Development Agreement	1
z. Personal Guarantee	Exhibit C to Franchise Agreement; Exhibit B to Development Agreement	15

ITEM 10
FINANCING

We do not offer direct or indirect financing. We will not guarantee your note, lease, or other obligations.

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

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

Pre-opening Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you.

Before you open your Salon:

(1) We will provide to you and to your Highly Trained Personnel (defined below under the subheading "Training"), our standard initial training program at our corporate headquarters, and at the time(s), that we designate. We will be responsible for the cost of instruction and materials for up to three of your Highly Trained Personnel, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 3.1, 5.5) (Training is also discussed below in this Item 11 under the subheading "Training.")

(2) We will provide, at no charge to you, "prototype" plans and specifications for the construction of the Salon and for the exterior and interior design and layout, fixtures, equipment, furnishings, and signs. We reserve the right to require you to use a designated architectural or design company for design of the Salon, for which you will be required to pay a fee to the design company. We will provide a final design review. You are also responsible for compliance with all local and other requirements relating to the plans, including for example, zoning, code, and compliance with the Americans with Disabilities Act. (Franchise Agreement, Section 3.2)

(3) We have the right (but not the obligation) to provide a representative to be present at the opening of the Salon. We will provide such additional on-site and pre-opening and opening supervision and assistance as we deem advisable. (Franchise Agreement, Section 3.3)

(4) We will provide you with access to the Manual (which is more fully described in Item 14 below) for the term of the Franchise Agreement. (Franchise Agreement, Section 3.4)

(5) We will assist you in developing the Grand Opening Advertising Program (which is more fully described in Item 7 and below in this Item 11 of this disclosure document); you will be responsible for the cost of this program. (Franchise Agreement, Section 3.7)

(6) We will inspect the Salon prior to opening. You may not commence operation of the Salon without our prior written approval. (Franchise Agreement, Section 3.9)

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Salon.

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your franchised business:

(1) We may conduct, as we deem advisable, periodic inspections of the Salon, and may evaluate the products sold and services rendered by your Salon. (Franchise Agreement, Section 5.15)

(2) We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Sections 3.1 and 5.5)

(3) We will give you periodic and continuing advisory assistance as to the operation and promotion of the Salon, as we deem advisable. (Franchise Agreement, Section 3.10)

(4) We will administer the Marketing Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 3.6)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Salon.

Site Selection

When you enter into the Franchise Agreement, if you do not have an Approved Location for the Salon, you must sign the Site Selection Addendum attached to the Franchise Agreement as Exhibit B. Under the terms of the Site Selection Addendum, you will have 180 days within which to lease, sublease or acquire a site for the Salon, subject to our approval according to our site selection guidelines. You must submit to us at least one location for approval within the first 90 days of the Site Selection Addendum.

Under the Site Selection Addendum, we will grant you an area within which you may search for an Approved Location (the “**Site Selection Area**”). The Site Selection Area is granted only for the purpose of selecting an Approved Location for the Salon. We will not establish, nor franchise another to establish, a Salon operating under the System within the Site Selection Area until we approve of an Approved Location for the Salon, or until the search period in the Site Selection Addendum expires, whichever happens first. We will also furnish site selection guidelines to you, including our minimum standards for a location for the Salon, and such site selection counseling and assistance as we may deem advisable. We will perform any on-site evaluation as we may deem advisable in response to your requests for site approval. We will provide you with, free of charge, one on-site evaluation for a proposed site. If we deem additional on-site evaluation necessary and appropriate (on our own initiative or at your request) for any Salon to be established, you must reimburse us for all reasonable expenses we incur in connection with such additional on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

You must submit to us, in the form we specify, a copy of the site plan and such other materials or information that we may require, together with an option contract, letter of intent, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will have 30 days following receipt of this information and materials from you to approve or disapprove the proposed site for the Approved Location of the Salon. If we do not disapprove a proposed site by written notice to you within this 30-day period, the site will be deemed approved.

When considering a site for a Snip-its Salon, we consider factors such as area demographics, configuration and characteristics of shopping center, site specifications (such as size, visibility, parking), and potential lease terms (including the condition of the premises). We will make our site-selection criteria available to you upon request.

Once authorized, the site for the Salon will be the “**Approved Location.**” Within 60 days of our approval of the Approved Location, you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the “Lease Rider,” attached to the Franchise Agreement as

Exhibit G. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

We estimate that the time period between beginning to find a site for the Approved Location and the start of operations at the Salon will be approximately three to nine months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the Salon, and obtain fixtures, equipment and supplies. You may have obtained an Approved Location and a lease for the Approved Location before entering into the Franchise Agreement; if not, then you must enter into the Site Selection Addendum.

If you sign a Development Agreement, then, the selection and approval of a site that may become an Approved Location under a Franchise Agreement entered into under such Development Agreement will be governed by the Development Agreement and our site review and approval procedures described in the Manual, rather than the Site Selection Addendum. In addition, the time frames and time limits described in the Development Schedule, and not those in the Site Selection Addendum, will apply to the opening of Snip-its Salons under the Development Agreement.

Training

Before your Salon opens, you (or, if you are a corporation, partnership, limited liability company, or limited liability partnership, one of your Principals who you designate as the Operating Partner), and/or one Salon Manager, must attend and successfully complete, to our satisfaction, the initial training program that we offer. The Salon must also be under the active full-time management of either you, your Operating Partner, or Salon manager, who has successfully completed (to our satisfaction) our initial training program. For the purpose of the Franchise Agreement, each “**Principal**” (including the Operating Partner) must be a person who has at least a 10% ownership interest in Franchisee, and who has signed the Guarantee, Indemnification and Acknowledgement that is attached to the Franchise Agreement.

As described in Item 6, we will bear the cost of initial training (instruction and required materials) for up to three Highly Trained Personnel (which will include two Principals (one of which must be the Operating Partner) and a Salon Manager) at our corporate training facility. If you wish to train any additional Highly Trained Personnel during initial training, you must pay us an additional fee of \$115 per day per person.

We will also provide an initial training program, to be provided at one time, for your initial complement of hair stylists and receptionists (not to total more than ten individuals). The initial training for hair stylists and receptionists may be conducted, at our option, at your Salon or at our designated training location. You must pay us all expenses we incur in connection with sending one of our instructors to conduct this training, including the costs of transportation, lodging, meals, wages, and worker’s compensation insurance (see Item 6). If you wish to train any hair stylists or receptionists in addition to the initial complement of ten, you must pay us an additional fee of \$40 per day per person to be trained (for instruction).

If any of the Highly Trained Personnel cease active management or employment at the Salon, then you must enroll a qualified replacement (who must be reasonably acceptable to us) in our initial training program not more than 30 days after the end of the former person’s full-time employment or management responsibilities. The cost for this training will be \$115 per day per person.

We may require that any or all of the Highly Trained Personnel attend refresher courses, seminars, and other training programs periodically, including up to three days of refresher programs each

year during the term of the Franchise Agreement, and/or Franchisor's annual convention, for which you will be responsible for all expenses incurred in connection with this training, including the costs of transportation, lodging, meals, wages, and worker's compensation insurance.

You will bear all expenses incurred in attending training, such as the costs of transportation, lodging, meals, wages, and worker's compensation insurance (see Items 6 and 7 of this disclosure document).

If you ask that we provide additional on-site training, and we are able to do so, then you will pay us our then-current per diem charges and out-of-pocket expenses. Our per diem charges will be specified in the Manuals (see Item 6 for some of these charges).

Our initial training program will take place over a one or two week period, at such location(s) that we may specify. The following chart outlines our initial training program:

SNIP-ITS INITIAL TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Introduction to Snip-its Concept	1 hour	1 hour	Eden Prairie, Minnesota
Legendary Customer Service	2 hours	2 hours	Eden Prairie, Minnesota
Snip-its Products and Services	4 hours	4 hours	Eden Prairie, Minnesota
Salon Management and Leadership	4 hours	4 hours	Eden Prairie, Minnesota
Salon Construction	2 hours	None	Eden Prairie, Minnesota
Managing the Front Desk	2 hours	10 hours	Eden Prairie, Minnesota
Retail Operations	2 hours	None	Eden Prairie, Minnesota
Snip-its Birthday Party Operations	1 hour	2 hours	
Styling for Franchisees	0.5 hours	None	Eden Prairie, Minnesota
Salon Operations	4 hours	10 hours	Eden Prairie, Minnesota
POS System	3 hours	8 hours	Eden Prairie, Minnesota
Snip-its Management Portal	3 hours	None	Eden Prairie, Minnesota
Human Resources: Recruiting, training, retention, management	2 hours	None	Eden Prairie, Minnesota
Marketing, Advertising & Public Relations	2 hours	None	Eden Prairie, Minnesota
Finance	2 hours	None	Eden Prairie, Minnesota

The individuals who will be our principal training instructor(s), are Jason Blom with 16 years of experience in the field, Christine Ochoa with more than 31 years of experience in the field, and Jen Formanek with more than 11 years of experience in the field. The principal training instructors, including their length of experience with us, are each identified in Item 2.

Marketing

As described in Item 6 above, for each Accounting Period during the term of the Franchise Agreement, you will be required to make a Marketing Contribution. During the first 26 Accounting

Periods following the opening of the Salon, the Marketing Contribution will be 1.5% of Gross Sales of your Salon during the preceding Accounting Period, and for the remainder of the term of the Franchise Agreement, the Marketing Contribution will be 2% of Gross Sales of your salon for the preceding Accounting Period. (See Item 6, note 2, for the definition of the term “Accounting Period.”)

The Marketing Contribution will be paid to the Marketing Fund. In 2013, the Marketing Fund spent 41.7% on agency fees/retainer, 4.3% on Ad Builder, 2.2% on photography, 16.6% on social media initiatives, 1.7% on contests, 2.9% on graphics/printed materials, 2.4% on cause marketing; 9.2% on portal/POS/website work, and 19% on marketing coordination and administration.

None of the amounts collected or held by the Marketing Fund will be used for marketing that is principally a solicitation for the sale of franchises. A statement of the Marketing Fund’s operations, as shown on our books, will be prepared annually in conjunction with the annual audit of our financial records, but the Marketing Fund is not audited. The annual financial statement for the Marketing Fund will be made available to you upon request. As described below, we are not required to spend any particular amount on marketing in the area where your Salon is located. As also described below, if amounts are unspent in the Marketing Fund at fiscal year-end, those amounts will be carried over by the Fund for expenditure in the following year(s).

The Marketing Fund

The Marketing Fund, and all contributions to and earnings from the Marketing Fund, will be used only (except as otherwise provided below) to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations and promotional programs and materials, and any other activities that we believe will enhance the image and administration of the System. This includes, among other things, the costs of preparing and conducting media advertising campaigns; direct mail marketing; marketing surveys and other public relations activities, including the use of secret shoppers; updating and improving the in-store experience; developing and maintaining our Online Site (defined below); programs to improve and enhance communication within, and the operation of, the System, including expenses related to the administration of the Franchisee Advisory Council; development (both initial and on-going) of the Characters; employing marketing or public relations agencies; purchasing or developing promotional items; conducting and administering visual merchandising, POS and other merchandising programs; and providing promotional and other marketing materials and services to the Snip-its Salons operated under the System. We may also use the Marketing Fund to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, that we have approved in advance (we will have the right to determine which products, services, or improvements will appropriately promote general public awareness and favorable support for the System). We will have the sole right to decide how the Marketing Fund creates, places, and pays for marketing. We (or our designee, which might be a corporate subsidiary or a marketing agency) will maintain and administer the Marketing Fund, as follows:

- (a) We (or our designee) will direct all marketing programs, with the sole right to decide the concepts, materials, and media used in these programs and the placement and allocation of the programs. The Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System. Neither we nor our designee will be obligated to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from expenditures by the Marketing Fund.
- (b) The Marketing Fund, and all contributions to and earnings from the Marketing Fund, will be used exclusively to meet the costs of marketing and any other activities that we

believe will enhance the System's image and, in our sole discretion, promote general public awareness of and favorable support for the System.

- (c) You must contribute to the Marketing Fund, by EFT (electronic fund transfer) if required, by the third business day of each Accounting Period (see also Item 6, note 2). All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies. Upon request, you may receive an accounting of Marketing Fund expenditures.
- (d) We will have the right to charge the Marketing Fund for the reasonable administrative costs and overhead that we incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for you and the System (for example, costs of personnel for creating and implementing, associated overhead, advertising, merchandising, promotional and marketing programs). The Marketing Fund and its earnings will not otherwise inure to our benefit or be used to solicit the sale of franchises. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.
- (e) The Marketing Fund is not and will not be our asset.
- (f) Although the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been spent for marketing or promotional purposes.

Our current policy is that we or the Parent will contribute to the Marketing Fund on the same basis as is required of our franchisees; however, we are not obligated to do so and reserve the right to change that policy. If we or the Parent contribute to a Cooperative, we will have the same voting rights for our Salons as do our franchisees with respect to their Salons.

Cooperative

We will have the right, in our discretion, to establish a Cooperative for the geographic region in which your Salon is located. The purpose of the Cooperative is to conduct marketing campaigns for the Snip-its Salons located in that region.

If a Cooperative for your area was established before you began to operate your Salon, then when you open your Salon, you must immediately join that Cooperative. If a Cooperative for your area is established after you begin to operate your Salon, then you must immediately join the new Cooperative. You will not be required to be a member of more than one Cooperative. The following provisions will apply to each Cooperative (if and when organized):

- (a) Cooperatives will be established, organized, and governed in the form and manner that we have approved in advance. Any disputes arising among or between you, other members of the Cooperative, and/or the Cooperative, will be resolved according to the rules and procedures described in the Cooperative's governing documents.
- (b) Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.

- (c) Cooperatives may not use marketing, promotional plans, or materials without our prior written approval, as described below.
- (d) In addition to, but not in lieu of the Marketing Contribution, you may be required to contribute up to 2% of Gross Sales to the Cooperative. If you are required to contribute to a Cooperative, then your contribution to the Cooperative will be credited toward your required expenditures for local advertising and promotion (described below). The specific amount of your contribution to the Cooperative, however, will be determined solely by the Cooperative. If you are required to contribute to a Cooperative, such contributions will be credited toward your required expenditures for local advertising and promotion, as described below. You must submit to the Cooperative the amount required at such times as determined by the Cooperative, but no later than the third day of each Accounting Period for the preceding Accounting Period, together with such other statements or reports that we (or the Cooperative with our prior written approval) may require.
- (e) Although, if established, a Cooperative is intended to be of perpetual duration, we maintain the right to terminate any Cooperative. A Cooperative will not be terminated, however, until all monies in that Cooperative have been expended for marketing or promotional purposes.

Local Advertising and Promotion

In addition to the Marketing Contribution, you will be required to expend money on local advertising and promotion at the times and in the manner that we may specify periodically in the Manual or otherwise in writing. You will not be required to expend more than \$7,000 per year, although you are encouraged to spend more. However, if you belong to and are required to contribute to a Cooperative, all of your contributions to the Cooperative will be considered local advertising and promotion. Certain criteria will apply to any local advertising and promotion that you conduct. All of your local advertising and promotion must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing or promotional plans or materials (either in connection with local advertising and promotion, or a Cooperative, or for use inside the Salon) that we have not approved in writing. You must submit to us samples of all proposed plans and materials (unless, within the previous six months, we prepared or already approved the plans or materials) at least 10 days before you use such materials. If we have not approved such materials within 10 days of our receipt, then the marketing and promotional materials will be deemed approved. You are not required to obtain our approval of the prices you intend to charge. If we determine that you have not made the required monthly expenditures on local advertising and promotion, we reserve the right to make such expenditures on your behalf, and you must reimburse us for such expenditures, plus interest, which will accrue from the date(s) upon which you should have made such expenditures.

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property. You must sign the documents (and, if necessary, require your independent contractors to sign the documents) that we deem necessary to implement this provision. (The requirements in this paragraph, as well as in the previous paragraph, will also apply to any Cooperatives.)

We will periodically make available to you, for purchase, certain marketing plans and promotional materials for your use in local advertising and promotion.

As used in the Franchise Agreement, the term “**local advertising and promotion**” refers to only the direct costs of purchasing and producing marketing materials (such as camera-ready advertising and point of sale materials), media (space or time), promotion, and your direct out-of-pocket expenses related to costs of advertising and sales promotion in your local market or area. Local advertising and promotion also includes associated marketing agency fees and expenses, postage, shipping, telephone, and photocopying costs. “Local advertising and sales promotion” does not, however, include any of the following:

- (a) Salaries, incentives or discounts offered to your employees, and your employees expenses, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;
- (b) Charitable, political, or other contributions or donations, unless otherwise approved; and
- (c) The value of discounts given to consumers.

As discussed in Item 7, in addition to (and not in place of) the Marketing Contribution, you must spend a minimum of \$10,000 on local advertising and promotion conducted for the Salon’s grand opening advertising program (the “**Grand Opening Advertising Program**”), according to our specifications for that program. You must complete the Grand Opening Advertising Program no later than 90 days after the Salon first opens for business. All materials used in the Grand Opening Advertising Program will be subject to our prior written approval, as described above for local advertising and promotion. Your expenditures for Grand Opening Advertising will be counted towards your required expenditures for local advertising and promotion for the first three months after the Salon opens for business. We will work with you to tailor your Grand Opening Advertising Program to your market.

Online Sites (as defined below) are considered as “marketing” under the Franchise Agreement, and are subject (among other things) to our review and prior written approval before they may be used (as described above). As used in the Franchise Agreement, the term “**Online Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPad or Droid apps), and other applications, etc., that you operate or authorize others to operate and that refers to the Salon, Proprietary Marks, the Characters, us, or the System. In connection with any Online Site, the Franchise Agreement provides that you may not establish an Online Site, nor may you offer, promote, or sell any products or services, or make any use of the Proprietary Marks, through the Internet without our prior written approval. As a condition to granting any such consent, we will have the right to establish any requirement that we deem appropriate, including among other things a requirement that your only presence on the Internet will be through one or more webpages that we establish on our website.

Certain associations between you and/or the Salon, and/or the Proprietary Marks and/or the System, and/or businesses operating under or products sold under the Proprietary Marks or the Snip-its brand names on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation or the reputation of the System, the Snip-its brand, or the good will associated with the Proprietary Marks. Accordingly, you may not, without our prior written approval, engage in any activities with, or donate any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity, if such action is taken, or may be perceived by the public to be taken, in the name of, in

connection or association with you, the Proprietary Marks, the Salon, us, or the System; provided, however, that you will be permitted each year during the term of the Franchise Agreement to donate the value of up to two haircut gift certificates to local charities or organizations of your choosing (i.e., two gift certificates to each charity or organization per year) without our prior approval.

We have created a “Franchisee Advisory Council” for the purpose of fostering communication among and between us and franchisees, as well as to establish, modify or discuss various policies applicable to Snip-its businesses operating under the System. While the purpose of the Franchisee Advisory Council is not solely or specifically for advertising and marketing, the Franchisee Advisory Council may address advertising and marketing issues from time to time. The Franchisee Advisory Council is made up of a select number of franchisee representatives, elected by franchisees in various regions, on a one vote per open Salon basis. You may be required to participate in certain Franchisee Advisory Council meetings and programs. You also may be required to pay dues to the Franchisee Advisory Council as we will determine, and you must pay all costs and expenses you incur in connection with participation in the Franchisee Advisory Council including the costs of transportation, lodging, and meals.

Computer Systems

We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware be used by, between, or among Snip-its Salons and/or us, including: (a) our proprietary point of sale (POS) computer and management portal systems, data, audio, video, and voice storage, retrieval, and transmission systems for use at your Salon, between or among Snip-its Salons, and between and among your Salon and us and/or you; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; and (e) internet access mode and speed (collectively, the “**Computer System**”).

You must purchase such computer hardware and software that we specify and which will include an information interface capability to communicate electronically with our computer system. Although we do not require you to purchase or acquire your non-POS computer hardware from any particular manufacturers or suppliers, we require that you acquire and maintain a computer with access to the Internet.

At this time, we require our franchisees to buy the Snip-its proprietary POS computer system. We estimate that the cost of purchasing the POS computer system will be approximately \$2,500. The POS computer system and POS software provides all the basic functions of a standard POS system, including facilitating purchase transactions, receipt generation and sales tracking. In addition to these basic functions, the POS system also records historical customer information (including names, phone numbers, addresses, birth dates, and visit history), manages inventory, tallies and summarizes sales data, tracks in-store customer movement (including service and wait times), records employee productivity, and manages employee schedules. The POS system also connects directly with our Internet-based Snip-its portal management system, our proprietary management software system, which provides a wide range of detailed financial, employee and customer management reports. You must use the POS system to connect to the portal management system via cable modem or DSL line.

As described above, you will be required to purchase our proprietary POS software for the operation of the POS system. We do not currently charge a license fee for our POS or portal management software, but we may charge such a license fee in the future. In addition, some of the software and hardware that you will use is the proprietary property of third parties. We have not approved any

hardware or software in place of these systems and programs, although we reserve the right to do so in the future.

We reserve the right to download sales and other data from your computer, and we will have independent access to this information. There is no contractual limitation on our right to receive this information. We reserve the right to require you to bring any computer hardware and software, related peripheral equipment, communications systems, as well as the cash register system, into conformity with our then-current standards for new Salons. We plan to provide technical support and provide periodic updates, upgrades and enhancements for the POS computer system and portal, but we are not required to do so. There are no contractual limits on the frequency or cost of your obligations to obtain such upgrades, updates and enhancements. However, you must update or upgrade your computer hardware or software if it ceases to be compatible with the hardware or software used in the Franchise System. The cost to upgrade the hardware and maintain or upgrade the software depends on our future needs, as well as technological developments, and is difficult to predict, although we do not anticipate that the annual hardware and software maintenance and upgrades to exceed \$1,500.

(See Sections 2.2.3, 5.11, and 5.18 of the Franchise Agreement.)

Manuals

The table of contents of our Confidential Operating Manual is attached to this disclosure document as Exhibit I. There are 501 total pages in the Confidential Operating Manual.

ITEM 12 **TERRITORY**

Franchise Agreement

During the term of the Franchise Agreement, and except as otherwise provided in that agreement, we will not establish or license anyone else to establish, another Snip-its Salon at any location within the “**Territory**” that is designated in your Franchise Agreement. The Territory will be based on a particular area surrounding the Salon. The size of the Territory granted will vary from franchise to franchise, but will typically be a ½ mile radius for an urban location for the Salon, and a 5 mile radius for a suburban location for the Salon. We will determine whether a location is “urban” or “suburban”, but an urban location will typically be located in or near the central business district of a large metropolitan area, and a suburban location will typically be located near residential areas (that are not part of or included within a central business district) and in or near outdoor strip-malls. We will designate the Territory after you propose, and we approve, the Approved Location for each Salon. We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

- establish, and license others to establish, Salons at any location outside the Territory notwithstanding their proximity to the Territory or the Approved Location or its actual or threatened impact on sales at your Salon;
- establish, and license others to establish, salons or stores under other systems or other proprietary marks, which salons or stores may offer or sell products or services that are the same as, similar to, or different from the products or services offered from the Salon, and which salons or stores may be located within or outside the Territory, notwithstanding such

salons' or stores' proximity to the Approved Location or their actual or threatened impact on sales at your Salon; and

- sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products (including the Proprietary Products), services or merchandise, from any location or to any purchaser (including, but not limited, to sales made at retail locations, supermarkets, by mail order, and on the Internet), so long as such sales are not conducted from a Salon operated from a location inside the Protected Territory (excluding an Institutional Facility).

As noted above, we provide you with certain protections in your Territory. The Federal Trade Commission and/or your State require us to make an affirmative declaration as to whether your Territory is "exclusive." However, and because the term "exclusive" on its own can be read to mean different things by different people, we want to be precise in our language and our mutual understanding of what is and what is not included within your Territory. Therefore, to be clear, and except as described above, you will not receive an "exclusive" Territory even though you will receive certain protected rights within the Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You may offer and sell products only from the Salon, only according to the requirements of the Franchise Agreement and the procedures described in the Manuals. You may not offer or sell products or services authorized under the Franchise Agreement through any other means, including without limitation through satellite locations, temporary locations, via telephone, mail order, the Internet, or through any electronic media. You will not receive any options, rights of first refusal or similar rights to acquire additional franchises within the Territory.

The continuation of your territorial exclusivity does not depend on the achievement of any particular sales volume, market penetration, or other contingency. If you default under the Franchise Agreement, we reserve the right to undertake certain actions in lieu of termination of the Franchise Agreement, including modifying, or eliminating completely, the Territory.

Site Selection Addendum

As described in Item 11 above, if you do not have an approved site for your Salon before you sign the Franchise Agreement, you will enter into a Site Selection Addendum with us, and we will grant you a Site Selection Area within which you may search for an Approved Location. The Site Selection Area is granted only for the purpose of selecting an Approved Location for the Salon. We will not establish, nor franchise another to establish, a Salon operating under the System within the Site Selection Area until we approve of an Approved Location for the Salon, or until the search period in the Site Selection Addendum expires, whichever happens first. The Territory for the Salon will be determined once you select and we have approved the Approved Location. You may not relocate the Salon without our prior written approval. The conditions under which we will consider your relocation of the Salon include, among other things, your inability to continue to operate at the Approved Location, the viability of the proposed new location for the Salon, and whether you are in compliance with the Franchise Agreement.

Development Agreement

Under the Development Agreement, and as described in Item 1, if you sign a Development Agreement, you will receive a Development Area in which you must develop Snip-its Salons. If you are in compliance with your obligations under the Development Agreement and all other Franchise Agreements between you and us, then we will not establish, nor license anyone other than you to

establish, a Snip-its Salon in the Development Area until the last date specified in the Development Schedule, except as otherwise provided below. Snip-its Salons located outside of the Development Area, however, may be granted with territories that cover a portion of the Development Area. The existence of such Snip-its Salons that are established before you locate a Salon nearby may limit the locations within the Development Area where you can establish and operate a Salon. We will advise you of Salons with territories that include a portion of your Development Area. We will retain all other rights, and therefore retain the right (among others), and without granting to you any rights, to:

- establish, and license others to establish, Snip-its Salons at any location outside the Development Area notwithstanding their proximity to any Snip-its Salons you may operate within the Development Area, or their actual or threatened impact on sales at such Snip-its Salons;
- establish, and license others to establish, salons or stores under other systems or other proprietary marks, which salons or stores may offer or sell products or services that are the same as, similar to, or different from the products and services offered from Snip-its Salons, and which salons or stores may be located within or outside the Development Area, notwithstanding such salons' or stores' proximity to any Snip-its Salons you may operate within the Development Area, or their actual or threatened impact on sales at such Snip-its Salons; and
- sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products (including Proprietary Products), services or merchandise, from any location or to any purchaser (including, but not limited, to sales made at retail locations, by mail order, via telephone, and on the Internet), so long as such sales are not conducted from a Snip-its Salon operated from a location inside the Development Area.

3-Pack Agreement and 5-Pack Agreement

Except for the protected Territories that we will grant to you under each individual Franchise Agreement that applies to a 3-Pack Agreement or 5-Pack Agreement, we will not grant any additional territorial rights under a 3-Pack Agreement or 5-Pack Agreement.

ITEM 13
TRADEMARKS, SERVICE MARKS, TRADE NAMES,
LOGOTYPES, AND COMMERCIAL SYMBOLS

We grant you the right to use certain Proprietary Marks under the Franchise Agreement. The Parent registered and/or applied for registration of the following Proprietary Marks with the U.S. Patent and Trademark Office (the "USPTO") on its Principal Register:

Name or Mark	Registration/Serial Number	Registration Date/Filing Date
SNIP-ITS (service mark)	Reg. No. 2271330	August 24, 1999
SNIP-ITS (trademark)	Reg. No. 2927807	February 22, 2005
KIDS. HAIRCUTS. PARTIES. FUN. (service mark)	Reg. No. 3479784	August 5, 2008

The Parent has filed with the USPTO all required affidavits of use and renewal applications. The Parent has licensed to us the right to use, and to license others (you) to use, the Proprietary Marks under a trademark license agreement (the “**TM License Agreement**”). The TM License Agreement is of perpetual duration, and either we or the Parent may terminate the TM License Agreement upon notice to the other party. If, during the term of your Franchise Agreement, the TM License Agreement is terminated, the Parent will assume our rights and obligations to you under the Franchise Agreement with respect to the Proprietary Marks, and your right to use the Proprietary Marks under the Franchise Agreement will continue under the terms of the Franchise Agreement.

Your right to use the Proprietary Marks is limited to the uses that are authorized under the Franchise Agreement, and any unauthorized use of the Proprietary Marks will infringe upon our rights. You may not use any Proprietary Mark: (1) as part of any corporate name or other business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) in connection with performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner in connection with an Online Site without our prior written approval; or (5) in any other manner that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your business and Salons in the manner we specify (such as on invoices, order forms, receipts, and contracts). You must also give the trademark registration notices that we designate, and obtain any assumed business name registrations that applicable law requires.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Proprietary Marks. Other than the TM License Agreement, no agreement significantly limits our rights to use or license the Proprietary Marks in any state in a manner material to the franchise. Currently, we know of no superior prior rights or infringing uses. We are aware of one or more children’s hair salons that operate generally in and around Chicago, Illinois, and a hair cutting salon located in Greeley, Colorado, each of which utilize a mark similar to our principal trademark “Snip-its.” We are evaluating and investigating these other uses of similar names or marks, and we will take whatever action we deem appropriate in the future. If you are considering operating a Salon in either of these areas, we make no representations or warranties: (1) that we can or will prevent these businesses from operating under a name that is similar to the name under which you will operate; or (2) that the operation of these other businesses under their current name, or another name, will not affect the operation of your Salon. If we learn of other users of the same or similar marks, we will evaluate whether any other uses or users may have any superior rights that could materially affect your use of the Proprietary Marks in any state, and we will take actions that we deem reasonable or appropriate in each situation.

You must immediately notify us of any apparent infringement of or challenge to your use of any Proprietary Mark or any person’s claim of any rights in any Proprietary Mark. You may not communicate with anyone except us and our counsel (and, if applicable, our licensor and its counsel) with respect to any infringement, challenge or claim. We will have discretion to take any action we deem appropriate and the right to control exclusively any settlement, litigation, or administrative or other proceeding relating to any infringement, challenge or claim or otherwise relating to any Proprietary Mark. You must render the assistance we require to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Proprietary Marks. We will reimburse you for the reasonable out-of-pocket expenses you incur and pay in complying with these requirements, except to the extent we recover money on your behalf in the action that exceeds your costs. In that case, you pay your own costs and share pro rata in our recovery up to the amount of your share of the recovery. We will defend and indemnify you for damages you incur in any claim, action or proceeding brought by any person claiming to have rights to the Proprietary Marks (other than a person’s

claims to prior common law trademark rights), but only if you complied with the Franchise Agreement and that agreement is still in effect.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Proprietary Mark or for you and the Salon to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

ITEM 14
PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents are material to the operation of your Salon.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Snip-its Salons, including the Characters, Salon trade dress and custom interiors, the Manual, advertising and promotional materials, and similar materials (discussed below). We have not registered all of these materials with the United States Registrar of Copyrights, but we are not required to do so. We may register one or more of these items or copyrightable materials in the future. We have obtained copyright registration for the following items or characters:

Name of Item or Copyright	Registration Number	Registration Date
MONITOR BOX WITH HANDS (No. 2) (Copyright)	VA 1-637-256	November 28, 2007
MONITOR BOX WITH HANDS (No. 1) (Copyright)	VA 1-637-185	November 28, 2007
“SNIPS” CHARACTER ANIMATION FOR PRINT MATERIALS (No. 1) (Copyright)	Reg. No. VAu 963-617	November 28, 2007
SNIP-ITS ARCH FOR SALON (No.1) (Copyright)	VA 1-687-850	November 28, 2007
SNIP-ITS ARCH FOR SALON (No. 2) (Copyright)	VA1-690-279	November 28, 2007
MIRROR FRAME (Copyright)	VA 1-690-317	November 28, 2007
“SNIPS” CHARACTER SCULPTURE (Copyright)	VA 1-690-311	November 28, 2007
“SNIPS” CHARACTER ANIMATION FOR PRINT MATERIALS (No. 2) (Copyright)	VA 1-690-310	November 28, 2007
MAGIC BOX TO DISPENSE PRIZE (Copyright)	VA 1-690-315	November 28, 2007

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know

of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Copyrighted Works

We may authorize you under the Franchise Agreement to use certain copyrighted or copyrightable works, including, the Characters (the “**Copyrighted Works**”). The Copyrighted Works are our valuable property, and your rights to use the Copyrighted Works are granted solely on the condition that you comply with the terms of the Franchise Agreement. We own or are the licensee of the owner of the Copyrighted Works, we and will further create, acquire or obtain licenses for certain copyrights in Characters and other various works of authorship used in connection with the operation of Snip-its Salons, including all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be Copyrighted Works. Such Copyrighted Works include, but are not limited to, the Manuals, the Characters, wall decorations and other décor items, advertisements, promotional materials, computer games, labels, posters, coupons, gift certificates, and signs and may include all or part of the Proprietary Marks, the Characters, Computer System, our trade dress and other portions of the System. All works of authorship related to the System that are created in the future will be owned by us or our affiliates.

You must ensure that all Copyrighted Works bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws, as prescribed by us, specifying that we, or our affiliate, is the owner of the Copyrighted Work. Any unauthorized use, adaptation, publication, reproduction, preparation of derivative works, distribution of copies (whether by sale or other transfer of ownership, or by rental, lease or lending), public performance of such works or attempts to recreate all or a portion of such Copyrighted Works will constitute a breach of the Franchise Agreement, and an infringement of our rights in and to the Copyrighted Works. The Franchise Agreement does not confer any interest in the Copyrighted Works, other than the right to operate the Salon in compliance with the Franchise Agreement. If we authorize you to prepare any adaptation, translation or work derived from the Copyrighted Works, or if you prepare any Copyrighted Work such as advertisements, posters, wall decorations or other décor items, forms or marketing or promotional materials, you agree that such adaptation, translation, derivative work or Copyrighted Work will be our sole and exclusive property for which you must assign all right, title and interest to us. You must execute any documents, in recordable form, that we determine necessary to reflect such ownership. You must submit all such adaptations, translations, derivative works and Copyrighted Works to us for approval prior to use and may not use them without our approval.

If we believe at any time that it is advisable for us and/or you to modify or discontinue using any Copyrighted Work and/or use one or more additional or substitute Copyrighted Works, you agree to comply with our directions within a reasonable time after receiving notice. We need not reimburse you for expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Copyrighted Work.

We will reimburse you for all damages and expenses you incur in any copyright infringement proceeding disputing your authorized use of any Copyrighted Work under the Franchise Agreement if you have timely notified us of the proceeding, have complied with the Franchise Agreement, and have

complied with our directions in responding to the proceeding. At our option, we may defend and control the defense of any proceeding relating to any Copyrighted Work.

Confidential Information

Except for the purpose of operating the Salon under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know-how concerning the operation of the Salon that may be communicated to you or that you may learn by virtue of your operation of a Salon. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Salon. Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, including all information gathered through the POS and portal management systems. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, we may require you, your Operating Partner, and your Highly Trained Personnel to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the Salon. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached to the Franchise Agreement as Exhibit H.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business according to the Manual. We will grant you access to our Manual for the term of the Franchise Agreement.

You must always treat in a confidential manner the Manual, any other manuals we create (or that we approve) for use with the Salon, and the information contained in the Manual. You must use best efforts to maintain this information as secret and confidential. You may not copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always keep the Manual in a secure place at the Salon's premises.

We may periodically revise the contents of the Manual, and you must make corresponding revisions to your copy of the Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, our master copy of the Manual (maintained at our home office) will be controlling.

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

The Franchise Agreement does not require you to participate personally in the direct operation of the Salon, although we encourage and recommend active participation by you. We do, however, require that the Salon be under the active full-time management of either you, your Operating Partner, or the Salon Manager.

You or your Operating Partner must supervise the operation of the Salon and must be approved by us. The Salon Manager must also be approved by us. Our approval of an Operating Partner and/or Salon Manager will be based on whether the proposed Operating Partner or Salon Manager has a good business reputation, appears to have the business and interpersonal skills and acumen to manage this type of business, is not a competitor of ours, and whether he or she can successfully complete our training program. All persons that subsequently serve in the positions of Highly Trained Personnel must be approved by us and must attend and successfully complete our initial training program which is described in Item 11 of this disclosure document. After the initial Operating Partner and Salon Manager, any replacements will also be subject to our reasonable approval, and are required to attend and successfully complete our training program. See Items 11 and 17 for a description of these obligations. We require your Principals (including the Operating Partner), supervisors and managers to sign a non-disclosure and non-competition agreement, the form of which is attached to the Franchise Agreement as Exhibit H.

Each present and future: (i) shareholder with at least a 25% equity interest in you if you are a corporation; (ii) member with at least a 25% equity interest in you, or managing member, if you are a limited liability company; or (iii) partner with at least a 25% equity interest in you, or general partner, if you are a partnership or limited liability partnership; must jointly and severally guarantee your performance of each and every provision of the Franchise Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to the Franchise Agreement as Exhibit C, and/or the Development Agreement as Exhibit B, provided, however, that no guarantee is required from a person who acquires your securities (other than a controlling interest) if and after you become registered under the Securities Exchange Act of 1934.

You must maintain a competent, conscientious, trained staff in numbers sufficient to promptly service customers. You also must take such steps as are necessary to ensure that the Salon Manager(s) and all Salon employees preserve good customer relations, adhere to our performance guidelines in the Manual, and comply with all applicable state and/or local board laws, regulations and guidelines.

Other than as described above, we do not impose any other restrictions on your managers.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell and provide only products and services (including the Proprietary Products) that conform to our standards and specifications (which are described in Items 1 and 8 above). We have the right, without limit, to change the types of authorized products and services. Although it is our policy and practice to gear Snip-its Salons towards providing hair care products and services to children, we may permit Snip-its Salons to also provide such products and services to adults, if requested, and only in conformance with our policies and standards.

At all times during the term of the Franchise Agreement, you must: offer for sale only those products and services for which we have given our written approval; sell or offer for sale all of the products and services that we require; not deviate from our standards and specifications, including the manner of performing services, unless you have received our prior written consent; and stop selling and offering for sale any products or services that we have later disapproved.

The principal purpose of the operation of the Salon is the hair-cutting and entertainment of children (including birthday parties) business, and unless otherwise permitted by us, you may not sell any food or beverages at the Salon. However, you may provide a limited amount of food and beverages on a complimentary basis, and according to the Manuals or any other instructions we may periodically provide to you in writing.

As noted above in Item 12, you may not offer or sell products or services authorized under the Franchise Agreement through any other means, including without limitation through satellite locations, temporary locations, mail order, telephone, the Internet, or through any electronic media.

The Approved Location for the Salon will be specified in the Franchise Agreement. You may not relocate the Salon without our prior written approval.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Agreement	Summary
a. Length of the franchise term	§ 2.1 in Franchise Agreement; § 4 in Development Agreement	10 years
b. Renewal or extension of the term	§ 2.2 in Franchise Agreement; none in Development Agreement	Two additional 5-year terms
c. Requirements for you to renew or extend	§§ 2.2.1 - 2.2.8 in Franchise Agreement; none in Development Agreement	<p>Notice, satisfaction of monetary obligations, compliance with Franchise Agreement, release, sign new Franchise Agreement, and others; see §§ 2.2.1 - 2.2.8 in Franchise Agreement.</p> <p>If you seek to renew your franchise at the expiration of the initial term, you will be asked to sign a new franchise agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements.</p>
d. Termination by you	Not Applicable	
e. Termination by us without cause	Not Applicable	
f. Termination by us with cause	§ 13 in Franchise Agreement; § 6 in Development Agreement	Default under Franchise Agreement, bankruptcy, abandonment, and other grounds; see § 13 of the Franchise Agreement. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.

Provision	Section in Agreement	Summary
g. “Cause” defined – curable defaults	§ 13.3 in Franchise Agreement; § 6.3 in Development Agreement	All other defaults not specified in §§ 13.1 and 13.2 of the Franchise Agreement
h. “Cause” defined - non-curable defaults	§§ 13.1 and 13.2 in Franchise Agreement; §§ 6.1 and 6.2 in Development Agreement	Bankruptcy, abandonment, conviction of felony, and others; see § 13.2. of the Franchise Agreement (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
I. Your obligations on termination/ nonrenewal	§ 14 in Franchise Agreement; § 6.5 in Development Agreement	Cease operating Salon, payment of amounts due, and others; see §§ 14.1 - 14.10 of the Franchise Agreement.
j. Assignment of contract by us	§ 12.1 in Franchise Agreement; § 7.1 in Development Agreement	There are no limits on our right to assign the Franchise Agreement.
k. “Transfer” by you - definition	§§ 12.3.1 - 12.3.4 in Franchise Agreement; §§ 7.3.1 – 7.3.4 in Development Agreement	Includes transfer of any interest.
l. Our approval of transfer by you	§ 12.4 in Franchise Agreement; § 7.4 in Development Agreement	We have the right to approve transfers.
m. Conditions for our approval of transfer	§ 12.4 in Franchise Agreement; § 7.4 in Development Agreement; § 7 in the 3-Pack Agreement and 5-Pack Agreement	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 12.4.1 - 12.4.10 of the Franchise Agreement. Under the 3-Pack Agreement and 5-Pack Agreement, we may withhold our consent to a transfer if you are transferring some, but not all, of your Franchise Agreements.

Provision	Section in Agreement	Summary
n. Our right of first refusal to acquire your business	§ 12.5 in Franchise Agreement; § 7.5 in Development Agreement	We have a right of first option. If you or one of your Principals plans to sell or transfer any material asset of the Salon or the business, you and/or the Principal must first offer such assets or interest to us. If we do not wish to acquire such assets or interest, you and/or the Principal may then offer them to a third party under the same terms and conditions offered to us.
o. Our option to purchase your business	§ 14.9 in Franchise Agreement; none in Development Agreement	We have the option, within 30 days of termination or default, to purchase your furnishings, equipment, material, or inventory at cost or fair market value.
p. Death or disability of you	§§ 12.6, 12.7 and 12.8 in Franchise Agreement; §§ 7.6, 7.7 and 7.8 in Development Agreement	Your estate must transfer your interest in the Franchised Business to a third party we have approved, within a year after death or six months after the onset of disability.
q. Non-competition covenants during the term of the franchise	§§ 15.2 and 15.3 in Franchise Agreement; §§ 8.2 and 8.3 in Development Agreement	Includes prohibition on engaging in any children’s hair care business which is the same or similar to the Salon; see §§ 15.2 and 15.3 of the Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	§ 15.3 in Franchise Agreement; § 8.3 in Development Agreement	Includes a two year prohibition similar to “q” (above), at the Approved Location, within the Territory, within five miles of the Approved Location, or within five miles of any other Salon then-operating under the System.
s. Modification of the agreement	§ 21 in Franchise Agreement; § 13 in Development Agreement	Must be in writing signed by both parties.

Provision	Section in Agreement	Summary
t. Integration / merger clause	§ 21 in Franchise Agreement; §13 in Development Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and the Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	§ 23.3 in Franchise Agreement; § 15.3 in Development Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief).
v. Choice of forum	§ 23.2 in Franchise Agreement; § 15.2 in Development Agreement	We must litigate in the state and judicial district where we maintain our principal place of business, currently, Eden Prairie, Minnesota. (See Note below)
w. Choice of law	§ 23.1 in Franchise Agreement; § 15.1 in Development Agreement	Minnesota (See Note below)

Notes:

1. In addition to the provisions noted in the table above, the Franchise Agreement and Development Agreement contain a number of provisions that may affect your legal rights, including a waiver of a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Sections 23.6, 23.7 and 23.8 in the Franchise Agreement, and Sections 15.6 and 15.7 in the Development Agreement. We recommend that you carefully review all of these provisions, and the entire contracts, with a lawyer.

2. If a state law requires any modification to these provisions of the Franchise Agreement (or other provisions described in this Item 17) or requires additional terms, those modifications will be found in the disclosure addenda and contractual amendments appended to this disclosure document.

ITEM 18
PUBLIC FIGURES

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

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

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

We provide below historical data relating to operations at certain franchised Salons. Table 1 below provides historical data relating to average sales, certain expenses, and operating profit of 21 franchised Snip-its Salons operated by our multi-unit franchisees during the entire 2012 (January 1, 2012 through December 31, 2012) and 2013 (January 1, 2013 through December 31, 2013) calendar years. Table 2 below provides historical data relating to average sales, certain expenses, and operating profit of all (seven) franchised Snip-its Salons operated in the Boston, Massachusetts market during the entire 2012 (January 1, 2012 through December 31, 2012) and 2013 (January 1, 2013 through December 31, 2013) calendar years.

1. Results of 21 Franchised Snip-its Salons Operated by Multi-Unit Operators

Table 1 below shows the average expenses at 21 franchised Snip-its Salons operated by multi-unit operators (meaning those of our franchisees who operated two or more Snip-its Salons) during the entire 2012 and 2013 calendar years. Table 1 also shows certain average expenses incurred at those Salons expressed as a percentage of total sales, as well as average operating profit. The franchised Salons included in Table 1 are limited to those operated by our multi-unit franchisees because we expect and encourage our new franchisees to enter into a Development Agreement, 3-Pack Agreement, or 5-Pack Agreement in order to achieve certain efficiencies. Please read carefully all of the information in Table 1, and all of the notes following the Tables, in conjunction with your review of the historical data.

<u>Multi-Unit Franchised Salon Averages Based on Sales Range</u>									
Gross Sales Range (\$000)	Number of Salons in this Range	Average Gross Sales in Range	# of Salons Within Range that Met or Exceeded Average Annual Gross Sales Volume	% of Salons in Range that Met or Exceeded Average Annual Gross Sales Volume	<u>Certain Expenses as a % of Gross Sales</u>			Operating Profit %	Operating Profit \$
					Labor	Occupancy	Other		
\$285+	6	\$315,084	3	50%	38.4%	20.0%	26.2%	15.4%	\$48,523
\$200 - \$285	11	\$245,011	5	45%	40.4%	18.6%	28.5%	12.5%	\$30,626
<\$200	4	\$181,960	3	75%	41.2%	21.1%	29.7%	8.0%	\$14,557
All Salons in Sample	21	\$253,022	11	52%	40.0%	19.5%	27.6%	12.9%	\$32,699

2. Results of 7 Franchised Snip-its Salons in the Boston, Massachusetts Market

Table 2 below shows the average expenses at seven franchised Snip-its Salons operated in the Boston, Massachusetts market during the entire 2012 and 2013 calendar years. Table 2 also shows certain average expenses incurred at those Salons expressed as a percentage of total sales, as well as average operating profit. The franchised Salons included in Table 2 are limited to those operated by our franchisees in the Boston, Massachusetts market because the Boston market is our most “mature” market. The Snip-its Salons operated in and around Boston have been operating for a longer period of time than in any other market in the United States. The average results at the Snip-its Salons in Table 2 therefore tend to be more favorable than the average results achieved by Snip-its Salons in other markets. You should take this into account when you compare the results of the Salons in Table 2 to the market in which you may plan to establish and operate a Snip-its Salon. Please read carefully all of the information in Table 2, and all of the notes following the Tables, in conjunction with your review of the historical data.

<u>Boston Market Franchised Salon Averages Based on Sales Range</u>									
Gross Sales Range	Number of Salons in this Range	Average Gross Sales in Range	# of Salons Within Range that Met or Exceeded Average Annual Gross Sales Volume	% of Salons in Range that Met or Exceeded Average Annual Gross Sales Volume	<u>Expenses as a % of Gross Sales</u>			Operating Profit %	Operating Profit \$
					Labor	Occupancy	Other		
\$350+	4	\$409,452	1	25%	34.6%	17.1%	27.5%	20.8%	\$85,166
< \$350	3	\$286,066	2	67%	39.7%	20.4%	23.8%	16.1%	\$46,057
All Salons in Sample	7	\$356,572	4	57%	36.8%	18.5%	25.9%	18.8%	\$67,036

Notes to Tables:

1. Table 1 presents the results at 21 franchised Snip-its Salons operated by our multi-unit operators (meaning those of our franchisees who operated at least two or more Snip-its Salons) during the entire 2012 and 2013 calendar years. Table 1 therefore does not include the results at 28 franchised Snip-its Salons operated by our single-unit operators during the 2012 and 2013 calendar years. Table 1 also does not include results from Snip-its Salons operated by multi-unit operators that were not open by January 1, 2011 (6 franchised Salons met this criteria), and also does not include results from Snip-its Salons operated by multi-unit operators during the 2012 and 2013 calendar years from which we did not receive sufficient financial reporting information (9 Salons met this criteria).

2. Table 2 presents the results at seven franchised Snip-its Salons operated in the Boston, Massachusetts market during the entire 2012 and 2013 calendar years. Each of these seven franchised Salons located in the Boston, Massachusetts market operated during the entire 2012 and 2013 calendar years. Table 2 does not include the results from one franchised Salon located in the Boston market that was not open continually during the 2012 and 2013 calendar years, and also does not include results from our affiliate-operated Salon in Framingham, Massachusetts, which is located within the Boston market.

3. The average sales figures are based on actual operating results of the franchised Salons for only the 2013 calendar year as reported to us. **Some Salons have achieved these results. Your individual results may differ. There is no assurance you will sell as much.**

4. The expense and profit information provided in the Tables reflects the performance at each of the included Salons during the 2012 calendar year (and not 2013, the most recent calendar year just ended), because complete expense information is not at the time of this Disclosure Document available from each of these franchised Salons. So to be clear, the expenses expressed as a percentage of sales in each Table compare 2012 expenses to 2013 sales. We believe that the expense results for the Salons included in the Tables are not likely to change materially from 2012 to 2013. Each Salon offered similar products and services as would generally be offered by a typical Snip-its Salon.

5. The average expenses reflected in the Tables are expressed as a percentage of the average Gross Sales at those Salons. As an example, an expense category of 40% means that for every ten dollars of Gross Sales earned at the Salon, four dollars are spent on that particular expense.

6. The average labor costs include all employee-related expenses including: wages, salary, bonus, benefits and commission. Labor costs also include payroll taxes, which are amounts paid to local, state and federal governments for FICA, and federal and state unemployment insurance, based on the wages paid to employees. These amounts are set by governmental authorities, and will vary from state to state. Labor costs vary widely among our franchisee-owned and affiliate-owned Snip-its Salons, as our franchisees (and you) are free to set their own compensation, benefits and bonus packages for their employees. The total amount of wages for your employees and managers at a particular location will vary according to local wages, the number of employees, and the number of hours that the Salon is open for business. You must make labor, wage, and benefit determinations based on your market, experience, and other factors. You may set and pay compensation (and any benefits) at any level you determine. The figures in the Tables do not include any compensation to a franchisee or owner. But, as a franchisee, you may decide to compensate one or more of your owners in lieu of one or more managers. Please note that your labor costs may differ, and may be affected by a variety of factors, including, among others, local costs and wage rates, availability of labor and materials in your market area, your involvement in the management of your Salon, and the size and professionalism of your management team.

7. The average occupancy costs include all rent, common area maintenance, real estate taxes and any other pass-through expenses from the landlord.

8. The average “other” expenses include all other cash expense items not included elsewhere. These include: cost of goods sold, supplies, recruiting, education and training, merchant fees, continuing franchise fees (royalty fees), advertising contributions, bank charges, professional fees, cash over/short, travel and entertainment, repairs and maintenance, insurance (including, among other things, worker’s compensation insurance), dues and subscriptions, utilities, telephone and internet expenses. There may be other costs in the operation of your Salon that are not included in this discussion. You should conduct an independent investigation of the costs and expenses you will or may incur in operating your franchised Snip-its Salon. Franchisees or former franchisees listed in this disclosure document may be one source of this information.

9. The average operating profit figures do not include any provision for income taxes or for non-cash expenses such as depreciation or amortization. It also does not include any reserve for future capital expenditures. In Table 1, for the six Salons in the Average Gross Sales range above \$285,000, four of those Salons (or 66%) met or exceeded the Average Operating Profit figures presented for that range; for the 11 Salons in the Average Gross Sales range between \$200,000 and \$285,000, six of those Salons (or 55%) met or exceeded the Average Operating Profit figures presented for that range; and for

the four Salons in the Average Gross Sales range below \$200,000, two of those Salons (or 50%) met or exceeded the Average Operating Profit figures presented for that range. In Table 2, for the four Salons in the Average Gross Sales range above \$350,000, two of those Salons (or 50%) met or exceeded the Average Operating Profit figures presented for that range; and for the three Salons in the Average Gross Sales range below \$350,000, two of those Salons (or 66%) met or exceeded the Average Operating Profit figures presented for that range.

10. The data shown in the Tables is unaudited. Written substantiation of the data used in preparing the information in this Item is on file at our offices and will be made available to you upon reasonable request.

* * *

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Mr. James George at 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344, telephone (952) 288-2222, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
System-wide Outlet Summary
For years 2011-2013

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2011	56	58	+2
	2012	58	63	+5
	2013	63	64	+1
Company-Owned	2011	3	3	0
	2012	3	1	-2
	2013	1	1	0
Total Outlets	2011	59	61	+2
	2012	61	64	+3
	2013	64	65	+1

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

State ⁽¹⁾	Year	Number of Transfers
Colorado	2011	0
	2012	1
	2103	1
Connecticut	2011	0
	2012	0
	2013	1
Massachusetts	2011	0
	2012	0
	2013	1
Nevada	2011	0
	2012	0
	2013	1
New York	2011	0
	2012	1
	2013	1
North Carolina	2011	1
	2012	0
	2013	1
South Carolina	2011	0
	2012	0
	2013	1
Texas	2011	2
	2012	0
	2013	1
Total	2011	3
	2012	2
	2013	8

Notes:

(1) States not listed had no transfers during the relevant period.

**Table 3:
Status of Franchised Outlets
For years 2011 to 2013⁽¹⁾**

State⁽²⁾	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arizona	2011	0	0	0	0	0	0	0
	2012	0	2	0	0	0	0	2
	2013	2	0	0	0	0	0	2
California	2011	1	1	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	1	0	0	0	0	3
Connecticut	2011	4	0	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Colorado	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Florida	2011	2	0	0	0	0	0	2
	2012	2	1	0	0	0	0	3
	2013	3	0	0	0	0	0	3

State ⁽²⁾	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Georgia	2011	5	0	0	0	0	1	4
	2012	4	0	0	0	0	2	2
	2013	2	0	0	0	0	0	2
Louisiana	2011	1	0	0	0	0	1	0
	2012	0	0	0	0	0	0	0
	2013	0	0	0	0	0	0	0
Maine	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Maryland	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Massachusetts	2011	10	0	0	0	0	1	9
	2012	9	0	0	0	0	0	9
	2013	9	0	0	0	0	0	9
Michigan	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Minnesota	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Missouri	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	1	0

State ⁽²⁾	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Nevada	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Hampshire	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
New Jersey	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	1	1
	2013	1	0	0	0	0	0	1
New York	2011	4	0	0	0	0	0	4
	2012	4	1	0	0	0	0	5
	2013	5	1	0	0	0	0	6
North Carolina	2011	3	1	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	0	0	0	0	0	4
Ohio	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Oklahoma	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Pennsylvania	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Rhode Island	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1

State ⁽²⁾	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
South Carolina	2011	1	1	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Tennessee	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Texas	2011	7	2	0	0	0	0	9
	2012	9	4	0	0	0	1	12
	2013	12	1	0	0	0	1	12
Virginia	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Totals	2011	56	5	0	0	0	3	58
	2012	58	9	0	0	0	4	63
	2013	63	3	0	0	0	2	64

Notes:

(1) All numbers are as of the end of the fiscal year. Each fiscal year ends December 31.

(2) States not listed had no franchised Salons during the relevant period.

The names, addresses, and telephone numbers of our franchisees are listed in Exhibit E. In addition, the name and last known home address and telephone number of every one of our franchisees who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our last fiscal year, or who has not communicated with us within ten weeks of the date of this disclosure document are listed in Exhibit F.

Table 4:
Status of Affiliate-Owned Outlets
For years 2011-2013⁽¹⁾

State⁽²⁾	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year⁽³⁾
Arizona	2011	2	0	0	0	0	2
	2012	2	0	0	0	2	0
	2013	0	0	0	0	0	0
Massachusetts	2011	1	0	0	0	0	1
	2012	1	0	0	0	0	1
	2013	1	0	0	0	0	1
Totals	2011	3	0	0	0	0	3
	2012	3	0	0	0	2	1
	2013	1	0	0	0	0	1

Notes:

- (1) All numbers are as of the end of the fiscal year. Each fiscal year ends December 31.
- (2) States not listed had no Affiliate-Owned Outlets during the relevant period.
- (3) The addresses and telephone numbers of these Affiliate-Owned Salons appear in Exhibit G to this disclosure document.

Table 5:
Projected Openings As Of December 31, 2013 for 2014

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
California	0	2	0
Colorado	5	2	0
Connecticut	1	1	0
Ohio	0	1	0
Texas	6	2	0
South Carolina	1	0	0
Total	13	8	0

Additional Notes to Item 20:

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

- No franchisees have signed a confidentiality clause in a franchise agreement, settlement, or other contract within the last three years that would restrict their ability to speak openly about their experience with Snip-its.

- As of the date of this disclosure document, and as discussed in Item 11, we have one Franchisee Advisory Council comprised of a select number of franchisees who are elected the franchisees (on a 1 salon /1 vote basis). The Franchisee Advisory Council does not have a formal office and generally meets twice a year; once at our national convention and once at a location to be determined. Please contact us if you want the names of the current members. We are not aware of any franchisee association regardless of whether they use our marks.

ITEM 21
FINANCIAL STATEMENTS

Our parent company's, The Snip-its Corporation, audited financial statements for the fiscal years ended December 31, 2013, December 31, 2012, and December 31, 2011 are attached to this disclosure document as Exhibit H. The Snip-its Corporation has absolutely and unconditionally guaranteed our obligations to our franchisees under the franchise agreements. A copy of the Guarantee is also attached at Exhibit H.

ITEM 22
CONTRACTS

The following contracts are attached to this disclosure document:

- Franchise Agreement (Exhibit A)
- Development Agreement (Exhibit B)
- 3-Pack Agreement (Exhibit B)
- 5-Pack Agreement (Exhibit B)
- General Release (Exhibit M)

ITEM 23
RECEIPT

The last two pages of this disclosure document (Exhibit N) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

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EXHIBIT A
FRANCHISE AGREEMENT



SNIP-ITS

FRANCHISE AGREEMENT

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Exhibits:

- A Approved Location and Territory
- B Site Selection Addendum
- C Guarantee, Indemnification and Acknowledgement
- D List of Principals
- E EFT Authorization Form
- F ADA Certification
- G Lease Rider
- H Non-Disclosure and Non-Competition Agreement

**SNIP-ITS
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into on this _____ day of _____, 201__ (the “**Effective Date**”), by and between:

- The Snip-its Franchise Company, LLC, a Massachusetts limited liability company whose principal place of business is 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344 (“**Franchisor**”); and

- _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**Franchisee**”).

BACKGROUND:

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of branded entertainment hair care salon businesses focusing on the specific hair care, spa services, and birthday party needs of children, operating in buildings that bear Franchisor’s custom interior and exterior trade dress, under the “Snip-its” name and marks (the “**Snip-its Salons**”);

B. The distinguishing characteristics of the System include, without limitation, a specially-designed building or facility for hair care operations, with specially developed equipment, equipment layouts, and signage; distinctive interior and exterior design, trade dress and accessories; unique proprietary animated cartoon characters (the “**Characters**”); proprietary computer games; specialized proprietary hair care products, including, without limitation, shampoos, conditioners, styling aids, and lip care items (“**Proprietary Products**”), and non-proprietary products; procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; a proprietary, point-of-sale, management and marketing computer system; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “Snip-its”, and such other trade names, service marks, and trademarks (the “**Proprietary Marks**”), as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System;

D. Franchisor continues to develop, use, and control the use of such Proprietary Marks in order to identify for the public the source of services and products marketed thereunder

and under the System, and to represent the System's high standards of quality, appearance, and service;

E. Franchisee desires to enter into the business of operating a Snip-its Salon under the System, wishes to utilize the Proprietary Marks and wishes to obtain a franchise from Franchisor for that purpose, as well as to receive the training and other assistance provided by Franchisor in connection therewith; and

F. Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications.

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

1. GRANT

1.1 Grant of Rights. Upon the terms and conditions set forth in this Agreement, Franchisor hereby grants to Franchisee the right and franchise, and Franchisee accepts and undertakes the obligation, to: (a) operate one (1) Snip-its Salon under the System (the "**Salon**"); (b) to use, only in connection with the Salon, the Proprietary Marks and the System, as they may be changed, improved, or further developed from time to time by Franchisor; and (c) and to do so only at the location specified in Exhibit A (the "**Approved Location**"). In connection with Franchisor's consent to the Approved Location, Franchisee shall execute, and cause the landlord to execute, the Lease Rider appended hereto as Exhibit G. If, at the time of execution of this Agreement, a location for the Salon has not been obtained by Franchisee and approved by Franchisor, Franchisee shall lease, sublease, or acquire a site for the Salon, subject to Franchisor's approval in accordance with the Site Selection Addendum attached as Exhibit B (the "**Site Selection Addendum**"). Franchisee shall not relocate the Salon without Franchisor's prior written consent. Franchisor shall have the right to grant or withhold approval of the Approved Location under this Section 1.1. Franchisee acknowledges and agrees that approval of Franchisee's proposed location, under this Section 1.1 or pursuant to the Site Selection Addendum, does not constitute any assurance, representation, or warranty of Franchisor of any kind, that Franchisee's Salon at the Approved Location shall be profitable or successful, as further described in Section 5 of the Site Selection Addendum.

1.2 Territory. During the term of this Agreement, Franchisor shall not establish, nor license any other person to establish, another Snip-its Salon at any location within the geographic area (the "**Territory**") defined in Exhibit A, except as otherwise provided in this Agreement. Franchisor retains all other rights, and may, among other things, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.2.1 to establish, and license others to establish, Snip-its Salons at any location outside the Territory notwithstanding their proximity to the Territory or the Approved Location or their actual or threatened impact on sales at Franchisee's Salon;

1.2.2 to establish, acquire or operate, or license others to establish and operate, salons or stores under other systems or other proprietary marks, which salons or stores may offer or sell products or services that are the same as, similar to, or different from, the products and services offered from the Salon, and which salons or stores may be located within or outside the Territory, notwithstanding such salon' or stores' proximity to the Approved Location or their actual or threatened impact on sales at Franchisee's Salon; and

1.2.3 to sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products (including the Proprietary Products), services or merchandise, from any location or to any purchaser (including, but not limited, to sales made at retail locations, supermarkets, mail order, and on the Internet), so long as such sales are not conducted from a Snip-its Salon operated from a location inside the Territory.

1.3 Advertising and Promotional Materials. Franchisor and Franchisee acknowledge that advertising and promotional materials created, placed, and/or distributed by Franchisor, other franchisees operating under the System, or other entities authorized by Franchisor, may appear in media distributed in, or may be directed to prospective customers located within, the Territory, including on Franchisor's website or any related website.

1.4 Sale of Products and Services. Unless otherwise permitted by Franchisor, Franchisee shall offer and sell products only to retail customers from the Salon, and only in accordance with the requirements of this Agreement and the procedures set forth in the Manuals. Franchisee shall not offer or sell products or services authorized under this Agreement through any other means, including without limitation through satellite locations, temporary locations, via telephone, mail order, the Internet, or through any electronic media.

2. TERM AND RENEWAL

2.1 Term. Except as otherwise provided herein, the initial term of this Agreement shall expire ten (10) years from the Effective Date, unless sooner terminated in accordance with the provisions hereof.

2.2 Renewal. Franchisee may, at its option, renew Franchisee's right to operate the Salon for two (2) additional terms, of five (5) years each, subject to the following conditions, each of which must be met prior to each renewal:

2.2.1 Franchisee shall present evidence to Franchisor that Franchisee has the right to remain in possession of the premises of the Salon for the duration of the renewal term, or shall obtain approval by Franchisor of a new location for the Salon for the duration of the renewal term.

2.2.2 Franchisee shall give Franchisor written notice of Franchisee's election to renew no fewer than six (6) months nor more than twelve (12) months prior to the end of the initial term and first (1st) renewal term;

2.2.3 Franchisee shall remodel and refurbish the Salon to comply with the Franchisor's then-current standards in effect for new Snip-its Salons as described in Section 5.10 below;

2.2.4 Franchisee shall not be in default of any provision of this Agreement, any amendment to this Agreement, any successor to this Agreement, or any other agreement between Franchisee and Franchisor or its subsidiaries and affiliates; and, in the reasonable judgment of Franchisor, Franchisee shall have substantially complied with all the terms and conditions of this Agreement, such other agreements, as well as the operating standards prescribed by Franchisor during the term of this Agreement;

2.2.5 Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its subsidiaries and affiliates, and to the Marketing Fund (defined below), and shall have timely met those obligations throughout the term of this Agreement;

2.2.6 Franchisee shall execute Franchisor's then-current form of franchise agreement, which agreement shall supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which shall not supersede this Section 2), and Franchisee acknowledges that the terms, conditions, and provisions of which, and the obligations of the parties thereto, may differ substantially from the terms, conditions, provisions and obligations in this Agreement;

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

2.2.8 Franchisee and its personnel shall comply with Franchisor's then-current qualification and training requirements.

3. FRANCHISOR'S DUTIES

3.1 Initial and On-Going Assistance. Prior to the date of opening of the Salon (the "**Opening Date**"), Franchisor shall provide to Franchisee, and to Franchisee's Highly Trained Personnel (as defined in Section 5.5.1 below), such training programs as Franchisor may designate, to be conducted at such time(s) and location(s) designated by Franchisor. Franchisor shall also provide such ongoing training as it may, from time to time, deem appropriate. Franchisor shall be responsible for the cost of instruction and materials (except as set forth in Section 5.5.3 below), subject to the terms set forth in Sections 5.5 and 5.6 below.

3.2 Development of the Salon. Franchisor shall make available, at no charge to Franchisee, prototype architectural plans and specifications for the construction of a Salon and for the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. Franchisee acknowledges that such specifications shall not contain the requirements of any federal, state or local law, code or regulation (including without limitation those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations

or commercial facilities for persons with disabilities), nor shall such plans contain the requirements of, or be used for, construction drawings or other documentation necessary to obtain permits or authorization to build a specific Salon, compliance with all of which shall be Franchisee's responsibility and at Franchisee's expense. Franchisee shall adapt, at Franchisee's expense, the standard specifications to the Salon location, subject to Franchisor's approval, as provided in Section 5.2.1 below, which will not be unreasonably withheld, provided that such plans and specifications conform to Franchisor's general criteria. Franchisee understands and acknowledges that Franchisor has the right to modify the prototype architectural plans and specifications as Franchisor deems appropriate from time to time (however Franchisor will not modify the prototype architectural plans and specifications for the Salon developed pursuant to this Agreement once those prototype architectural plans and specifications have been given to Franchisee).

3.3 Opening Assistance. Franchisor shall have the right (but not the obligation) to provide a representative to be present at the opening of the Salon. Franchisor will provide such additional on-site pre-opening and opening supervision and assistance as Franchisor deems advisable.

3.4 Manuals. Franchisor shall provide Franchisee access to the confidential operations manuals, which may consist of multiple volumes of printed text, computer disks, other electronically stored data (the "**Manuals**"), as more fully described in Section 7 below. Franchisor may provide a portion or all of the Manuals (including updates and amendments), and other instructional information and materials in, or via, electronic media, including without limitation, through the Internet.

3.5 Marketing and Promotion. Franchisor shall review and shall have the right to approve or disapprove all marketing, advertising and promotional materials that Franchisee proposes to use, pursuant to Section 10 below.

3.6 Marketing Fund. Franchisor shall administer the Marketing Fund in the manner set forth in Section 10 below.

3.7 Grand Opening Advertising Program. Franchisor shall assist Franchisee in developing and conducting the Grand Opening Advertising Program (as described in Section 10.8 below), which program shall be conducted at Franchisee's expense.

3.8 Computer System. Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, computer software, and hardware to be used by, between, or among Snip-its Salons and Franchisor, including without limitation: (a) Franchisor's proprietary point of sale management and marketing system ("**POS System**"), data, audio, video, and voice storage, retrieval, and transmission systems for use at Franchisee's Salon, between or among Snip-its Salons, and between and among Franchisee's Salon and Franchisor and/or Franchisee; (b) physical, electronic, and other security systems; (c) printers and other peripheral devices; (d) archival back-up systems; and (e) internet access mode and speed (collectively, the "**Computer System**"). Franchisor reserves the right to require Franchisee to purchase, utilize and/or acquire

certain computer hardware, software, and/or Internet access in connection with the Computer System (including the POS System), for which Franchisee may be required to pay a licensing fee; provided, however, that such fee, whether a one-time fee, or periodic payments, shall not exceed Two Thousand Dollars (\$2,000).

3.9 Inspection. Franchisor shall inspect the Salon prior to the opening of the Salon. Franchisee shall not commence operation of the Salon without Franchisor's prior written approval.

3.10 On-Going Assistance. Franchisor will provide periodic assistance to Franchisee in the marketing, management, and operation of the Salon as Franchisor determines at the time(s) and in the manner determined by Franchisor.

3.11 Delegation of Duties. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.

4. ROYALTY FEES; SALES REPORTING

4.1 Initial Franchise Fee. Franchisee shall pay Franchisor an initial franchise fee of Twenty Five Thousand Dollars (\$25,000) (the "**Initial Franchise Fee**"), which must be paid in full prior to or upon execution of this Agreement. If Franchisee enters into this Agreement, or a future franchise agreement, with Franchisor for the establishment of Franchisee's second (2nd) or subsequent Snip-its Salon within two (2) years of the effective date of this Agreement, or franchisee's previous franchise agreement with Franchisor, as the case may be, then the Initial Franchise Fee under such franchise agreement shall be equal to seventy-five percent (75%) of the then-current initial franchise fee for new franchisees entering the System. Payment of the Initial Franchise Fee shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor in granting this franchise and for Franchisor's lost or deferred opportunity to franchise others.

4.2 Royalty Fees. For each Accounting Period during the term of this Agreement, Franchisee shall pay to Franchisor royalty fees ("**Royalty Fees**") in the amount of: (a) five percent (5%) of Gross Sales during the initial Accounting Period following the Opening Date, and for the following twenty-six (26) Accounting Periods (or equivalent time period, in the event Franchisor changes the length of an Accounting Period); and (b) six percent (6%) of Gross Sales during the remainder of the term of this Agreement and/or any renewal term(s) of the Agreement; provided, however, that if this Agreement is entered into pursuant to a transfer or sale from Franchisor or an existing franchisee for the operation of an already established Snip-its Salon which has been open and in operation for at least one (1) year, the Royalty Fee shall be six percent (6%) of Gross Sales for the entire term. In addition, Franchisee shall provide to Franchisor each Accounting Period in writing (or electronically via the Computer System) a report of its Gross Sales (a "**Sales Report**") for the immediately preceding Accounting Period. As used in this Agreement, the following terms shall have the following meanings:

4.2.1 The term “**Gross Sales**” means all revenue from the sale of all hair care and other services, all merchandise and products (including Proprietary Products), and all other services or products offered at or from the Salon, and all other income of every kind and nature related to, derived from, or originating from the Salon, including revenue from games, credit and debit machines, ATMs, and proceeds of any business interruption insurance policies, whether at retail or wholesale (whether such sales are permitted or not), whether for cash, check, or credit, and regardless of collection in the case of check or credit; provided, however, that “Gross Sales” excludes any customer refunds, coupon sales (such that the value of services and products sold pursuant to coupons, above the cash or credit value received, is excluded), sales taxes, and/or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities.

4.2.2 The term “**Accounting Period**” shall mean a two (2) week period beginning on a Monday and ending on the second Sunday following that Monday, or such other period of time as Franchisor may designate; provided, however, that Franchisor shall not designate more than twenty-six (26) periods during each calendar year as an “Accounting Period.” The first (1st) Accounting Period shall also include any days from and including the Opening Date through the two (2) week period beginning on the first (1st) Monday following the Opening Date.

4.3 Payments. All payments required by Section 4.2 above and Section 10 below based on the Gross Sales for the preceding Accounting Period, and the Sales Report required by Section 4.2 for the Gross Sales for the preceding Accounting Period, shall be paid and submitted so as to be received by Franchisor by the third (3rd) business day of each Accounting Period. Franchisee shall deliver to Franchisor any and all reports, statements and/or other information required under Section 9.3 below, at the time and in the format reasonably requested by Franchisor. If requested by Franchisor, Franchisee shall establish an arrangement for electronic funds transfer or deposit of any payments required under Sections 4 or 10. Franchisee shall execute Franchisor’s current form of “Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit E, and Franchisee shall comply with the payment and reporting procedures specified by Franchisor in the Manual. If Franchisee makes any payments to Franchisor under this Agreement by check, and such check is returned to Franchisee without having made payment to Franchisor, or if there are insufficient funds in Franchisee’s account to complete the required electronic funds transfer or deposit, then Franchisor shall have the right, in addition to all other remedies hereunder, to charge Franchisee a fee of Fifty Dollars (\$50) for each such returned check, and/or each instance of insufficient funds. Franchisee expressly acknowledges and agrees that Franchisee’s obligations for the full and timely payment of Royalty Fees and Marketing Contributions (and all other amounts provided for in this Agreement) shall be absolute, unconditional, fully earned, and due upon Franchisee’s generation of Gross Sales. Franchisee shall not for any reason (including grounds of any alleged non-performance by Franchisor or others) delay or withhold the payment of all or any part of those or any other payments due hereunder (including without limitation Royalty Fees or Marketing Contributions), put the same in escrow or set-off same against any claims or alleged claims, nor shall Franchisee withhold or delay submission of any reports due hereunder including without limitation to Sales Reports.

4.4 No Subordination. Franchisee shall not subordinate to any other obligation its obligation to pay Franchisor the royalty fees and/or any other fee or charge payable to Franchisor, whether under this Agreement or otherwise.

4.5 Overdue Payments. Any payment or report not actually received by Franchisor (or the Marketing Fund) on or before its due date (or in the case of an invoice for products or services, within thirty (30) days of Franchisee's receipt of the invoice) shall be deemed overdue. Such payments include payments to be made to Franchisor for facilitating the delivery of products or services to Franchisee from a third party supplier or vendor. If any payment is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month, or the maximum rate permitted by law, whichever is less. Entitlement to such interest shall be in addition to any other remedies Franchisor may have.

4.6 Technology Fee. Franchisor reserves the right to charge Franchisee a monthly technology fee ("**Technology Fee**") in such amount as Franchisor determines is necessary to reimburse Franchisor for its costs and expenses associated with providing the Salon with technological assistance relating to the point-of-sale system, computing, reporting, communication, Internet-based initiatives, and other technologies that are now used, and that may in the future be developed, for the System. The Technology Fee is payable to Franchisor each month, in the manner described in Section 4.3 above.

4.7 Payments on Behalf of Franchisee. Franchisee shall pay to Franchisor, within fifteen (15) days of any written request by Franchisor which is accompanied by reasonable substantiating material, any monies which Franchisor has paid, or has become obligated to pay, on behalf of Franchisee, by consent or otherwise under this Agreement.

5. **FRANCHISEE'S DUTIES**

5.1 System Standards. Franchisee understands and acknowledges that every detail of the Salon is important to Franchisee, Franchisor, and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchisees, and to protect Franchisor's reputation and goodwill.

5.2 Pre-Opening Obligations. Before commencing any construction of the Salon, Franchisee, at its expense, shall comply, to Franchisor's satisfaction, with all of the following requirements:

5.2.1 Franchisee shall employ a qualified, licensed architect or engineer who is reasonably acceptable to Franchisor to prepare, for Franchisor's approval, preliminary plans and specifications for site improvement and construction of the Salon based upon prototype design and image specifications furnished by Franchisor in the Manual, and as may otherwise be authorized by Franchisor due to the particularities of the site of the Approved Location. Franchisor's approval shall be limited to conformance with Franchisor's standard image specifications and layout and shall not relate to Franchisee's obligations with respect to any

federal, state and local laws, codes and regulations including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Salon, which subjects shall be Franchisee's sole responsibility.

5.2.2 Franchisee shall comply with all federal, state and local laws, codes and regulations, including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Salon. If Franchisee receives any complaint, claim, or other notice alleging a failure to comply with the ADA, Franchisee agrees that it shall provide Franchisor with a copy of such notice within five (5) days after receipt thereof.

5.2.3 Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances, or regulations or which may be necessary or advisable owing to any restrictive covenants relating to Franchisee's location. After having obtained such approvals and clearances, Franchisee shall submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications. Franchisor's review and approval of plans shall be limited to review of such plans to assess compliance with Franchisor's design standards for Salons, including such items as trade dress, presentation of Proprietary Marks and Characters, and the provision to the potential customer of certain products and services that are central to the functioning of Salons. Franchisor shall not review nor shall any approval be deemed to include Franchisee's compliance with federal, state, or local laws and regulations, including the ADA, and Franchisee acknowledges and agrees that compliance with such laws is and shall be Franchisee's sole responsibility. Once approved by Franchisor, such final plans shall not thereafter be changed or modified without the prior written permission of Franchisor. Any such change made without Franchisor's prior written permission shall constitute a material default under this Agreement and Franchisor may withhold its authorization to open the Salon for business until the unauthorized change is rectified (or reversed) to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall obtain all permits and certifications required for the lawful construction and operation of the Salon and shall certify in writing to Franchisor that all such permits and certifications have been obtained.

5.2.5 Franchisee shall employ a qualified licensed general contractor who is reasonably acceptable to Franchisor to construct the Salon and to complete all improvements. Franchisee shall obtain and maintain in force during the entire period of construction the insurance required under Section 11 below; and Franchisee shall deliver to Franchisor such proof of such insurance as Franchisor shall require.

5.3 Development of the Salon. Franchisee shall construct, furnish, and open the Salon according to the requirements contained herein, and Franchisee shall open the Salon not later than nine months from the Effective Date. Time is of the essence. Prior to opening for business, Franchisee shall comply with all pre-opening requirements set forth in this Agreement (including without limitation those with respect to the Grand Opening Advertising Program), the Manuals, and/or elsewhere in writing by Franchisor. Within thirty (30) days after the opening of the Salon, Franchisee shall provide to Franchisor a full breakdown of all costs associated with the development and construction of the Salon in such form as Franchisor may reasonably

require. Additionally, prior to opening the Salon, and after any renovation, Franchisee shall execute and deliver to Franchisor an ADA Certification in the form attached to this Agreement as Exhibit F, to certify to Franchisor that the Salon and any proposed renovations comply with the ADA.

5.4 Salon Opening. In connection with the opening of the Salon:

5.4.1 Franchisee shall conduct, at Franchisee's expense, such grand opening promotional and advertising activities as Franchisor may require, as set forth in Section 10 below.

5.4.2 Franchisee shall provide at least thirty (30) days' prior notice to Franchisor of the date on which Franchisee proposes to first open the Salon for business. Franchisor reserves the right to require the on-site presence of a representative of Franchisor at the opening of the Salon, and if so required, the Salon may not open without such representative in attendance; provided, however, that such requirement will not unreasonably delay the opening of the Salon.

5.4.3 Franchisee shall not open the Salon until Franchisor has determined that all construction has been substantially completed, and that such construction conforms to Franchisor's standards including, but not limited, to materials, quality of work, signage, decor, paint, and equipment, and Franchisor has given written Franchisee approval to open, which approval shall not be unreasonably withheld.

5.4.4 Franchisee shall not open the Salon until the Operating Partner and Salon Manager (as defined in Section 5.5) have successfully completed all training required by Franchisor, and Franchisee has hired and trained to Franchisor's standards a sufficient number of employees to service the anticipated level of the Salon's customers.

5.4.5 In addition, Franchisee shall not open the Salon until all amounts due to Franchisor under this Agreement or any other related agreements have been paid.

5.5 Training. Prior to the opening of the Salon, Franchisee (or, if Franchisee is a corporation, partnership, limited liability company, or limited liability partnership, one of Franchisee's Principals (defined below in Section 12.2) who is designated to supervise the operation of the Salon and who has been previously approved by Franchisor (the "**Operating Partner**")), and/or one (1) full-time general manager (the "**Salon Manager**") shall attend and successfully complete, to Franchisor's satisfaction, the initial training program offered by Franchisor, pursuant to Section 3.1 above. The Salon shall be under the active full-time management of either Franchisee, the Operating Partner, or Salon Manager who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program. Such active, full-time management need not be undertaken as full-time, on-premises management. For the purposes of this Section 5.5, the Operating Partner must be a Principal, and must have executed the Guarantee, Indemnification and Acknowledgement appended to this Agreement as Exhibit C.

5.5.1 If Franchisee (or the Operating Partner), any other Principal who has completed Franchisor's initial training program, and the Salon Manager, (collectively, the "**Highly Trained Personnel**") cease active management of or employment at the Salon, Franchisee shall enroll a qualified replacement (who shall be reasonably acceptable to Franchisor) in Franchisor's initial training program not more than thirty (30) days after the cessation of the former person's full-time employment and/or management responsibilities. The replacement shall attend and successfully complete the basic management training program, to Franchisor's reasonable satisfaction, as soon as it is practical to do so.

5.5.2 The Highly Trained Personnel may also be required to attend such refresher courses, seminars, and other training programs as Franchisor may reasonably specify from time to time. In addition, Franchisee or such of the Highly Trained Personnel as Franchisor may require, may be required at Franchisee's expense to attend Franchisor's annual convention.

5.5.3 The cost of initial training (instruction and required materials) shall be borne by Franchisor for up to three (3) Highly Trained Personnel (which shall include two (2) Principals (one of which must be the Operating Partner) and a Salon Manager). The cost of initial training for any additional Highly Trained Personnel, as well as all other expenses incurred in connection with initial and/or continuing training, including without limitation, the costs of transportation, lodging, meals, wages, and worker's compensation insurance, shall be borne by Franchisee.

5.5.4 Prior to the opening of the Salon, Franchisee also shall train an initial team of hair stylists, as well as at least one receptionist for the Salon. Franchisor shall provide an initial training program, to be provided at one time, for Franchisee's initial complement of hair stylists and receptionists (not to total more than ten (10) hair stylists or receptionists). Such initial training program may be conducted, at Franchisee's option, at Franchisee's Salon or at Franchisor's designated training location. If Franchisee wishes to train any hair stylists or receptionists in addition to the initial complement of ten (10), Franchisee must pay Franchisor an additional fee of forty dollars (\$40) per day for each additional person to be trained.

5.5.5 If Franchisee requests that Franchisor provide on-site training in addition to that described in Section 3.1 above, and Franchisor is able to do so, then Franchisee agrees that it shall pay Franchisor's then-current per diem charges and out-of-pocket expenses, which shall be as set forth in the Manual or otherwise in writing.

5.6 Salon Premises. Franchisee shall use the Salon premises solely for the operation of the Salon; shall keep the Salon open and in normal operation for such hours and days as Franchisor may from time to time specify in the Manuals, or as Franchisor may otherwise approve in writing; and shall refrain from using or permitting the use of the Salon premises for any other purpose or activity at any time. As used in this Section 5.6, the term "premises" shall include the grounds surrounding the Salon.

5.7 Personnel. Franchisee shall maintain a competent, conscientious, trained staff in such numbers as Franchisor may set forth in the Manual sufficient to promptly service customers, and to take such steps as are necessary to ensure that its employees preserve good

customer relations and comply with such dress code as Franchisor may prescribe. Franchisee shall ensure that each of its employees requiring permits or licenses to provide services or otherwise conduct their duties at the Salon (including without limitation hair stylists), shall at all times during the operation of the Salon maintain the appropriate licensing, and keep current all documentation evidencing such licensing, from any applicable state, local, or other regulatory authorities. Franchisor shall have the right to require Franchisee to employ one or more district managers (who shall be individuals reasonably acceptable to Franchisor) to supervise the day-to-day operations of Franchisee's salons, if Franchisee (and/or an affiliate of Franchisee) operates three (3) or more Salons. Any such district managers shall be required to attend and successfully complete the training courses specified in Section 5.5 above.

5.8 Licensing and Health Standards. Franchisee shall ensure that the Salon, and each of Franchisee's employees at the Salon, meet and maintain the highest health standards and ratings applicable to the operation of the Salon, and shall satisfy all safety and regulatory standards which may be imposed upon the Salon and/or its employees, including, without limitation, state cosmetology licensing and permits. Franchisee shall furnish to Franchisor, within five (5) days after receipt thereof, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Salon.

5.9 Maintaining the Salon. Franchisee shall at all times maintain the Salon in a high degree of safety, sanitation, repair, and condition, and in connection therewith shall make such additions, alterations, repairs, and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as Franchisor may reasonably direct. In addition, Franchisee shall at all times and at its own expense maintain, and modify, if necessary, the Salon (including, without limitation, the Salon décor, the Proprietary Marks, the Characters, games, or other aspects of the Salon relating to the image and operation of the System), and modify the Salon, if necessary, in accordance with the System, and Franchisor's standards for the maintenance and operation of the Salon as set forth from time to time in the Manuals or otherwise in writing.

5.10 Remodeling. Without limiting the requirements of Section 5.9, which Franchisee acknowledges is necessary for regular and continuous maintenance of the Salon in accordance with System standards, at least once every five (5) years during the term hereof, and not sooner than five (5) years after the date upon which the Salon opens for business, and again as a pre-condition to renewal pursuant to Section 2.2.2 above, Franchisee shall refurbish the Salon at its expense to conform to the building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Characters and Proprietary Marks in a manner consistent with the image then in effect for new Salons, including without limitation remodeling, redecoration, and modifications to existing improvements, as Franchisor may require in writing (collectively, "**Facilities Remodeling**").

5.10.1 Franchisee shall not be required to spend more than Twenty-five Thousand Dollars (\$25,000) towards Facilities Remodeling during any five (5) year period of

this Agreement; provided, however, that Franchisor may require Facilities Remodeling more often if such Facilities Remodeling is required as a pre-condition to renewal as described in Section 2.2.2 above.

5.10.2 The limitation on the frequency or scope of Facilities Remodeling shall not include repair to, or the normal upkeep of, the Salon, the maintenance of the Salon as required under Section 5.9, nor Equipment Upgrades (as defined below).

5.10.3 Franchisee shall have six (6) months after receipt of Franchisor's written notice within which to complete Facilities Remodeling.

5.10.4 In addition to Facilities Remodeling, Franchisee shall make, from time to time, such upgrades and other changes to the electronic equipment utilized in the Salon and the Computer System as Franchisor may request in writing (and as also specified in Section 3.8 above) (collectively, "**Equipment Upgrades**"). Franchisor shall have the right to require any Equipment Upgrades it deems necessary for Franchisee's Salon; provided, however, that Franchisee shall not be required to make Equipment Upgrades more frequently than once during each year of this Agreement, nor spend more than Five Thousand Dollars (\$5,000) during any five (5) year period during the term of this Agreement.

5.11 Standards and Specifications. To insure that the highest degree of quality and service is maintained, Franchisee shall operate the Salon in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manuals or otherwise in writing. Franchisee agrees:

5.11.1 To maintain in sufficient supply, and to use and/or sell at all times only such products, services, merchandise and goods as conform to Franchisor's written standards and specifications (including without limitation such standards and specifications as Franchisor may establish with respect to providing products, services, and merchandise to children) and to refrain from deviating therefrom by the use or offer of any non-conforming items without Franchisor's specific prior written consent.

5.11.2 To sell or offer for sale only such products and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all such products and services, utilizing the methods and techniques, as specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications, including manner of performing services, without Franchisor's prior written consent; and to discontinue selling and offering for sale any products and services which Franchisor shall have the right to disapprove, in writing, at any time. If Franchisee deviates or proposes to deviate from Franchisor's standards and specifications, whether or not such deviation is approved by Franchisor, such deviation shall become the property of Franchisor.

5.11.3 To permit Franchisor or its agents, at any reasonable time, to remove samples of products, without payment therefor, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether said samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under

this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform to Franchisor's specifications.

5.11.4 To purchase and install, at Franchisee's expense, all fixtures, furnishings, equipment, decor, signs, and items bearing the Characters and/or the Proprietary Marks as Franchisor shall specify; and to refrain from installing or permitting to be installed on or about the Salon premises, without Franchisor's prior written consent: (i) any fixtures, furnishings, equipment, decor, signs, items bearing (or purporting to bear) the Characters and/or the Proprietary Marks, and other items not previously approved as meeting Franchisor's standards and specifications; and (ii) any fixtures, furnishings, equipment, decor, signs, or hair-cutting station features that do not meet Franchisor's standards and specifications.

5.11.5 That the principal purpose of the operation of the Salon is the hair-cutting and entertainment of children business (including birthday parties), and unless otherwise permitted by Franchisor, Franchisee may not sell any food or beverages at the Salon; provided, however, that Franchisee may provide a limited amount of food and beverages on a complimentary basis, in accordance with the Manuals or any other instructions Franchisor may provide in writing from time to time.

5.11.6 To fully and faithfully comply with all applicable governing authorities, laws and regulations.

5.11.7 To adopt Franchisor's policies and procedures set forth in the Manuals or otherwise in writing regarding providing hair-cutting services to both minors and adults at the Salon.

5.11.8 To use only such computer programs, games, and animated entertainment as Franchisor may set forth in the Manuals or otherwise in writing with respect to the proprietary computer play-stations at the Salon, the Computer System, and/or entertainment system.

5.12 Suppliers. Franchisee shall purchase all products, ingredients, supplies, equipment, materials, and other products used or offered for sale at the Salon solely from suppliers that Franchisor has approved in writing. In determining whether it will approve any particular supplier, Franchisor shall consider various factors, including a supplier who can demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's then-current standards and specifications for such items; who possesses adequate quality controls and capacity to supply Franchisee's needs promptly and reliably; who would enable the System, in Franchisor's sole opinion, to take advantage of marketplace efficiencies; and who has been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and have not thereafter been disapproved. For the purpose of this Agreement, the term "supplier" shall include, but not be limited to, manufacturers, distributors, resellers, and other vendors. Franchisee acknowledges that failure to promptly pay when due all invoices from suppliers for products and services purchased in connection with the Salon (no later than thirty (30) days of receipt of such invoice(s)) shall be a default under this Agreement for which Franchisor shall have the right to terminate this Agreement pursuant to Section 13.3 hereof.

Franchisee recognizes that Franchisor shall have the right to appoint only one manufacturer, distributor, reseller, and/or other vendor for any particular item.

5.12.1 Notwithstanding anything to the contrary in this Agreement, Franchisee shall purchase all of its requirements for Proprietary Products solely from Franchisor or Franchisor's designee(s), as set forth in Section 5.13 below (through such distributor or distributors as Franchisor may designate). Franchisor shall have the right to introduce additional Proprietary Products from time to time.

5.12.2 If Franchisee wishes to purchase any products or any items from an unapproved supplier, Franchisee shall first submit to Franchisor a written request for such approval. Franchisee shall not purchase any products or services from any supplier until, and unless, such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor may also require that the supplier comply with such other requirements as Franchisor may deem appropriate, including payment of reasonable continuing inspection fees and administrative costs, or other payment to Franchisor by the supplier on account of their dealings with Franchisee or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that Franchisor may render to such suppliers. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria.

5.12.3 Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier, nor to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, which Franchisor shall have the right to deem confidential.

5.12.4 Notwithstanding anything to the contrary contained in this Agreement, Franchisee acknowledges and agrees that, at Franchisor's sole option, Franchisor may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers who are willing to supply all or some Salons with some or all of the products and/or services that Franchisor requires for use and/or sale in the development and/or operation of Salons. In this event, Franchisor may limit the number of approved suppliers with whom Franchisee may deal, designate sources that Franchisee must use for some or all products and other products and services, and/or refuse any of Franchisee's requests if Franchisor believes that this action is in the best interests of the System or the franchised network of Salons. Franchisor shall have unlimited discretion to approve or disapprove of the suppliers who may be permitted to sell products to Franchisee.

5.12.5 Franchisee acknowledges and agrees that Franchisor shall have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to Franchisee or to

Franchisor or its affiliates based upon Franchisee's purchases of products and other goods and services. These Allowances are based on System-wide purchases of equipment, hair care supplies, paper goods, merchandise and other items. Franchisee assigns to Franchisor or its designee all of Franchisee's right, title and interest in and to any and all such Allowances and authorizes Franchisor or its designee to collect and retain any or all such Allowances without restriction (unless otherwise instructed by the supplier).

5.13 Proprietary Products. Franchisee acknowledges and agrees that the Proprietary Products offered and sold at the Salon are manufactured in accordance with the confidential and proprietary standards and specifications of Franchisor and/or Franchisor's affiliates, and are Proprietary Products of Franchisor and/or its affiliates. In order to maintain the high standards of quality and uniformity associated with Proprietary Products offered and sold at Snip-its Salons operating under the System, Franchisee agrees to purchase Proprietary Products only from Franchisor, or its designee(s). In connection with the handling, storage, transport and delivery of any Proprietary Products purchased from Franchisor, its affiliates or designee(s), Franchisee acknowledges that any action or inaction by any third party (e.g., an independent carrier) in connection with the handling, storage, transport and delivery of the Proprietary Products shall not be attributable to nor constitute negligence of Franchisor.

5.14 Promotional Materials. Franchisee shall require all marketing, advertising and promotional materials, signs, decorations, any and all replacement trade dress products, and other items which may be designated by Franchisor to bear the Franchisor's then-current Proprietary Marks and logos in the form, color, location, and manner then-prescribed by Franchisor.

5.15 Inspections. Franchisee grants Franchisor and its agents the right to enter upon the Salon premises at any time for the purpose of conducting inspections, for among other purposes, preserving validity of the Proprietary Marks, and verifying Franchisee's compliance with this Agreement and the policies and procedures outlined in the Manuals. Franchisee shall cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, Franchisee shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection.

5.16 Franchisee Structure.

5.16.1 Except as otherwise approved in writing by Franchisor, if Franchisee is a corporation, it shall: (i) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Salon; (ii) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to Franchisor, appears which references the transfer restrictions imposed by this Agreement; (iii) not issue any voting securities or securities convertible into voting securities; and (iv) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Franchisee and furnish the list to Franchisor upon request.

5.16.2 If Franchisee is a partnership or limited liability partnership it shall: (i) furnish Franchisor with its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto; and (ii) prepare and furnish to Franchisor, upon request, a current list of all general and limited partners in Franchisee.

5.16.3 If a Franchisee is a limited liability company, Franchisee shall: (i) furnish Franchisor with a copy of its articles of organization and operating agreement, as well as such other documents as Franchisor may reasonably request, and any amendments thereto; (ii) prepare and furnish to Franchisor, upon request, a current list of all members and managers in Franchisee; and (iii) maintain stop transfer instructions on its records against the transfer of equity securities and shall only issue securities upon the face of which bear a legend, in a form satisfactory to Franchisor, which references the transfer restrictions imposed by this Agreement.

5.17 Guarantee of Performance. Each present and future: (i) shareholder of a corporate Franchisee with at least a twenty-five percent (25%) equity interest in Franchisee; (ii) member of a limited liability company Franchisee, with at least a twenty-five percent (25%) equity interest in Franchisee; (iii) partner of a partnership Franchisee with at least a twenty-five percent (25%) equity interest in Franchisee; (iv) partner of a limited liability partnership Franchisee with at least a twenty-five percent (25%) equity interest in Franchisee; (v) general partner of a partnership Franchisee; (vi) general partner of limited liability partnership Franchisee; or (vii) managing member of a limited liability company Franchisee; shall jointly and severally guarantee Franchisee's performance of each and every provision of this Agreement by executing the Guarantee, Indemnification and Acknowledgement in the form attached to this Agreement as Exhibit C, provided, however, that no guarantee shall be required from a person who acquires Franchisee's securities (other than a controlling interest) if and after Franchisee becomes registered under the Securities Exchange Act of 1934.

5.18 Computer System. At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System. Franchisor shall have the right at any time to retrieve and use such data and information from Franchisee's computer system that Franchisor deems necessary or desirable. In view of the contemplated interconnection of computer systems and the necessity that such systems be compatible with each other, Franchisee expressly agrees that it shall strictly comply with Franchisor's standards and specifications for all item(s) associated with Franchisee's Computer System, and will otherwise operate its Computer System in accordance with Franchisor's standards and specifications. To ensure full operational efficiency and optimum communications capability between and among equipment and computer systems installed by Franchisee, Franchisor, and other franchisees, Franchisee agrees that Franchisee shall keep, at its own expense, its Computer System in good maintenance and repair. If Franchisor determines that it will prove economically or otherwise beneficial to all System franchisees, Franchisor may require, in which case Franchisee shall promptly install, such additions, changes, modifications, substitutions and/or replacement to Franchisee's computer hardware, software, telephone and power lines, and other related facilities, as Franchisor directs in writing.

5.19 Uniforms. To promote a uniform System image, Franchisee shall require all of its Salon personnel to dress during business hours in the attire specified in the Manuals. Franchisee shall purchase such attire only from approved suppliers.

5.20 Incentive Programs. Franchisee shall offer for sale, and will honor for purchases by customers, any incentive or convenience programs, or customer loyalty programs, which Franchisor may institute from time to time, and Franchisee shall do so in compliance with Franchisor's standards and procedures for such programs. With respect to the sale of all products, services or merchandise, Franchisee shall have sole discretion as to the prices to be charged to customers.

5.21 System Modifications. Franchisee acknowledges and agrees that from time to time hereafter Franchisor may change or modify the System as Franchisor deems appropriate, including without limitation, to reflect the changing market and/or to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Snip-its Salons. Franchisor's changes to the System may include, without limitation, the adoption and use of new or modified products, services, equipment and furnishings, and new techniques and methodologies relating to the preparation, sale, promotion and marketing of hair care products and services, and new trademarks, Characters, service marks and copyrighted materials. Franchisee shall, upon reasonable notice, accept, implement, use and display in the operation of the Salon any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at Franchisee's sole expense. Franchisee's implementation of the changes, variations and additions described in this Section 5.21 shall not be considered Facilities Remodeling or Equipment Upgrades. Additionally, Franchisor reserves the right, in its sole discretion, to vary the standards throughout the System, as well as the services and assistance that Franchisor may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that Franchisor deems to be important to the operation of any Snip-its Salon or the System. Franchisee shall have no recourse against Franchisor on account of any variation to any franchisee and shall not be entitled to require Franchisor to provide Franchisee with a like or similar variation hereunder.

5.22 Charitable Donations. Franchisee acknowledges that certain associations between Franchisee and/or the Salon, and/or the Proprietary Marks and/or the System, and/or businesses operating under or products sold under the Proprietary Marks or the Snip-its brand names on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, Franchisor's reputation or the reputation of the System, the Snip-its brand, or the good will associated with the Proprietary Marks. Franchisee must obtain Franchisor's prior written approval if Franchisee wishes to engage in any activities with, or donate any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity, if such action is taken, or may be perceived by the public to be taken, in the name of, in connection or association with Franchisee, the Proprietary Marks, the Salon, Franchisor, or the System; provided, however, that each year during the term of the Franchise Agreement, Franchisee will be permitted to donate the

value of up to two haircut gift certificates to local charities or organizations of its choice (i.e., two gift certificates to each charity or organization per year) without Franchisor approval.

5.23 Franchisee Advisory Council. Franchisor reserves the right to create a “Franchisee Advisory Council,” for the purpose of fostering communication among and between franchisees and Franchisor, as well as to establish, modify or discuss various policies applicable to Snip-its businesses operating under the System. If and when the Franchisee Advisory Council is created, Franchisee shall be required to participate in such Franchisee Advisory Council meetings and programs as Franchisor shall designate. Franchisee may be required to pay such dues to the Franchisee Advisory Council as Franchisor shall determine, and Franchisee shall pay all costs and expenses incurred in connection with participation in the Franchisee Advisory Council including, without limitation, the costs of transportation, lodging, and meals.

5.24 PCI Compliance and Credit Cards. With respect to Franchisee’s acceptance and processing of customer payments by credit and debit cards, Franchisee agrees to do all of the following:

5.24.1 Franchisee agrees to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, “**Credit Card Vendors**”) that Franchisor may periodically designate as mandatory.

5.24.2 Franchisee agrees not to use any Credit Card Vendor for which Franchisor has not given its prior written approval or as to which Franchisor has revoked its earlier approval.

5.24.3 Franchisor has the right to modify its requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke its approval of any service provider.

5.24.4 Franchisee agrees to comply with all of Franchisor’s policies regarding acceptance of payment by credit and/or debit cards, including for example minimum purchase requirements for a customer’s use of a credit card (Franchisor may set these requirements in the Manual).

5.24.5 Franchisee agrees to comply with Franchisor’s requirements concerning data collection and protection, as specified in the Manuals or otherwise in writing.

5.24.6 Franchisee agrees to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that Franchisor may reasonably specify. Among other things, Franchisee agrees to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

6. PROPRIETARY MARKS AND COPYRIGHTS

6.1 Ownership of the Proprietary Marks. Franchisor represents with respect to the Proprietary Marks that:

6.1.1 Franchisor's affiliate, Snip-its Corporation ("SC") is the owner of all right, title, and interest in and to the Proprietary Marks.

6.1.2 SC has licensed to Franchisor the right to use the Proprietary Marks and to authorize others to use the Proprietary Marks.

6.1.3 Franchisor has taken and will take all steps reasonably necessary to preserve and protect SC and Franchisor's ownership of, and validity in, the Proprietary Marks.

6.2 Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

6.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them in, and only in, the manner authorized and permitted by Franchisor; all items bearing the Proprietary Marks shall bear the then-current logo.

6.2.2 Franchisee shall use the Proprietary Marks only for the operation of the business franchised hereunder and only at the location authorized hereunder, or in franchisor-approved marketing and advertising for the business conducted at or from that location.

6.2.3 Unless Franchisor otherwise directs Franchisee, in writing, to do so, Franchisee shall operate and advertise the Salon only under the name "Snip-its" without prefix or suffix.

6.2.4 During the term of this Agreement and any renewal of this Agreement, Franchisee shall identify itself (in a manner reasonably acceptable to Franchisor) as the owner of the Salon in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Salon as Franchisor may designate in writing.

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

6.2.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor.

6.2.7 Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name, or as part of any e-mail address, domain name, or other identification of Franchisee in any electronic medium.

6.2.8 Franchisee shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

6.2.9 With respect to litigation involving the Proprietary Marks or the Copyrighted Works (defined in Section 6.4 below), the parties agree that:

6.2.9.1 Franchisee shall promptly notify Franchisor of any suspected infringement of the Proprietary Marks or Copyrighted Work, any known challenge to the validity of the Proprietary Marks or Copyrighted Work, or any known challenge to SC's ownership of, or Franchisor or Franchisee's right to use, the Proprietary Marks or Copyrighted Works licensed hereunder. Franchisee acknowledges that Franchisor and/or SC shall have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks or Copyrighted Works, including any settlement thereof. Franchisor and/or SC shall also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks or Copyrighted Works.

6.2.9.2 If Franchisee has used the Proprietary Marks or Copyrighted Works in accordance with this Agreement, Franchisor shall defend Franchisee at Franchisor's expense against any third party claim, suit, or demand involving the Proprietary Marks or Copyrighted Works arising out of Franchisee's use thereof. If Franchisee has not used the Proprietary Marks or Copyrighted Works in accordance with this Agreement, Franchisor will defend Franchisee, at Franchisee's expense, against such third party claims, suits, or demands. Franchisee shall promptly notify Franchisor of any suspected unauthorized use of, or any challenge to the validity or ownership of the Proprietary Marks or Copyrighted Works, or its right to use and to license others to use, or Franchisee's right to use, the Proprietary Marks or Copyrighted Works licensed hereunder. Franchisee acknowledges that Franchisor and/or SC has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks or Copyrighted Works, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks or Copyrighted Works. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket litigation costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor shall bear the costs of any judgment or settlement. To the extent that such litigation is the result of Franchisee's use of the Proprietary Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Franchisor for the cost of such litigation (or, upon Franchisor's written request, pay Franchisor's legal fees directly), including without limitation attorney's fees, as well as the cost of any judgment or settlement.

6.2.9.3 If Franchisor and/or SC undertakes the defense or prosecution of any litigation relating to the Proprietary Marks or Copyrighted Works, Franchisee shall execute any and all documents and do such acts and things as may, in the opinion of counsel for Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts and things, except that Franchisee shall bear the salary costs of its employees, and Franchisor shall bear the costs of any judgment or settlement. To the extent that such litigation is the result of Franchisee's use of the Proprietary Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisee shall reimburse Franchisor and/or SC for the cost of such litigation, including without limitation attorney's fees, as well as the cost of any judgment or settlement.

6.3 Franchisee Acknowledgements. Franchisee expressly understands and acknowledges that:

6.3.1 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

6.3.2 Neither Franchisee nor any principal of Franchisee shall directly or indirectly contest the validity of SC's or Franchisor's ownership of the Proprietary Marks, nor shall Franchisee, directly or indirectly, seek to register the Proprietary Marks with any government agency, except with Franchisor's express prior written consent.

6.3.3 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

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

6.3.5 The right and license of the Proprietary Marks granted hereunder to Franchisee is non-exclusive, and Franchisor thus has and retains the rights, among others:

6.3.5.1 To use the Proprietary Marks itself in connection with selling products and services;

6.3.5.2 To grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees;

6.3.5.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Franchisee.

6.3.6 Franchisor reserves the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder if the Proprietary Marks no longer can be used, or if Franchisor, exercising its right to do so, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, Franchisee shall implement at Franchisee's expense such substituted proprietary marks in such ways as Franchisor may direct, and the use of the substituted proprietary marks shall be governed by the terms of this Agreement.

6.4 Ownership of Copyrighted Works. Franchisee acknowledges and agrees: (1) that Franchisor may authorize Franchisee to use certain copyrighted or copyrightable works, including without limitation, the Characters (the "**Copyrighted Works**"); (2) that the Copyrighted Works are Franchisor's valuable property; and (3) that Franchisee's rights to use the Copyrighted Works are granted solely on the condition that Franchisee complies with the terms of this Section 6. Franchisee acknowledges and agrees that Franchisor owns or is the licensee of the owner of the Copyrighted Works and will further create, acquire or obtain licenses for certain copyrights in Characters and other various works of authorship used in connection with the operation of Snip-its Salons, including but not limited to, all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be Copyrighted Works under this Agreement. Such Copyrighted Works include, but are not limited to, the Manuals, the Characters, computer games, wall decorations and other décor items, advertisements, promotional materials, labels, posters, coupons, gift certificates, and signs and may include all or part of the Proprietary Marks, the Characters, Computer System, Franchisor's trade dress and other portions of the System. All works of authorship related to the System that are created in the future will be owned by Franchisor or its affiliates.

6.5 Limitations on use of the Copyrighted Works. Franchisee acknowledges that its right to use the Copyrighted Works is limited to use in compliance with this Agreement. Franchisee must ensure that all Copyrighted Works bear an appropriate copyright notice under the Universal Copyright Convention or other copyright laws, as prescribed by Franchisor, specifying that Franchisor, or its affiliate, is the owner of the Copyrighted Work. Any unauthorized use, adaptation, publication, reproduction, preparation of derivative works, distribution of copies (whether by sale or other transfer of ownership, or by rental, lease or lending), public performance of such works or attempts to recreate all or a portion of such Copyrighted Works will constitute a breach of this Agreement, and an infringement of Franchisor's rights in and to the Copyrighted Works. Franchisee acknowledges that this Agreement does not confer any interest in the Copyrighted Works, other than the right to operate the Salon in compliance with this Agreement. If Franchisor authorizes Franchisee to prepare any adaptation, translation or work derived from the Copyrighted Works, or if Franchisee prepares any Copyrighted Work such as advertisements, posters, wall decorations or other décor items, forms or marketing or promotional materials, Franchisee agrees that such adaptation, translation, derivative work or Copyrighted Work will be Franchisor's sole and exclusive property and

Franchisee hereby assigns all of its right, title and interest therein to Franchisor. Franchisee shall execute any documents, in recordable form, that Franchisor determines necessary to reflect such ownership. Franchisee shall submit all such adaptations, translations, derivative works and Copyrighted Works to Franchisor for approval prior to use and may not use them without Franchisor's approval.

6.6 Discontinuance of use of Copyrighted Works. If Franchisor believes at any time that it is advisable for Franchisor and/or Franchisee to modify or discontinue using any Copyrighted Work and/or use one or more additional or substitute Copyrighted Works, Franchisee agrees to comply with Franchisor's directions within a reasonable time after receiving notice. Franchisor need not reimburse Franchisee for expenses in complying with these directions, for any loss of revenue due to any modified or discontinued Copyrighted Work.

6.7 Indemnification for use of Copyrighted Works. Franchisor agrees to reimburse Franchisee for all damages and expenses Franchisee incurs in any copyright infringement proceeding disputing Franchisee's authorized use of any Copyrighted Work under this Agreement if Franchisee has timely notified Franchisor of the proceeding, has complied with this Agreement, and has complied with Franchisor's directions in responding to the proceeding. At Franchisor's option, Franchisor may defend and control the defense of any proceeding relating to any Copyrighted Work.

7. CONFIDENTIAL OPERATING MANUALS

7.1 Manuals. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct its business in accordance with the Manuals.

7.2 Confidentiality of the Manuals. Franchisee shall at all times treat the Manuals, any other manuals created for or approved for use in the operation of the Salon, and the information contained therein, as confidential, and shall use best efforts to maintain such information as secret and confidential. Franchisee shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person.

7.3 Protection of the Manuals. The Manuals shall at all times remain the sole property of Franchisor and shall at all times be maintained by Franchisee securely, or under secure access. Franchisee shall ensure that the Manuals are kept current and up to date; and, in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling.

7.4 Revisions to the Manuals. Franchisor may from time to time revise the contents of the Manuals, and Franchisee expressly agrees to comply with each new or changed standard.

8. CONFIDENTIAL INFORMATION

8.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised hereunder which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement. Franchisee shall divulge such confidential information only to such of its employees as must have access to it in order to operate the Salon. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by Franchisor; or which, at or after the time of disclosure by Franchisor to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others. Any employee or Principal (defined in Section 12.2 below) who may have access to any confidential information regarding the Salon shall execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with Franchisee. Such covenants shall be on a form provided by Franchisor, which form shall, among other things, designate Franchisor as a third party beneficiary of such covenants with the independent right to enforce them.

8.2 Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 8 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 8.

8.3 Information Exchange. Franchisee agrees to disclose to Franchisor all ideas, concepts, methods, techniques and products conceived or developed by Franchisee, its affiliates, owners or employees during the term of this Agreement relating to the development and/or operation of the Salons. Franchisee hereby grants to Franchisor and agrees to procure from its affiliates, owners or employees a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in all hair care service businesses operated by Franchisor or its affiliates, franchisees and designees. Franchisor shall have no obligation to make any payments to Franchisee with respect to any such ideas, concepts, methods, techniques or products. Franchisee agrees that Franchisee will not use or allow any other person or entity to use any such concept, method, technique or product without obtaining Franchisor's prior written approval.

9. ACCOUNTING AND RECORDS

9.1 Records. With respect to the operation and financial condition of the Salon, Franchisee shall adopt, until otherwise specified by Franchisor, a fiscal year consisting of not less than twenty-six (26) accounting periods of two (2) weeks each, which coincides with Franchisor's then-current fiscal year, as specified by Franchisor. Franchisee shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than

three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing.

9.2 Periodic Reports. Franchisee shall, at its expense, provide to Franchisor, in a format specified by Franchisor, a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement of the Salon for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Franchisee), on a compilation basis, prepared by an independent certified public accountant satisfactory to Franchisor, no later than March 1st of each year for the preceding fiscal year of the Salon, showing the results of operations of the Salon during the most recently completed fiscal year. In addition, no later than the twentieth (20th) day of each calendar year quarter during the term of this Agreement after the Opening Date, Franchisee shall submit to Franchisor, for the preceding calendar year quarter, in a format acceptable to (or, at Franchisor's election, specified by) Franchisor: (i) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited) for the Salon; (ii) reports of those income and expense items of the Salon which Franchisor specifies from time to time for use in any revenue, earnings, and/or cost summary it chooses to furnish to prospective franchisees, provided that Franchisor will not identify to prospective franchisees any specific financial results of the Salon; and (iii) copies of all state sales tax returns for the Salon. If required by Franchisor, Franchisee shall use on-line or other electronic accounting and reporting systems as Franchisor may specify periodically. In addition, if Franchisee (and/or any affiliate of Franchisee) operates two (2) or more Salons, pursuant to separate franchise agreements, then at its expense, Franchisee shall also furnish to Franchisor, no later than March 1st of each year for the preceding fiscal year of the Salon during the term hereof, an Administrative P&L. The term "Administrative P&L" is understood to mean a profit and loss statement, and such additional financial information in such detail as Franchisor may reasonably require, relating to the expenses Franchisee (and/or its affiliates) incurred with respect to the management of its operations (including without limitation Salon management) during said fiscal year; and such Administrative P&L shall be prepared on a compilation basis by an independent certified public accountant satisfactory to Franchisor.

9.3 Reporting Requirements. Franchisee shall also submit to Franchisor, in addition to the Sales Reports required pursuant to Section 4.2 (which may be transmitted to Franchisor via the Computer System), for review or auditing, such other forms, reports, records, information, and data as and when Franchisor may reasonably designate, in the form and format, and at the times and places reasonably required by Franchisor, upon request and as specified from time to time in the Manuals or otherwise in writing, including, without limitation, via computer diskette, via the Internet or other electronic transmission, or otherwise in electronic format, and/or restated in accordance with Franchisor's financial reporting periods, consistent with Franchisor's then current financial reporting periods and accounting practices and standards. The reporting requirements of this Section 9.3 shall be in addition to, and not in lieu of, the electronic reporting required under Section 5.18 above.

9.4 Audit. Franchisor or its designated agents shall have the right at all reasonable times to examine, copy, and/or personally review or audit, at Franchisor's expense, all books, records, and sales and income tax returns of Franchisee. Franchisor reserves the right to require Franchisee to use a certified public accountant service designated or approved by Franchisor, for bookkeeping and financial records management (including, without limitation, payroll and payroll tax management). Franchisee shall pay such service provider or Franchisor, as directed by Franchisor, a fee for these services for each month in such reasonable amount as the service provider or Franchisor may periodically designate. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection should reveal that any payments have been understated in any report to Franchisor, then Franchisee shall immediately pay Franchisor the amount understated upon demand, in addition to interest from the date such amount was due until paid, as set forth in Section 4.5 above. If an inspection is necessitated because Franchisee fails to timely provide Sales Reports or if an inspection discloses an understatement in any report by Franchisee of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wages expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

10. **MARKETING**

Recognizing the value of marketing and advertising, and the importance of the standardization of marketing and advertising programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

10.1 Marketing Contribution. For each Accounting Period during the term of this Agreement, Franchisee shall make a contribution (the "**Marketing Contribution**") to Franchisor's system-wide marketing and advertising fund (the "**Marketing Fund**") in the amount of: (a) one and one-half percent (1.5%) of Gross Sales for the immediately preceding Accounting Period during the initial Accounting Period following the Opening Date, and for the following twenty-six (26) Accounting Periods (or equivalent time period, in the event Franchisor changes the length of an Accounting Period); and (b) two percent (2%) of Gross Sales for the immediately preceding Accounting Period during the remainder of the term of this Agreement and/or any renewal term(s) of the Agreement. The Marketing Contribution shall be paid by Franchisee in the manner required under Section 4.3 above (or as otherwise provided in this Section 10).

10.2 Marketing Fund. The Marketing Fund shall be maintained and administered by Franchisor or its designee, as follows:

10.2.1 Franchisor or its designee shall have the right to direct all marketing and advertising programs, as well as all aspects thereof, including without limitation, the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that Franchisor and its designee are

not obligated, in administering the Marketing Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

10.2.2 The Marketing Fund, all contributions thereto, and any earnings thereon, shall be used exclusively (except as otherwise provided in this Section 10.2) to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which Franchisor believes will enhance the image and administration of the System, including, without limitation, the costs of preparing and conducting: media advertising campaigns; direct mail advertising; marketing surveys and other public relations activities, including the use of secret shoppers; programs to improve and enhance communication within, and the operation of, the System, including expenses related to the administration of the Franchisee Advisory Council; development (both initial and on-going) of the Characters and in-store entertainment; employing advertising and/or public relations agencies to assist therein; purchasing or developing promotional items; conducting and administering visual merchandising, POS, and other merchandising programs; and providing promotional and other marketing materials and services to the Salons operated under the System. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by Franchisor, which products, services, or improvements Franchisor shall have the right to determine will promote general public awareness and favorable support for the System.

10.2.3 Franchisee shall contribute to the Marketing Fund in the manner specified in Section 4.3 above. All sums paid by Franchisee to the Marketing Fund shall be maintained in an account separate from Franchisor's other monies. Franchisor shall have the right to charge the Marketing Fund for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the direction and implementation of the Marketing Fund and advertising programs for franchisees and the System, including, without limitation, costs of personnel for creating and implementing, advertising, merchandising, promotional and marketing programs. The Marketing Fund and its earnings shall not otherwise inure to the benefit of Franchisor. Franchisor or its designee shall maintain separate bookkeeping accounts for the Marketing Fund.

10.2.4 The Marketing Fund is not and shall not be an asset of Franchisor, nor a trust, and Franchisor does not assume any fiduciary obligation to Franchisee for maintaining, directing or administering the Marketing Fund or for any other reason. A statement of the operations of the Marketing Fund as shown on the books of Franchisor shall be prepared annually by Franchisor and shall be made available to Franchisee.

10.2.5 Although the Marketing Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the Marketing Fund. The Marketing Fund shall not be terminated, however, until all monies in the Marketing Fund have been expended for marketing, advertising and/or promotional purposes.

10.3 Marketing Cooperatives. Franchisor shall have the right, in its discretion, to designate any geographical area for purposes of establishing one (1) or more regional advertising and marketing cooperatives (“**Cooperative**”), and Franchisee agrees to take appropriate steps to establish and participate, including making the required contributions, in a Cooperative if required to do so by Franchisor. If a Cooperative for the geographic area or market in which the Salon is located has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately be bound by the obligation to become a member of such Cooperative under the terms of the then-existing Cooperative agreement. If a Cooperative for the geographic area or market in which the Salon is located is established during the term of this Agreement, Franchisee shall immediately become a member of such Cooperative, and take all steps necessary to become such member. In no event shall Franchisee be required to be a member of more than one Cooperative as to the Salon. The following provisions shall apply to each such Cooperative:

10.3.1 Each Cooperative shall be organized and governed in a form and manner approved by Franchisor in writing, and shall commence operations on a date specified by Franchisor. Any disputes arising among or between Franchisee, other franchisees in the Cooperative, and/or the Cooperative, shall be resolved in accordance with the rules and procedures set forth in the Cooperative’s governing documents.

10.3.2 Each Cooperative shall be organized for the exclusive purpose of administering regional marketing and advertising programs, and developing, subject to Franchisor’s approval, standardized promotional materials for use by the members in regional marketing, advertising and promotion.

10.3.3 No marketing, advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor, pursuant to the procedures and terms as set forth in Section 10.7 hereof.

10.3.4 In addition to, but not in lieu of the Marketing Contribution, Franchisee may be required to contribute up to two percent (2%) of Gross Sales to the Cooperative. If Franchisee is required to contribute to a Cooperative, then Franchisee’s contribution to the Cooperative shall be credited toward Franchisee’s required expenditures for local advertising and promotion (as set forth in Section 10.4). The specific amount of Franchisee’s contribution to the Cooperative shall be determined solely by the Cooperative, and the Cooperative may vote, by agreement of the majority of its members, to raise the required contribution (including Franchisee’s contribution) to the Cooperative. Franchisee shall submit to the Cooperative the amount required at such times as determined by the Cooperative, but no later than the third (3rd) day of each Accounting Period for the preceding Accounting Period, together with such other statements or reports as may be required by Franchisor, or the Cooperative with Franchisor’s prior written approval.

10.3.5 Franchisor, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, or from the requirement to pay all or a portion of the contribution (described in this Section 10.3.5) to the

Cooperative upon written request of such franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption shall be final.

10.4 Local Advertising and Promotion. In addition to, but not in lieu of, the Marketing Contribution, Franchisee shall expend such amounts on local advertising and promotion at the times and in the manner that Franchisor may specify periodically in the Manual or otherwise in writing, which amounts shall not be required to exceed Seven Thousand Dollars (\$7,000) per year in the aggregate, although Franchisee is encouraged to spend more. If Franchisee belongs to and is required to contribute to a Cooperative, all of Franchisee's Cooperative contributions shall be considered local advertising and promotion. All local advertising and promotion by Franchisee shall be in such media, and of such type and format as Franchisor may approve; shall be conducted in a dignified manner; and, shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 10.7 below. Franchisee acknowledges and agrees that if Franchisor determines Franchisee has not made the required monthly expenditures on local advertising and promotion, Franchisor shall have the right to make such expenditures on Franchisee's behalf, and Franchisee shall reimburse Franchisor for such expenditures, plus interest (as set forth in Section 4.5 above) from the date(s) upon which Franchisee should have made such local advertising and promotional expenditures.

10.5 Costs of Local Advertising and Promotion. As used in this Agreement, the term "**local advertising and promotion**" shall consist only of the direct costs of purchasing and producing advertising materials (including, but not limited to, camera-ready advertising and point of sale materials), media (space or time), and those direct out-of-pocket expenses related to costs of advertising and sales promotion spent by Franchisee in its local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties expressly agree that advertising and sales promotion shall not include costs or expenses incurred by or on behalf of Franchisee in connection with any of the following:

10.5.1 Salaries and expenses of any employees of Franchisee, including salaries or expenses for attendance at advertising meetings or activities, or incentives provided or offered to such employees, including discount coupons;

10.5.2 Charitable, political, or other contributions or donations;

10.5.3 The value of discounts provided to customers.

10.6 Promotional Materials. Franchisor shall make available to Franchisee from time to time, at Franchisee's expense, marketing and advertising plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar advertising and promotional materials for use in local advertising and promotion.

10.7 Approvals. For all proposed advertising, marketing, and promotional plans, Franchisee shall submit samples of such plans and materials to Franchisor (by means described

in Section 19 below), for Franchisor's review and prior written approval (except with respect to prices to be charged by Franchisee). If written approval is not received by Franchisee from Franchisor within ten (10) days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have approved them. Franchisee acknowledges and agrees that any and all copyright in and to marketing, advertising and promotional materials developed by or on behalf of Franchisee shall be the sole property of Franchisor, and Franchisee agrees to execute such documents (and, if necessary, require its independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

10.8 Grand Opening Advertising Program. In addition to and not in lieu of the Marketing Contribution and any expenditures for local advertising and promotion, Franchisee shall expend a minimum of Ten Thousand Dollars (\$10,000) for grand opening advertising and promotional programs in conjunction with the Salon's initial grand opening, pursuant to a grand opening marketing plan developed by Franchisor or developed by Franchisee and approved in writing by Franchisor (the "**Grand Opening Advertising Program**"). The Grand Opening Advertising Program shall be commenced within seven (7) days of the Opening Date, and shall be executed and completed within ninety (90) days after the Opening Date. Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a marketing plan and samples of all advertising and promotional material not prepared or previously approved by Franchisor. For the purpose of this Agreement, the Grand Opening Advertising Program shall be considered local advertising and promotion, as provided under Section 10.4 above.

10.9 Minimum Requirements Only. Franchisee understands and acknowledges that the required contributions and expenditures are minimum requirements only, and that Franchisee may, and is encouraged by Franchisor to, expend additional funds for local advertising and promotion of a local nature which will focus on disseminating advertising directly related to Franchisee's Salon.

10.10 Online Sites. Franchisee specifically acknowledges and agrees it shall not establish an Online Site (as defined below), nor offer, promote, or sell any products or services, or make any use of the Proprietary Mark, through an Online Site or in any electronic medium without Franchisor's prior written approval. As a condition to granting any such consent, Franchisor shall have the right to establish such requirements as Franchisor deems appropriate, including but not limited to the requirement that Franchisee's only presence on the Internet shall be through a webpage established by Franchisor on Franchisor's website. Any Online Site shall be deemed "advertising" under this Agreement, and will be subject to (among other things) to Franchisor's approval under Section 10.7 above. (As used in this Agreement, the term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, social networking sites (e.g., Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPad or Droid apps), and other applications, etc.

10.11 Promotional Programs. Franchisee acknowledges that promotions and programs are an integral part of the System. Accordingly, Franchisee, at its sole cost and expense, from time to time shall issue and offer such promotions and customer loyalty programs (in accordance with any reasonable advertising programs) established by Franchisor, and further shall honor other promotions and programs, issued by other franchisees and approved by Franchisor, as long as all of the above do not contravene regulations and laws of appropriate governmental authorities.

10.12 Limitations on Association of the Proprietary Marks. Franchisee acknowledges and agrees that certain associations between Franchisee and/or the Salon, and/or the Proprietary Marks and/or the System, and/or businesses operating under or products sold under the Proprietary Marks or the Snip-its brand names on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, the reputation of Franchisor, the System, the Snip-its brand, or the good will associated with the Proprietary Marks. Accordingly, Franchisee shall not, without the prior written approval of Franchisor, engage in any activities with, or donate any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity, if such action is taken, or may be perceived by the public to be taken, in the name of, in connection or association with Franchisee, the Proprietary Marks, the Salon, the Franchisor, or the System; provided, however, that Franchisee shall be permitted each year during the term of this Agreement to donate the value of up to two (2) haircut gift certificates to local charities or organizations of Franchisee's choosing (i.e., two (2) gift certificates to each charity or organization per year) without Franchisor's prior approval.

11. INSURANCE

11.1 Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Salon or other facilities on premises, or by reason of the construction, operation, or occupancy of the Salon or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least "A" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and licensed to do business in the state in which the Salon is located, and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

11.1.1 Comprehensive general liability insurance and professional liability insurance, written on an occurrence basis, extended to include contractual liability, products and

completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of not less than One Million Dollars (\$1,000,000) per occurrence, and Two Million Dollars (\$2,000,000) in the aggregate.

11.1.2 Employee benefit liability insurance, written on an occurrence basis, including a limit of liability of no less than One Million Dollars (\$1,000,000).

11.1.3 Employee related practices liability insurance, including third party coverage, with a limit of liability in an amount not less than One Hundred Thousand Dollars (\$100,000) per occurrence and in the aggregate, with a deductible of Five Thousand Dollars (\$5,000) or less. Prior acts retroactive date will be no later than the Effective Date of this Agreement. In the event Franchisee ceases operations under the terms of this Agreement, Franchisee agrees to purchase, at its sole cost and expense, an extended reporting period for a period of not less than five (5) years.

11.1.4 Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

11.1.5 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Salon is located.

11.1.6 Commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages to not less than Two Million Dollars (\$2,000,000) total limit of liability; provided, however, so long as Franchisee and its affiliates have established and operate less than three (3) Salons, and so long as Franchisee maintains comprehensive general liability insurance with a combined bodily injury and property damage limit of not less than Two Million Dollars (\$2,000,000) per occurrence, Franchisee shall not be required to maintain commercial umbrella liability insurance.

11.1.7 Property insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake.

11.1.8 Products liability insurance in an amount not less than One Million Dollars (\$1,000,000) per occurrence, and Two Million Dollars (\$2,000,000) in the aggregate, which policy shall be considered primary.

11.1.9 Any other insurance coverage that is required by federal, state, or municipal law.

11.2 Referenced in Manuals. All policies listed in Section 11.1 above (unless otherwise noted below) shall contain such endorsements as shall, from time to time, be provided in the Manuals.

11.3 Policy Cancellation. In the event of cancellation, material change, or non-renewal of any policy, sixty (60) days' advance written notice must be provided to Franchisor in the manner provided in Section 20 below.

11.4 Construction and Remodeling Insurance. In connection with all significant construction, reconstruction, or remodeling of the Salon during the term of this Agreement, Franchisee will cause the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Manuals, all written by insurance or bonding companies approved by Franchisor, having a rating as set forth in Section 11.1 above.

11.5 No Waiver of Obligations. Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 17.4 below.

11.6 Franchisor to be Additional Named Insured. All public liability and property damage policies shall list Franchisor as an additional named insured, and shall also contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under said policies on any loss occasioned to Franchisor or its servants, agents, or employees by reason of the negligence of Franchisee or its servants, agents, or employees.

11.7 Certificates of Insurance. At least thirty (30) days prior to the time any insurance is first required to be carried by Franchisee, and thereafter at least thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor, certificates of insurance evidencing the proper coverage with limits not less than those required hereunder. All certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Further certificates evidencing the insurance required by Section 11.1 above shall name Franchisor, and each of its affiliates, directors, agents, and employees as additional insureds, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions for which such certificates evidence coverage.

11.8 Proof of Insurance. In addition to its obligations under Section 11.7 above, on the first anniversary of the Effective Date, and on each subsequent anniversary thereof during the term of this Agreement and any renewal hereof, Franchisee shall provide Franchisor with proof of insurance evidencing the proper coverage with limits not less than those required hereunder, in such form as Franchisor may reasonably require.

11.9 Policy Limit Changes. Franchisor shall have the right, from time to time, to make such changes in minimum policy limits and endorsements as it may determine; provided, however, all changes shall apply, generally, to all franchisees of Franchisor who are similarly situated.

12. TRANSFER OF INTEREST

12.1 Franchisor Transfers. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

12.2 Principals. If Franchisee is a corporation, limited liability company, partnership, or limited liability partnership, each principal of Franchisee owning at least a ten percent (10%) equity share of Franchisee (a “**Principal**”), and the interest of each Principal in Franchisee, is identified in Exhibit D hereto. Franchisee represents and warrants that its owners are as set forth on Exhibit D attached to this Agreement, and covenants that it will not permit the identity of such owners, or their respective interests in Franchisee, to change without complying with this Agreement. Franchisor shall have the right to designate any person or entity which owns a direct or indirect interest in Franchisee as a Principal, and Exhibit D shall be so amended automatically upon notice thereof to Franchisee. Throughout the term of this Agreement, Franchisor shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in Franchisee.

12.3 Franchisee Transfers. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee’s or Franchisee’s Principals’ business skill, financial capacity, and personal character. Accordingly:

12.3.1 Franchisee shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber: (a) this Agreement or any of the rights and obligations of Franchisee under this Agreement; (b) any material asset of Franchisee or the Salon; or (c) any ownership interests in Franchisee; provided, however, that Franchisee may grant a security interest in, or otherwise encumber certain assets of the Salon, excluding the Franchise Agreement, in connection with Franchisee obtaining financing for the development and/or operation of the Salon or equipment leasing, if such financing satisfies the requirements of Franchisor, which may include, without limitation, execution of agreements by Franchisor, Franchisee, and/or such Principal, and any secured creditor of Franchisee, in a form satisfactory to Franchisor, acknowledging such creditor’s obligations to be bound by the terms of this Section 12.

12.3.2 If Franchisee is a corporation or limited liability company, Franchisee shall not, without the prior written consent of Franchisor: (a) issue any voting securities or securities convertible into voting securities, nor (b) permit the transfer, sale, pledge, or any assignment whatsoever of such securities; and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

12.3.3 If Franchisee is a partnership or limited partnership, the partners of the partnership shall not, without the prior written consent of Franchisor, admit additional general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner shall automatically be deemed a Principal of Franchisee.

12.3.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Franchisee as shown in Exhibit D.

12.4 Conditions for Approval. Franchisor shall not unreasonably withhold any consent required by Section 12.3 above; provided, that if Franchisee proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Franchisee, or if Franchisee or any Principal proposes to undertake any transfer that is subject to Section 12.3, Franchisor shall have the right to require any or all of the following as conditions of its approval:

12.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Franchisee and Franchisor or its affiliates, and federal, state, and local laws and rules;

12.4.2 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Franchisee; and, if the obligations of Franchisee were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

12.4.3 After the transfer, Franchisee's new Principals shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Salon, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Salon;

12.4.4 If a proposed transfer would result in a change in control of Franchisee, at Franchisor's option, Franchisee (or transferee) shall execute, for a term ending on the expiration date of this Agreement the form of franchise agreement then being offered to new System franchisees, and such other ancillary agreements required by Franchisor for the business franchised hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty and advertising fee, and a different or modified Territory;

12.4.5 If a proposed transfer would result in a change in control of Franchisee, and if so requested by Franchisor, Franchisee, at its expense, shall upgrade the Salon to conform to the then-current standards and specifications of new Snip-its Salons then-being established in the System, and shall complete the upgrading and other requirements set forth in Section 5.10 above within the time specified by Franchisor;

12.4.6 All monetary obligations of Franchisee hereunder shall be paid in full on a current basis, and Franchisee must not be otherwise in default of any of its obligations hereunder including, without limitation, its reporting obligations;

12.4.7 The transferor shall remain liable for all of the obligations to Franchisor in connection with the Salon that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

12.4.8 At Franchisee's expense, one (1) Principal designated by Franchisor to be a new Operating Partner, and any new manager(s) for the Salon, shall successfully complete (to Franchisor's satisfaction) all training programs required by Franchisor upon such terms and conditions as Franchisor may reasonably require. Franchisor reserves the right to charge a fee for such training programs, and in addition, the transferee shall be responsible for the salary and all expenses of the individuals who attend training;

12.4.9 If a proposed transfer would result in a change in control of Franchisee, and to compensate Franchisor for Franchisor's legal, accounting, training, and other expenses incurred in connection with the transfer, Franchisee shall pay Franchisor a transfer fee in the amount of fifty percent (50%) of the then-current Initial Franchise Fee for new franchisees entering the System at the time of the transfer. But, if the transferee is an existing franchisee under the System, the transfer fee will be in the amount of twenty-five percent (25%) of the then-current Initial Franchise Fee for new franchisees entering the System at the time of the transfer. One-half (1/2) of the transfer fee shall be paid at the time Franchisee submits its request to Franchisor for consideration of the proposed transfer, and such amount shall be non-refundable. The balance of the transfer fee shall be paid at the time the transfer is consummated or closes. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Franchisee or the proposed transferee shall reimburse Franchisor for all of its costs and expenses incurred in connection with its evaluation of the proposed transfer, including, without limitation, attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable, to the extent the portion of the transfer fee paid when the transfer approval request was made does not cover those costs and expenses.

12.4.10 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Sections 15.2 and 15.3 below.

12.5 Right of First Offer.

12.5.1 If Franchisee or any Principal desires to sell or transfer any material assets of Franchisee, any interest in this Agreement, or any direct or indirect interest in Franchisee to a third party, Franchisee or such Principal first must notify Franchisor of such intent, and must provide to Franchisor in writing the terms and conditions upon which such sale or transfer may be made. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such notice, to send written notice to Franchisee and/or its Principal, that Franchisor intends to purchase the seller's interest in Franchisee or this Agreement or such material assets on the terms and conditions described. If Franchisor elects to purchase the seller's interest in

Franchisee or this Agreement or such assets, the closing on such purchase shall occur within thirty (30) days from the date of notice to the Franchisee or its Principal of Franchisor's election to purchase. If Franchisor does not elect to purchase the interest in Franchisee or this Agreement, or assets proposed for sale or transfer, Franchisee or its Principal may then offer such interest in Franchisee or this Agreement, or assets to third parties for sale or transfer on the same terms and conditions as those offered to Franchisor as described above, subject to the provisions of Section 12.5.2 below.

12.5.2 Upon either (a) a material change in the terms of the intended offer prior to closing with a third party, or (b) the passage of six (6) months from the date upon which Franchisor received Franchisee's offer in accordance with Section 12.5.1 above without a closing and consummation of the transaction that Franchisor rejected in Section 12.5.1, Franchisee's right to sell such interest in Franchisee or this Agreement or the assets to a third party shall expire, and Franchisee or its Principal shall again be required to present to Franchisor a new notice of intent to sell its interest or assets (including, if applicable, the new terms and conditions), and subject to the same rights of first option by Franchisor as in the case of Franchisee's initial notice. Failure of Franchisor to exercise the option afforded by this Section 12.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 12, with respect to a proposed transfer.

12.5.3 Notwithstanding any consideration, terms, and/or conditions offered by Franchisee to Franchisor in accordance with this Section 12.5, whether as a first offer, or as a counteroffer proposed by a third party to Franchisee, Franchisor shall be entitled to purchase the interest or assets proposed to be sold or transferred for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the proposed consideration, terms, and/or conditions, they shall attempt to appoint a mutually acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Franchisee, which two (2) appraisers will, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Franchisee. The cost of any such appraisal shall be shared equally by Franchisor and Franchisee. If Franchisor elects to exercise its right of first option, it shall have the right to set off all amounts due from Franchisee, and one-half (1/2) of the cost of the appraisal, if any, against any payment to the Seller.

12.6 Transfer Upon Death. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

12.7 Transfer Upon Permanent Disability. Upon the permanent disability of any Principal with a controlling interest in Franchisee, Franchisor shall have the right to require such interest to be transferred to a third party in accordance with the conditions described in this Section 12 within six (6) months after notice to Franchisee. “**Permanent Disability**” shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) consecutive months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 12.7 as of the date of refusal. Franchisor shall pay the cost of the required examination.

12.8 Notification Upon Death or Permanent Disability. Upon the death or permanent disability any Principal of Franchisee, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

12.9 No Waiver of Claims. Franchisor’s consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor’s right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

12.10 Insolvency. If Franchisee or any person holding any interest (direct or indirect) in Franchisee becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties’ understanding and agreement that any transfer of Franchisee, Franchisee’s obligations and/or rights hereunder, any material assets of Franchisee, or any indirect or direct interest in Franchisee shall be subject to all of the terms of this Section 12, including without limitation the terms of Sections 12.3, 12.4, and 12.5 above.

12.11 Securities Offerings. All materials for an offering of stock or partnership interests in Franchisee or any affiliate of Franchisee which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Franchisee or any affiliate of Franchisee shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Franchisee or Franchisee’s affiliates; and Franchisor’s review of any offering shall be limited solely to the relationship between Franchisor and Franchisee and any subsidiaries and affiliates, if applicable. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Franchisee (and the offeror if not Franchisee), the Principals, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, Franchisee shall pay Franchisor a non-

refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12.11 commences. Any such offering shall be subject to all of the other provisions of this Section 12, including without limitation the terms set forth in Sections 12.3, 12.4, 12.5; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

13. DEFAULT AND TERMINATION

13.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; or if Franchisee is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Salon premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of Franchisee's Salon shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Termination Upon Notice Without Opportunity to Cure. Franchisee shall be deemed to be in default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the delivery of written notice to Franchisee by Franchisor (in the manner set forth under Section 20 below), upon the occurrence of any of the following events:

13.2.1 If Franchisee fails to construct and open the Salon within the time limits as provided in Section 5.3 above, and within the requirements set forth in Section 5.4 above;

13.2.2 If Franchisee at any time ceases to operate or otherwise abandons the Salon for three (3) consecutive business days, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Salon is located; provided, however, that if, through no fault of Franchisee, the premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for

Franchisor's approval to relocate and/or reconstruct the premises, which approval shall not be unreasonably withheld;

13.2.3 If Franchisee or any Principal is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or Franchisor's interest therein;

13.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Salon;

13.2.5 If Franchisee or any Principal purports to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 12 above;

13.2.6 If Franchisee fails to comply with the covenants in Section 15.2 below or fails to timely obtain execution of the covenants required under Section 15.5 below;

13.2.7 If, contrary to the terms of Sections 7 or 8 above, Franchisee discloses or divulges the contents of the Manuals or other confidential information provided to Franchisee by Franchisor;

13.2.8 If Franchisee knowingly maintains false books or records, or submits any false reports (including, but not limited to, information provided as part of Franchisee's application for this franchise) to Franchisor;

13.2.9 If Franchisee commits three (3) or more defaults under this Agreement in any twelve (12) month period, whether or not each such default has been cured after notice;

13.2.10 If Franchisee sells products not previously approved by Franchisor, or purchases any product from a supplier not previously approved by Franchisor;

13.2.11 If Franchisee engages in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

13.2.12 If Franchisee makes any unauthorized or improper use of the Characters or the Proprietary Marks, or if Franchisee or a Principle of Franchisee fails to depict the Characters or utilize the Proprietary Marks solely in the manner and for the purposes directed by Franchisor, or directly or indirectly contests the validity of Franchisor's ownership of the Characters or the Proprietary Marks or its right to use and to license others to use the Characters or the Proprietary Marks.

13.3 Termination With Opportunity to Cure. Except as otherwise provided in Sections 13.1 and 13.2 above, upon any other default by Franchisee of its obligations hereunder, Franchisor may terminate this Agreement only by giving written notice of termination (in the manner set forth under Section 20 below) setting forth the nature of such default to Franchisee at

least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor, all within the thirty (30) day period. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

13.4 Extended Notice of Termination. If any law applicable to this Section 13, or Section 2 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor or renewal franchise, than is required hereunder, a different standard of "good cause", or the taking of some other action not required hereunder, the prior notice, "good cause" standard, and/or other action required by such law shall be substituted for the comparable provisions hereof.

13.5 Assignment Upon Bankruptcy. If, for any reason, the Agreement is not terminated pursuant to this Section 13, and the Agreement is assumed, or assignment of the same to any person or entity who has made a *bona fide* offer to accept an assignment of the Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth (i) the name and address of the proposed assignee, and (ii) all of the terms and conditions of the proposed assignment and assumption, shall be given to Franchisor within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of the Agreement, and, in any event, within ten (10) days prior to the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and Franchisor shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to Franchisor itself upon the same terms and conditions and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions which may be payable by Franchisee out of the consideration to be paid by such assignee for the assignment of the Agreement.

13.6 Other Remedies. If Franchisor is entitled to terminate this Agreement in accordance with Sections 13.2 or 13.3 above, Franchisor shall have the right to undertake any one or more of the following actions instead of terminating this Agreement:

13.6.1 Franchisor may terminate or modify any rights that Franchisee may have with respect to "exclusivity," or protected, exclusive, or quasi-exclusive rights, in the Territory, as granted under Section 1.2 above, effective ten (10) days after delivery of written notice thereof to Franchisee; and/or

13.6.2 Franchisor may modify, or eliminate completely, the Territory, and the territorial protections, described in Section 1.3 above.

If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 13.6, such action shall be without prejudice to Franchisor's right to terminate this Agreement in accordance with Sections 13.2 or 13.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default

or as a result of any additional defaults of the terms of this Agreement.

14. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

14.1 Franchisee shall immediately cease to operate the Salon, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor.

14.2 Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System, the Characters, the mark “Snip-its” and all other Proprietary Marks and distinctive forms, slogans, signs, symbols, and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

14.3 Franchisee shall take such action as may be necessary to remove the Characters and cancel any assumed name or equivalent registration which contains the mark “Snip-its”, and all other Proprietary Marks, and/or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

14.4 If Franchisor does not elect or is unable to exercise any option it may have to acquire the lease or sublease for the premises of the Salon, or otherwise acquire the right to occupy the premises, Franchisee shall make such modifications or alterations to the premises operated hereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other Salons, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In addition, Franchisee shall cease use of, and if Franchisor requests shall transfer to Franchisor, all telephone numbers, customer “loyalty” lists, and any domain names, websites, e-mail addresses, and any other identifiers, whether or not authorized by Franchisor, used by Franchisee while operating the Salon, and shall promptly execute such documents or take such steps necessary to remove reference to the Salon from all trade or business telephone directories, including “yellow” and “white” pages, or at Franchisor’s request transfer same to Franchisor. If Franchisee fails or refuses to comply with the requirements of this Section 14.4, Franchisor (or its designee) shall have the right to enter upon the premises of the Salon, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

14.5 Franchisee agrees, if it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Characters or the Proprietary Marks, either in connection with such other business or the

promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute Franchisor's rights in and to the Characters and the Proprietary Marks, and further agrees not to utilize any designation of origin, description, trademark, service mark, or representation which suggests or represents a present or past association or connection with Franchisor, the System, the Characters, or the Proprietary Marks.

14.6 Franchisee shall promptly pay all sums owing to Franchisor and its subsidiaries and affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default.

14.7 Franchisee shall pay Franchisor all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 14.

14.8 Franchisee shall immediately deliver to Franchisor the Manuals and all other manuals, records, and instructions containing confidential information (including without limitation any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor.

14.9 Franchisor shall have the option, to be exercised within thirty (30) days after termination or default under Franchisee's lease for the Approved Location, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, or inventory of Franchisee related to the operation of the Salon, at the lesser of Franchisee's cost or fair market value. The cost shall be determined based upon a five (5) year straight-line depreciation of original costs. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee.

14.10 In order to preserve the goodwill of the System following termination, Franchisor (or its designee) shall have the right to enter the Salon (without liability to Franchisee, Franchisee's Principals, or otherwise) for the purpose continuing the Salon's operation and maintaining the goodwill of the business.

15. COVENANTS

15.1 Full Time and Best Efforts. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or one (1) of the Highly Trained Personnel who will assume primary responsibility for the franchise operations and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the Salon.

15.2 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee will receive valuable specialized training and confidential information,

including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

15.2.1 Divert or attempt to divert any business or customer of the Salon or of any Salon using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.

15.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

15.2.3 Own, maintain, operate, engage in, or have any interest in any children's hair care business which is the same as or similar to the Salon.

15.3 Post-Term Covenants. Franchisee covenants that, except as otherwise approved in writing by Franchisor, it shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section 15.3; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, corporation or entity), own, maintain, operate, engage in, or have any interest in any children's hair care business which is the same as or similar to the Salon and which business is, or is intended to be, located: (i) at the Approved Location; (ii) within the Territory; (iii) within a five (5) mile radius of the Approved Location; or (iv) within a five (5) mile radius of any other Snip-its Salons operating under the System as of the commencement of the post-term period.

15.4 Publicly-Held Corporations. Section 15.3 above shall not apply to ownership by Franchisee of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "publicly-held corporation" shall be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

15.5 Individual Covenants. Franchisee shall require and obtain execution of covenants similar to those set forth in Sections 6.3.3, 8, 12, 14, and this Section 15 (as modified to apply to an individual) from any or all of Franchisee's Principals and Highly Trained Personnel. The covenants required by this Section 15.5 shall be in the form provided in Exhibit H to this Agreement. Failure by Franchisee to obtain execution of a covenant required by this Section 15.5 shall constitute a default under Section 13.2.6 above.

15.6 Severability. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 15.

15.7 Scope of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right to reduce the scope of any covenant set forth in Sections 15.2 and 15.3 in this Agreement, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 22 below.

15.8 Enforcement of Claims. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 15. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 15.

15.9 Irreparable Injury. Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly consents to the issuance of an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15.

16. TAXES, PERMITS, AND INDEBTEDNESS

16.1 Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business franchised under this Agreement. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax or similar tax from any payment to Franchisor, then, to the extent that Franchisor is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Franchisee shall be increased by such amount as is necessary to make the actual amount received (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Franchisor would have received had no tax payment been required; provided that such shortfall is not caused by Franchisor's negligence in filing the claims, or for reasons that can be solely attributable to Franchisor.

16.2 Tax Disputes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar

writ or warrant, or attachment by a creditor, to occur against the premises of the Salon, or any improvements thereon.

16.3 Compliance With Laws. Franchisee shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business franchised under this Agreement, including, without limitation, licenses to do business, health certificates, hair cutting/barber permits, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of said laws are in conflict with the terms of this Agreement, the Manuals, or other instructions of Franchisor, Franchisee shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

16.4 Notification of Claims. Franchisee shall notify Franchisor in writing within five (5) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within five (5) days occurrence of any accident or injury which may adversely affect the operation of the Salon or the financial condition of Franchisee, or give rise to liability or a claim against Franchisee or Franchisor.

17. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

17.1 Independent Contractors. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Franchisee shall be an independent contractor; and, that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint-venturer, partner, employee, or servant of the other for any purpose whatsoever.

17.2 Identification as Independent Contractor. At all times during the term of this Agreement and any extensions hereof, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from Franchisor.

17.3 No Agency. It is understood and agreed that nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its conduct of the Salon or for any claim or judgment arising therefrom against Franchisee or Franchisor.

17.4 Indemnification. Franchisee shall, to the fullest extent permissible under applicable law, indemnify and hold Franchisor and its affiliates, and their respective officers, directors, employees, and agents harmless against any and all claims, obligations, and damages arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Salon (including, without limitation, operation of any other sales/distribution opportunities), the business conducted under this Agreement, or Franchisee's breach of this Agreement, including, without limitation, those alleged to be caused by Franchisor's negligence, as well as

the costs, including attorneys' fees, of defending against them, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Franchisee in which Franchisor is not a party, Franchisee shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Franchisee acknowledges and agrees that Franchisee's indemnification and hold harmless obligations under this Section 17.4 shall survive the termination or expiration of this Agreement.

18. FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (a) acts of God; (b) acts of war, terrorism, or insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, and/or other casualties; and/or (d) the inability of Franchisor and/or its affiliates or suppliers to manufacture, purchase, and/or cause delivery of any products used in the operation of the Salon. The inability of either party to obtain and/or remit funds shall be considered within control of such party for the purpose of this Section.

19. APPROVALS AND WAIVERS

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

19.2 No Warranties. Franchisee acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

19.3 Waivers. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Franchisee, or as to subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, provisions, covenants, or conditions of this Agreement.

20. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, sent by a recognized overnight delivery service (e.g., UPS, FedEx, etc.) or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on Exhibit A of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery. The Manual, any changes that Franchisor makes to the Manual, and/or any other written instructions that Franchisor provides relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 20.

21. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Franchisee to execute this Agreement. However, and notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document that Franchisor furnished to Franchisee. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

22. SEVERABILITY AND CONSTRUCTION

22.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any arbitration proceeding, such findings shall not invalidate the remainder of the agreement unless in the reasonable opinion of Franchisor the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon Franchisor shall have the right by notice in writing to the other party to immediately terminate this Agreement.

22.2 No Other Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, and such of Franchisee’s and Franchisor’s respective successors and

assigns as may be contemplated (and, as to Franchisee, permitted) by Section 12 above, any rights or remedies under or by reason of this Agreement.

22.3 Enforceability of Covenants. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

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

22.5 Survival of Provisions. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

23. APPLICABLE LAW AND DISPUTE RESOLUTION

23.1 Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Minnesota, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Minnesota choice-of-law rules); provided, however, that if the covenants in Section 15 of this Agreement would not be enforceable under the laws of Minnesota, and the Salon is located outside of Minnesota, then such covenants shall be interpreted and construed under the laws of the state in which the Salon is located. Nothing in this Section 23.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, consumer protection, or similar law, rule, or regulation of the State of Minnesota to which this Agreement would not otherwise be subject.

23.2 Venue. Subject to Section 23.3 below, the parties agree that any action brought by Franchisee against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced. Any action brought by Franchisor against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced. The parties agree that this Section 23.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

23.3 Mediation. Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the International Institute for Conflict Prevention & Resolution (CPR), under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding anything to the contrary, this Section 23.3 shall not bar either party from obtaining judicial or injunctive relief for claims that are based solely on demands for money owed, or from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Proprietary Marks and/or the Characters.

23.3.1 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the “**complainant**”) providing written notice of the request for mediation (the “**request**”) to the party with whom mediation is sought (the “**respondent**”). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent.

23.3.2 Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

23.4 No Exclusive Remedies. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

23.5 Injunctive Relief. Nothing herein contained shall bar Franchisor’s right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

23.6 **WAIVER OF JURY TRIAL. FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

23.7 LIMITATION OF ACTIONS. ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR, OR FRANCHISEE'S OPERATION OF THE SALON, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS OR ACTIONS SHALL BE IRREVOCABLY BARRED. CLAIMS OF FRANCHISOR ATTRIBUTABLE TO UNDERREPORTING OF SALES, AND CLAIMS OF THE PARTIES FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS.

23.8 WAIVER OF DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

24. ACKNOWLEDGMENTS

24.1 Acknowledgements. Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Franchisee and if a corporation or a partnership or other business organization, its owners as independent businesspersons. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received from Franchisor or any employee, representative or other party purporting to act on Franchisee's behalf, any warranty, promise or guarantee, express or implied, as to the potential sales volume, profits, or success of the business venture contemplated by this Agreement.

24.2 Receipt of Documents. Franchisee acknowledges that it received a copy of this Agreement, the exhibit(s) hereto, and agreements relating hereto, if any, with all of the blank lines filled in, prior to the Effective Date, and with sufficient time within which to review the Agreement, with advisors of its choosing. Franchisee acknowledges that it received the franchise disclosure document required by the Federal Trade Commission Franchise Rule at least fourteen (14) days prior to the date on which this Agreement was executed.

24.3 Representations and Warranties. Franchisee and its Principals represent and warrant to Franchisor that: (a) neither Franchisee nor any of its Principals have made any untrue

statement of any material fact nor omitted to state any material fact in obtaining the rights granted herein; (b) neither Franchisee nor any of its Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in its franchise application materials; and (c) neither Franchisee nor its Principals have been designated as suspected terrorists under U.S. Executive Order 13244. Franchisee recognizes that Franchisor approved Franchisee in reliance on all of the statements Franchisee and its Principals have made in connection therewith, and that Franchisee has a continuing obligation to advise Franchisor of any material changes in these statements and representations made to Franchisor in this Agreement or in the franchise application.

24.4 Consultation. Franchisee acknowledges that it has read and understood this Agreement, the exhibits hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

24.5 No Other Obligations. Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

24.6 No Other Representations. Franchisee acknowledges that it shall have sole and complete responsibility for the choice of the Approved Location; that Franchisor has not (and shall not be deemed to have (and shall not be deemed to have, even by Franchisor's approval of the site that is the Approved Location) given any representation, promise, or guarantee of Franchisee's success at the Approved Location; and that Franchisee shall be solely responsible for its own success at the Approved Location.

24.7 Business Judgment. Franchisee understands and agrees that Franchisor may operate and change the System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including without limitation Franchisor's judgment of what is in the best interests of the franchise network, at the time Franchisor's decision is made or its right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or affiliate-owned operations; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of

Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

24.8 Modification of Offers. Franchisee acknowledges and agrees that Franchisor may modify the offer of its franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

The Snip-its Franchise Company, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT A

Approved Location and Territory

1. The Approved Location is: _____

_____.

2. The Territory is: _____

_____.

3. The designated address for notices under Section 20 of the Agreement should be as follows:

Notices to Franchisor:

The Snip-its Franchise Company, LLC

6409 City West Parkway, Suite 205 A

Eden Prairie, Minnesota 55344

Telephone: (952) 288-2222

Fax: (____) _____

Attn: _____

Notices to Franchisee:

Telephone: _____

Fax: _____

Attn: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT B

SITE SELECTION ADDENDUM

The Snip-its Franchise Company, LLC (“**Franchisor**”) and _____ (“**Franchisee**”) have this ____ day of _____, 201__ entered into a Snip-its Franchise Agreement (“**Franchise Agreement**”) and desire to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties hereto agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within One Hundred and Eighty (180) days after the date hereof, Franchisee shall acquire or lease/sublease, at Franchisee's expense, commercial real estate that is properly zoned for the use of the business to be conducted by Franchisee under the Franchise Agreement (a “**Salon**”) at a site approved by Franchisor as hereinafter provided. Such location shall be within the following area: _____

_____ (the “**Site Selection Area**”). The Site Selection Area is described solely for the purpose of selecting a site for the Salon. Franchisor shall not establish, nor franchise another to establish, a Snip-its Salon operating under the System within the Site Selection Area until Franchisor approves of a location for the Salon, or until the expiration of the search period referenced herein, whichever event first occurs. Franchisee shall submit to Franchisor at least one (1) location for approval pursuant to Paragraph 3 below within ninety (90) days of the date hereof. Failure by Franchisee to acquire or lease a site for the Salon, or to submit to Franchisor at least one (1) location for site approval, within the time required in Section 1 hereof shall constitute a default under Section 13.2 of the Franchise Agreement and under this Addendum, and Franchisor, in its sole discretion, may terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 13.2 of the Franchise Agreement.

2. **Site Evaluation Services:** Franchisor shall furnish to Franchisee site selection guidelines, including Franchisor’s minimum standards for a location for the Salon, and such site selection counseling and assistance as Franchisor may deem advisable. In response to Franchisee’s request for site approval, Franchisor shall perform one (1) on-site evaluation of a proposed site for the Salon. Franchisor shall perform additional on-site evaluations as Franchisor may deem advisable in response to Franchisee's requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site(s) in addition to Franchisee’s first (1st) proposed site. If additional (e.g., more than one (1)) on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee’s request) for any Salon to be established, Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation visit(s), including, without limitation, the cost of travel, lodging and meals.

3. **Site Selection Package Submission and Approval:** Franchisee shall submit to Franchisor, in the form specified by Franchisor, a copy of the site plan and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the site. Franchisee acknowledges that time is of the essence. Franchisor shall have thirty (30) days after receipt of such information and materials from Franchisee to approve or disapprove, in its sole discretion, the proposed site as the location for the Salon. In the event Franchisor does not disapprove a proposed site by written notice to Franchisee within said thirty (30) days, such site shall be deemed approved by Franchisor.

4. **Lease Responsibilities:** Within sixty (60) days of site approval by Franchisor, Franchisee shall execute a lease which shall be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Franchisor's approval of any lease is conditioned upon inclusion in the lease of the **Lease Rider** attached to the Franchise Agreement as Exhibit G. However, Franchisor shall not be responsible for review of the Lease for any terms other than those contained in the Lease Rider.

5. **Approved Location:** After the location for the Salon is approved by Franchisor pursuant to Section 3 hereof and leased or acquired by Franchisee pursuant to Section 4 hereof, the location shall constitute the **Approved Location** described in Section 1.1 of the Franchise Agreement. The Approved Location shall be specified on Exhibit A to the Franchise Agreement, and shall become a part the Franchise Agreement. The Territory, as defined under Section 1.2 of the Franchise Agreement, shall be the geographic area thereafter described in Exhibit A to the Franchise Agreement, and shall become a part of the Franchise Agreement. Franchisee hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Salon or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its acceptance of a franchise for the operation of the Salon at the site is based on its own independent investigation of the suitability of the site.

6. **Construction:** This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

The Snip-its Franchise Company, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT C

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

As an inducement to The Snip-its Franchise Company, LLC (“**Franchisor**”) to execute the Snip-its Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 201____ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Sections 6.3.3, 8, 12, 14, and 15 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “Snip-its” marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 23 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of the State of Minnesota shall prevail (without regard to, and without giving effect to, the application of Minnesota conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR(S)

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

(Seal)

Signed: _____
(In his/her individual capacity)

Name: _____

Address: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT D
LIST OF PRINCIPALS

Name of Principal	Address	Interest %

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT E

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

_____ (Name of Person or Legal Entity)
_____ (ID Number)

The undersigned depositor (“**Depositor**”) (“**Franchisee**”) hereby authorizes The Snip-its Franchise Company, LLC (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

Depository

Branch

City

State

Zip Code

Bank Transit/ABA Number

Account Number

This authority is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

Depositor:

Depository:

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT F
ADA CERTIFICATION

The Snip-its Franchise Company, LLC (“**Franchisor**”) and _____ (“**Franchisee**”) are parties to a franchise agreement dated _____, 201__ (the “**Franchise Agreement**”) for the operation of a Salon at _____

_____ (the “**Salon**”). In accordance with Section 5.3 of the Franchise Agreement, Franchisee certifies to Franchisor that, to the best of Franchisee’s knowledge, the Salon and its adjacent areas comply with all applicable federal, state and local accessibility laws, statutes, codes, rules, regulations and standards, including but not limited to the Americans with Disabilities Act. Franchisee acknowledges that it is an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing or operation of the Salon. Franchisee acknowledges that Franchisor has relied on the information contained in this certification. Furthermore, Franchisee agrees to indemnify Franchisor and the officers, directors, and employees of Franchisor in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with Franchisee’s compliance with the Americans with Disabilities Act, as well as the costs, including attorneys’ fees, related to the same.

Franchisee:

By: _____

Name: _____

Title: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT G
LEASE RIDER

THIS LEASE RIDER is made and entered into _____, 201__ BY AND AMONG _____ (the “**Landlord**”), _____ (the “**Tenant**”), and The Snip-its Franchise Company, LLC, a Massachusetts limited liability company whose principal place of business is 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344 (“**SFC**”).

RECITALS:

- A. This Lease Rider supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated _____ (the “**Lease**”) for the premises situated at _____ (the “**Premises**”) to be used by the Tenant as a Snip-its Salon.
- B. This Lease Rider is entered into in connection with SFC’s approval of the location of the Premises as a Snip-its Salon and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _____, 201__ (the “**Franchise Agreement**”).
- C. This Lease Rider is intended to provide SFC the opportunity to reserve the Premises as a Snip-its Salon under the circumstances set out below.
- D. The Landlord agrees that SFC shall have the right but not the obligation to assume the Lease of the Premises on the terms, covenants and conditions contained in this Lease Rider.

THE PARTIES HEREBY AGREE:

1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to SFC copies of any Notice of Default that are given to the Tenant concurrently with the giving of such Notices to the Tenant. If the Tenant fails to cure any defaults within the period specified within the Notices, the Landlord shall promptly give to SFC further written Notice specifying the defaults that the Tenant has failed to cure. SFC shall have forty-five (45) days following receipt of the second written Notice to exercise its right to enter a new Lease on the same terms as apply to this Deed of Lease by written notice to the Landlord and the Tenant and in the event that SFC does exercise such right, then the circumstances described in clause 1.2 below shall apply.

1.2 The provisions of this clause 1.2 shall take effect if and when SFC exercises its rights pursuant to clause 1.1 above. SFC shall begin paying rent upon the Landlord delivering possession of the Premises to SFC.

2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension or renewal of the Lease, and if SFC shall desire to assume the Lease, SFC shall promptly give the Landlord written notice to this effect.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give SFC written notice to this effect and SFC shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in this Lease. If SFC elects to exercise such right(s) it shall notify the Landlord in writing whereupon the Landlord and SFC shall promptly execute and exchange an agreement whereby SFC assumes the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease the Tenant shall within ten (10) days after written demand by SFC, assign all of its right, title and interest in and to the Lease to SFC. If the Tenant fails to do so within the said ten (10) days, the Tenant hereby designates SFC as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to SFC executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of SFC. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to SFC. SFC acknowledges that where SFC enters into an assignment or sub-letting as referred to in clause 4.4 below it will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guarantee in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to SFC. SFC shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and SFC's reasonable collection costs.

4.3 After SFC assumes the Tenant's interest under the Lease, SFC may, at any time, sublet the Premises to a Snip-its franchisee without having to obtain the prior written consent of the Landlord.

4.4 After SFC assumes the Tenant's interest under the Lease, SFC may, at any time, assign or sublet its interest under the Lease but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, SFC shall thereupon be

released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and SFC fails to exercise its option as described above, the Tenant agrees, upon written demand by SFC to de-identify the Premises as a SFC Salon and to promptly remove signs, decor and other items which SFC reasonably requests be removed as being distinctive and indicative of a Snip-its Salon. SFC may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from SFC, following termination of the Franchise Agreement or Lease. the Tenant shall pay SFC for its reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to SFC for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to SFC pursuant to this clause.

4.6 BY EXECUTING THIS LEASE RIDER TO THE LEASE, SFC DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL SFC EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE.

[Signature Page Follows]

4.8 All notices pursuant to this Lease Rider shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses described above or to such other address as any party to this Deed may, either by written notice, instruct that notices be given.

EXECUTED by the parties as follows:

SIGNED by _____)
as Landlord by its _____)
in the presence of: _____)

(Name of Signatory)
Title: _____

SIGNED by _____)
as Tenant by its _____)
in the presence of: _____)

(Name of Signatory)
Title: _____

SIGNED by _____ by its)
duly authorized officer in the presence of: _____)

(Name of Signatory)
Title: _____

SNIP-ITS
FRANCHISE AGREEMENT
EXHIBIT H
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this _____ day of _____, 201__, by and between _____ (the “**Franchisee**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Franchisee (the “**Individual**”).

BACKGROUND:

- A. The Snip-its Franchise Company, LLC (“**SFC**”) owns a format and system (the “**System**”) relating to the establishment and operation of branded entertainment hair care salon businesses focusing on the specific hair care needs of children, operating in buildings that bear Franchisor’s custom interior and exterior trade dress, under the “Snip-its” name and marks (the “**Snip-its Salons**”);
- B. SFC and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate one (1) Snip-its Salon (the “**Salon**”) and to produce and distribute products and services approved by SFC and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement;
- C. The Individual, by virtue of his or her position with Franchisee, will gain access to certain of SFC’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Individual shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Individual or of which Individual may be apprised by virtue of Franchisee’s operation under the terms of the Franchise Agreement. Any and all information, knowledge, know-how, and techniques which SFC designates as confidential shall be deemed confidential for purposes of this Agreement, except information which Franchisee can demonstrate came to its attention prior to disclosure thereof by SFC; or which, at or after the time of disclosure by SFC to Franchisee, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Individual specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of its position with Franchisee, Individual will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of SFC and the System.

(b) Individual covenants and agrees that during the term of Individual's employment with, or ownership interest in, Franchisee, and except as otherwise approved in writing by SFC, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Salon or of any Salon using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with SFC's Proprietary Marks and the System;

(ii) Employ or seek to employ any person who is at that time employed by SFC, Franchisee, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Salon.

(c) Individual covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by SFC, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Salon and which business is, or is intended to be, located: (a) at the Salon location or within a five (5) mile radius of the location of the Salon; (b) within the Territory established under the Franchise Agreement; or (c) within a five (5) mile radius of any other Snip-its Salons operating under the System as of the commencement of the Post-Term Period.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 12 of the Franchise Agreement with respect to Individual; and/or (b) termination of Individual's employment with, and/or ownership interest in, Franchisee.

3. Injunctive Relief. Individual acknowledges that any failure to comply with the requirements of this Agreement will cause SFC irreparable injury, and Individual agrees to pay all court costs and reasonable attorney's fees incurred by SFC in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Individual agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect SFC's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Individual agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the SFC or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Individual hereby acknowledges and agrees that SFC is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

[Signature Page Follows]

IN WITNESS WHEREOF, the Franchisee and the Individual attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this day of _____, 201__.

FRANCHISEE

INDIVIDUAL

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT B

AREA DEVELOPMENT AGREEMENT; 3-PACK AGREEMENT; and 5-PACK AGREEMENT



SNIP-ITS

AREA DEVELOPMENT AGREEMENT

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**SNIP-ITS
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on this ___ day of _____, 201__ (“**Effective Date**”) by and between:

- The Snip-its Franchise Company, LLC, a Massachusetts limited liability company whose principal place of business is 6409 City West Parkway, Suite 205-A, Eden Prairie, Minnesota 55344 (“**Franchisor**”); and

- _____, a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**Developer**”).

BACKGROUND:

A. Franchisor owns a format and system (the “**System**”) relating to the establishment and operation of branded entertainment hair care salon businesses focusing on the specific hair care, spa services, and entertainment (including birthday party) needs of children, operating in buildings that bear Franchisor’s custom interior and exterior trade dress, under the “Snip-its” name and marks (the “**Snip-its Salons**”);

B. The distinguishing characteristics of the System include, without limitation, a specially-designed building or facility for hair care operations, with specially developed equipment, equipment layouts, and signage; distinctive interior and exterior design, trade dress and accessories; unique proprietary animated cartoon characters (the “**Characters**”); proprietary computer games; specialized proprietary hair care products, including, without limitation, shampoos, conditioners, and styling aids (“**Proprietary Products**”), and non-proprietary products; procedures for operations; quality and uniformity of products and services offered; procedures for management and inventory control; a proprietary, point-of-sale, management and marketing computer system; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time;

C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “Snip-its”, and such other trade names, service marks, and trademarks (the “**Proprietary Marks**”), as are now designated (and may hereinafter be designated by Franchisor in writing) for use in connection with the System;

D. Franchisor grants to qualified persons franchises to own and operate Snip-its Salons; and

E. Developer wishes to obtain certain rights to develop Snip-its Salons under Franchisor's System, within the Development Area specified in this Agreement and according to the Development Schedule specified in this Agreement; and Developer and Franchisor wish to enter into this Agreement in order to reflect the understandings and agreements that they have reached with respect to the foregoing points and the other matters that are addressed herein.

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

1. GRANT

1.1 Franchisor hereby grants to Developer the right (and Developer hereby accepts the obligation), pursuant to the terms and conditions of this Agreement, to develop _____ (___) Snip-its Salons in the Development Area. In this regard, the parties further agree that:

1.1.1 The Snip-its Salons shall be developed by Developer pursuant to the development schedule set forth in Paragraph 2 of Exhibit A attached hereto (the "**Development Schedule**"). If, at any time during the term of this Agreement, Developer fails to satisfy the Development Schedule, Franchisor shall have the right, but not the obligation, to exercise Franchisor's termination rights pursuant to Section 6 hereof.

1.1.2 Each Snip-its Salon developed under this Agreement shall be established and operated pursuant to a separate Snip-its Franchise Agreement (a "**Franchise Agreement**") that shall be executed as provided in Section 3.1 below.

1.1.3 Each Snip-its Salon developed under this Agreement shall be located within the area that is specified in Paragraph 1 of Exhibit A, attached hereto (the "**Development Area**").

1.2 If Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Developer (including any affiliate of Developer) and Franchisor, then Franchisor shall not establish, nor license anyone other than Developer to establish, a Snip-its Salon in the Development Area until the earlier of (a) the termination or expiration of this Agreement, (b) the opening of the last required Snip-its Salon under the Development Schedule, or (c) the last date specified in the Development Schedule, except as otherwise provided under Sections 1.3 below.

1.3 Except as otherwise specifically provided under Section 1.2 above, Franchisor retains all other rights, and therefore Franchisor shall have the right (among others) on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein, to:

1.3.1 establish, and license others to establish, Snip-its Salons at any location outside the Development Area, notwithstanding such Snip-its Salons' proximity to any Snip-its

Salon operated by Developer within the Development Area, or their actual or threatened impact on sales at such Snip-its Salon(s);

1.3.2 establish, acquire or operate, or license others to establish and operate, salons or stores under other systems or other proprietary marks, which salons or stores may offer or sell products that are the same as, similar to, or different from, the products and services offered from the Snip-its Salon, and which salons or stores may be located within or outside the Development Area, notwithstanding such salon's or store's proximity to any Snip-its Salon operated by Developer or their actual or threatened impact on sales at such Salon; and

1.3.3 sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products (including the Proprietary Products), services or merchandise from any location or to any purchaser (including, but not limited to, sales made at retail locations, supermarkets, by mail order, and on the Internet), so long as such sales are not conducted from a retail Snip-its Salon operated from a location inside the Development Area.

Developer acknowledges that Snip-its Salons located outside of the Development Area may be granted with territories that cover a portion of the Development Area. The existence of such Snip-its Salons that are established before Developer locates a Salon nearby may limit the locations within the Development Area where Developer can establish and operate a Salon. Franchisor will advise Developer of Salons with territories that include a portion of the Development Area.

1.4 This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner Franchisor's Proprietary Marks or System.

1.5 Developer shall have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

2. DEVELOPMENT FEE

2.1 In consideration of the development rights granted herein, Developer shall pay to Franchisor a development fee (the "**Development Fee**"), to be paid to Franchisor in full on or before the date of this Agreement, in the amount of: (a) Fifty Thousand Dollars (\$50,000) if Developer is to establish and operate three (3) Snip-its Salons pursuant to the Development Schedule, or (b) Seventy-five Thousand Dollars (\$75,000) if Developer is to establish and operate five (5) Snip-its Salons pursuant to the Development Schedule.

2.2 The Development Fee shall be fully earned when received by Franchisor and shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Developer herein. As described in Section 3.1 below, the initial franchise fees due under the Franchise Agreements to be executed in connection with the Development Schedule shall be included in the Development Fee.

3. DEVELOPMENT OBLIGATIONS

3.1 Developer shall execute a Franchise Agreement for each Snip-its Salon to be developed hereunder. Notwithstanding the foregoing, Franchisor, in its sole discretion, may permit one or more Franchise Agreements to be executed by entities other than Developer; provided that (a) Developer owns a controlling ownership interest in the franchisee entity; (b) Franchisor approves the ownership structure of, and each owner of more than twenty-five percent (25%) equity in, the franchisee entity; and (c) the Developer, or a Principal of Developer approved by Franchisor, executes a guarantee, guarantying to Franchisor the timely payment and performance of the franchisee's obligations under the Franchise Agreement. Each Snip-its Salon shall be located at a site approved by Franchisor, within the Development Area, as provided in the Franchise Agreement (the "**Approved Location**"). The Franchise Agreement for the first (1st) Snip-its Salon developed hereunder shall be in the form of the Franchise Agreement attached hereto as Exhibit D, and the Franchise Agreement for each additional Snip-its Salon developed hereunder shall be the form of Franchise Agreement being offered generally by Franchisor at the time each such Franchise Agreement is executed. If Developer is in full compliance with this Agreement and all other Franchise Agreements with Franchisor, then, notwithstanding anything to the contrary in any of the Franchise Agreements, for each Franchise Agreement for a Snip-its Salon required to be established under the Development Schedule, Developer shall not be required to pay the initial franchise fee set forth in the Franchise Agreement for each such Snip-its Salon.

3.2 Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule. Failure by Developer to adhere to the Development Schedule shall constitute a default under this Agreement as provided in Section 6.2 hereof. Developer acknowledges and agrees that the time limits and time frames set forth in and inherent in the Development Schedule, and not those in the Franchise Agreement or the Site Selection Addendum to the Franchise Agreement, shall govern Developer's obligations hereunder.

3.3 For each Snip-its Salon to be developed hereunder, Developer shall submit to Franchisor, in a form specified by Franchisor, a completed site approval package which shall include a site approval form prescribed by Franchisor, an option contract, letter of intent, term sheet, or other evidence satisfactory to Franchisor which describes Developer's favorable prospects for obtaining such site, and such other information or materials as Franchisor may reasonably require. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor. Developer hereby acknowledges and agrees that approval by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Snip-its Salon or for any other purpose. Approval by Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site, demographic and/or economic

factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a Snip-its Salon at a site is based on its own independent investigation of the suitability of the site. For each Snip-its Salon to be developed hereunder, Developer shall execute a lease/sublease that complies with the provisions of Section 1.1 and Exhibit G of the Franchise Agreement, or a binding agreement to purchase the site. Franchisee acknowledges and agrees that, notwithstanding the execution of the Franchise Agreement and any applicable exhibits and attachments thereto, the selection and approval of a site that may become an Approved Location under a Franchise Agreement shall be governed by this Agreement and Franchisor's site review and approval procedures as set forth in Franchisor's confidential operations manuals (the "**Manuals**"), and not the Site Selection Addendum to the Franchise Agreement.

4. TERM

The term of this Agreement and all rights granted hereunder shall expire on the last date specified in the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement.

5. DUTIES OF THE PARTIES

5.1 Franchisor shall furnish to Developer site selection guidelines, including Franchisor's minimum standards for a location for the Snip-its Salon, and such site selection counseling and assistance as Franchisor may deem advisable.

5.2 In response to Developer's request for site approval, Franchisor shall perform one (1) on-site evaluation of a proposed site for each Snip-its Salon to be developed hereunder. Franchisor shall perform additional on site evaluations as Franchisor may deem advisable in response to Developer's requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site(s) in addition to Franchisee's first (1st) proposed site for each Snip-its Salon. If additional (e.g., more than one (1)) on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request) for any Snip-its Salon to be established, Developer shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation visit(s), including, without limitation, the cost of travel, lodging and meals.

5.3 Developer accepts the following obligations:

5.3.1 Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and shall disclose such

information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

5.3.2 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations. To the extent that the requirements of said laws are in conflict with the terms of this Agreement or other instructions of Franchisor, Developer shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

5.3.3 Franchisor shall have the right to require Developer to employ one (1) or more district managers (who shall be a Principal of Developer) ("**District Managers**") to supervise the day to day operations of Developer's Snip-its Salons, if Developer (and/or an affiliate of Developer) operates three (3) or more Snip-its Salons. Any District Manager(s) shall be required to attend and successfully complete (to Franchisor's reasonable satisfaction) such training course as Franchisor may reasonably require.

5.4 Prior to the opening of the first Snip-its Salon hereunder, Developer (or, if Developer is a corporation, partnership, limited liability company, or limited liability partnership, one (1) of Developer's Principals (defined below in Section 7.2) who is designated to supervise the operation of the business hereunder, and who has been previously approved by Franchisor) shall attend and successfully complete, to Franchisor's satisfaction, the Franchisor's initial training program. Developer shall be under the active full-time management (not necessarily on the premises of any particular Salon established hereunder) of at least one (1) of Developer's Principals who has successfully completed (to Franchisor's satisfaction) Franchisor's initial training program.

5.5 With respect to the operation and financial condition of Developer, Developer shall adopt, until otherwise specified by Franchisor, a fiscal year consisting of not less than twenty-six (26) accounting periods of two (2) weeks each, which coincides with Franchisor's then-current fiscal year, as specified by Franchisor. Developer shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manuals or otherwise in writing. In addition, Franchisor reserves the right to require that Developer comply with and satisfy any or all of the following:

5.5.1 Developer shall, at its expense, provide to Franchisor, in a format specified by Franchisor, a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement for such fiscal year reflecting all year-end adjustments, and a statement of changes in

cash flow of Developer), on a compilation basis, prepared by an independent certified public accountant satisfactory to Franchisor, no later than March 1st of each year for the preceding fiscal year of Developer.

5.5.2 No later than the twentieth (20th) day of each calendar year quarter during the term of this Agreement, Developer shall submit to Franchisor, for the preceding calendar year quarter, in a format acceptable to (or, at Franchisor's election, specified by) Franchisor: (i) a fiscal period and fiscal year-to-date profit and loss statement and a quarterly balance sheet (which may be unaudited); (ii) reports of those income and expense items which Franchisor specifies from time to time for use in any revenue, earnings, and/or cost summary it chooses to furnish to prospective franchisees and/or developers, provided that Franchisor will not identify to prospective franchisees and/or developers any specific financial results of Developer; and (iii) copies of all state sales tax returns for Developer. If required by Franchisor, Developer shall use on-line or other electronic accounting and reporting systems as Franchisor may specify periodically.

5.5.3 Once Developer (and/or any affiliate of Developer) has established and operates two (2) or more Snip-its Salons, then at its expense, Developer shall also furnish to Franchisor, no later than March 1st of each year for the preceding fiscal year during the term hereof, an Administrative P&L. The term "Administrative P&L" is understood to mean a profit and loss statement, and such additional financial information in such detail as Franchisor may reasonably require, relating to the expenses Developer (and/or its affiliates) incurred with respect to the management of its operations during said fiscal year; and such Administrative P&L shall be prepared on a compilation basis by an independent certified public accountant satisfactory to Franchisor.

5.6 Each present and future: (i) shareholder of a corporate Developer with at least a twenty-five percent (25%) equity interest in Developer; (ii) member of a limited liability company Developer, with at least a twenty-five percent (25%) equity interest in Developer; (iii) partner of a partnership Developer with at least a twenty-five percent (25%) equity interest in Developer; (iv) partner of a limited liability partnership Developer with at least a twenty-five percent (25%) equity interest in Developer; (v) general partner of a partnership Developer; (vi) general partner of limited liability partnership Developer; or (vii) managing member of a limited liability company Developer; shall jointly and severally guarantee Developer's performance of each and every provision of this Agreement by executing the Guarantee in the form attached to this Agreement as Exhibit B, provided, however, that no guarantee shall be required from a person who acquires Developer's securities (other than a controlling interest) if and after Developer becomes registered under the Securities Exchange Act of 1934.

6. DEFAULT

6.1 Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer shall

become insolvent or makes a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by Developer or such a petition is filed against and not opposed by Developer; or if Developer is adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless unappealed or a supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Snip-its Salon developed hereunder is instituted against Developer and not dismissed within thirty (30) days; or if the real or personal property of Developer shall be sold after levy thereupon by any sheriff, marshal, or constable.

6.2 Developer acknowledges and agrees that time is of the essence, and that Developer has agreed to strict compliance with the Development Schedule. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.4 below, without affording Developer any opportunity to cure the default, effective immediately upon the provision of notice to Developer (in the manner provided under Section 9 hereof);

6.2.1 If Developer misses a deadline set forth in the Development Schedule.

6.2.2 If the Franchise Agreement for any Snip-its Salon operated by Developer (or a Principal or entity affiliated with Developer) is terminated pursuant to Section 13 of the Franchise Agreement.

6.3 Except as otherwise provided in Sections 6.1 and 6.2, above, if Developer fails to comply with any material term and condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or other development agreement between the Developer (or a person or entity affiliated with or controlled by the Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Snip-its Salons) will terminate without further notice to Developer, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

6.4 If Franchisor is entitled to terminate this Agreement in accordance with Sections 6.2 or 6.3 above, Franchisor shall have the right to undertake any one or more of the following actions instead of terminating this Agreement:

6.4.1 Franchisor may terminate or modify any rights that Developer may have with respect to “exclusivity” or protection in the Development Area, as granted under Section 1.1 above, effective ten (10) days after delivery of written notice thereof to Developer; and/or

6.4.2 Franchisor may modify, or eliminate completely, the Development Area described in Section 1.1 above.

6.4.3 If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 6.4, such action shall be without prejudice to Franchisor’s right to terminate this Agreement in accordance with Sections 6.2 or 6.3 above, and Franchisor shall have the right to retain all Development Fees paid by Developer, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

6.5 Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Snip-its Salons for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Thereafter, Franchisor shall be entitled to establish, and to license others to establish, Snip-its Salons in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between Franchisor and Developer).

6.6 No default under this Area Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

6.7 No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

7. TRANSFERS

7.1 Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity, and any assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment.

7.2 If Developer is a corporation, limited liability company, partnership, or limited liability partnership, each principal of Developer with at least a ten percent (10%) equity ownership interest in Developer (“**Principal**”), and the interest of each Principal in Developer, is identified in Exhibit C hereto. Developer represents and warrants that its owners are as set forth on Exhibit C attached to this Agreement, and covenants that it will not permit the identity of such owners, or their respective interests in Developer, to change without complying with this

Agreement. Franchisor shall have the right to designate any person or entity which owns a direct or indirect interest in Developer as a Principal, and Exhibit C shall be so amended automatically upon notice thereof to Developer. Throughout the term of this Agreement, Franchisor shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in Developer.

7.3 Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted the rights described in this Agreement in reliance on Developer's or Developer's Principals' business skill, financial capacity, and personal character. Accordingly:

7.3.1 Developer shall not, without the prior written consent of Franchisor, transfer, pledge, or otherwise encumber: (a) the rights and obligations of the Developer under this Agreement; or (b) any material asset of Developer.

7.3.2 If Developer is a corporation, Developer shall not, without the prior written consent of Franchisor: (a) issue any voting securities or securities convertible into voting securities, nor (b) permit the transfer, sale, pledge, or any assignment whatsoever of such securities; and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

7.3.3 If Developer is a partnership or limited liability company, the partners of the partnership or members of the limited liability company shall not, without the prior written consent of Franchisor, admit additional general partners or managing members, remove a general partner or managing member, or otherwise materially alter the powers of any general partner or managing member. Each general partner or member of a partnership or limited liability company shall automatically be deemed a Principal of Developer.

7.3.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Developer as shown in Exhibit C.

7.4 Franchisor shall not unreasonably withhold any consent required by Section 7.3; provided, if Developer proposes to transfer its obligations hereunder or any material asset, or if a Principal proposes to transfer any direct or indirect interest in Developer, Franchisor shall have absolute discretion to require any or all of the following as conditions of its approval:

7.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules;

7.4.2 The transfer shall be accompanied by a transfer of all franchise agreements with Franchisor and rights to all Snip-its Salons operated thereunder and owned by Developer to the same transferee;

7.4.3 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Developer; and, if the obligations of Developer were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor;

7.4.4 After the transfer, the Principals of the Developer shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the business of Developer, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the business;

7.4.5 If a proposed transfer would result in a change in control of the Developer, at Franchisor's option, the transferee or the new developer controlled by the transferee shall execute, for a term ending on the expiration date of this Agreement the form of area development agreement then being offered to new System Developers, and such other ancillary agreements required by Franchisor for the business contemplated hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement;

7.4.6 The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

7.4.7 The transferee shall have the same training obligations as set forth for Developer in Section 5.4;

7.4.8 If a proposed transfer would result in a change in control of Developer, the Developer's business, or any of Developer's Snip-its Salons, Developer shall pay a transfer fee of Five Thousand Dollars (\$5,000), which amount shall be in addition to any transfer fees paid under any Franchise Agreements subject to this Development Agreement. One-half (1/2) of the transfer fee shall be paid at the time Developer submits its request to Franchisor for consideration of the proposed transfer, and such amount shall be non-refundable. The balance of the transfer fee shall be paid at the time the transfer is consummated or closes. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Developer or the proposed transferee shall reimburse Franchisor for all of its costs and expenses incurred in connection with its evaluation of the proposed transfer, including, without limitation, attorneys' and accountants' fees, background checks, site evaluation, and

training, if applicable, to the extent the portion of the transfer fee paid when the transfer approval request was made does not cover those costs and expenses; and

7.4.9 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 8.2 and Section 8.3 of this Agreement.

7.5 Right of First Option.

7.5.1 If Developer or any Principal desires to sell or transfer any material assets of Developer, any interest in this Agreement, or any direct or indirect interest in Developer to a third party, Developer or such Principal first must notify Franchisor of such intent, and must provide to Franchisor in writing the terms and conditions upon which such sale or transfer may be made. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such notice, to send written notice to Developer and/or its Principal, that Franchisor intends to purchase the seller's interest in Developer or this Agreement or such material assets on the terms and conditions described. If Franchisor elects to purchase the seller's interest in Developer or this Agreement or such assets, the closing on such purchase shall occur within thirty (30) days from the date of notice to the Developer or its Principal of Franchisor's election to purchase. If Franchisor does not elect to purchase the interest in Developer or this Agreement, or assets proposed for sale or transfer, Developer or its Principal may then offer such interest in Developer or this Agreement, or assets to third parties for sale or transfer on the same terms and conditions as those offered to Franchisor as described above, subject to the provisions of Section 7.5.2 below.

7.5.2 Upon either (a) a material change in the terms of the intended offer prior to closing with a third party, or (b) the passage of six (6) months from the date upon which Franchisor received Developer's offer in accordance with Section 7.5.1 above without a closing and consummation of the transaction that Franchisor rejected in Section 7.5.1, Developer's right to sell such interest in Developer or this Agreement or the assets to a third party shall expire, and Developer or its Principal shall again be required to present to Franchisor a new notice of intent to sell its interest or assets (including, if applicable, the new terms and conditions), and subject to the same rights of first option by Franchisor as in the case of Developer's initial notice. Failure of Franchisor to exercise the option afforded by this Section 7.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 7, with respect to a proposed transfer.

7.5.3 Notwithstanding any consideration, terms, and/or conditions offered by Developer to Franchisor in accordance with this Section 7.5, whether as a first offer, or as a counteroffer proposed by a third party to Developer, Franchisor shall be entitled to purchase the interest or assets proposed to be sold or transferred for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the proposed consideration, terms, and/or conditions, they shall attempt to appoint a mutually acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly

designated by Franchisor and another independent appraiser shall be promptly designated by Developer, which two (2) appraisers will, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Developer. The cost of any such appraisal shall be shared equally by Franchisor and Developer. If Franchisor elects to exercise its right of first option, it shall have the right to set off all amounts due from Developer, and one-half (½) of the cost of the appraisal, if any, against any payment to the Seller.

7.6 Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the deceased's estate, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

7.7 Upon the permanent disability of any Principal with a controlling interest in Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 7 within six (6) months after notice to Developer. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) months from the date of determination of disability is unlikely. Permanent disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 7.7 as of the date of refusal. Franchisor shall pay the cost of the required examination.

7.8 Upon the death or permanent disability of any Principal of Developer, such person or his representative shall promptly notify Franchisor of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

7.9 Franchisor's consent to a transfer which is the subject of this Section 7 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

7.10 If Developer or any person holding any interest (direct or indirect) in Developer becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of Developer, Developer's obligations and/or rights hereunder, any material assets of Developer, or any indirect or direct interest in Developer shall be subject to all of the terms of this Section 7, including without limitation the rights set forth in Sections 7.3, 7.4, and 7.5 above.

7.11 All materials for an offering of stock or partnership interests in Developer or any affiliate of Developer which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Developer or any affiliate of Developer shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Developer or Developer's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Developer and any subsidiaries and affiliates, if applicable. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Developer (and the offeror if not Developer), the Principals, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, Developer shall pay Franchisor a non-refundable fee of Five Thousand Dollars (\$5,000) or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Developer shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 7.12 commences. Any such offering shall be subject to all of the other provisions of this Section 7, including without limitation those set forth in Sections 7.3, 7.4, and 7.5; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Developer, if Developer is not the offeror) after the financing is completed.

8. COVENANTS

8.1 Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer (or one (1) designated Principal or management employee who will assume primary responsibility for the operations of Developer and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder.

8.2 Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership corporation or entity:

8.2.1 Divert or attempt to divert any business or customer of the Snip-its Salon or of any Snip-its Salon using the System to any competitor, by direct or indirect inducement or

otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System.

8.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee or developer of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment.

8.2.3 Own, maintain, operate, engage in, or have any interest in any children's hair care business which is the same as or similar to the Snip-its Salons.

8.3 Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section; either directly or indirectly (through, on behalf of, or in conjunction with any persons, partnership, or corporation, or entity), own, maintain, operate, engage in, or have any interest in any children's hair care business which is the same as or similar to a Snip-its Salon, which business is, or is intended to be, located within the Development Area, or within a five (5) mile radius of either the Development Area or any other Snip-its Salon operating at the time that the obligations under this Section commence.

8.4 Section 8.3 above shall not apply to ownership by Developer of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

8.5 At Franchisor's request, Developer shall require and obtain execution of covenants similar to those set forth in Sections 7 and 8 (as modified to apply to an individual) from any or all of the following persons: Developer's Principals and designated management employees. The covenants required by this Section 8.5 shall be in the form provided in Exhibit E to this Agreement. Failure by Developer to obtain execution of a covenant required by this Section 8.5 shall constitute a default under Section 6.3 hereof.

8.6 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 8.

8.7 Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 8.2 and 8.3 in this Agreement, or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13 hereof.

8.8 Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 8.

8.9 Developer acknowledges that Developer's violation of the terms of this Section 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly consents to the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of this Section 8.

9. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, a recognized overnight delivery service, or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

10. PERMITS AND COMPLIANCE WITH LAWS

10.1 Developer shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement.

10.2 Developer shall notify Franchisor in writing within five (5) days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or occurrence of any accident or injury which may adversely affect the operation of the business contemplated hereunder or the financial condition of Developer or give rise to liability or a claim against Developer or Franchisor.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

11.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

11.2 At all times during the term of this Agreement, Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the Developer's offices, the content of which Franchisor reserves the right to specify.

11.3 It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in Developer's operations hereunder, or for any claim or judgment arising therefrom against Developer or Franchisor.

11.4 Developer shall, to the fullest extent permissible under applicable law, indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, employees, and agents, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Developer's operation of the business conducted under this Agreement, or Developer's breach of this Agreement, including, without limitation, those alleged to be caused by Franchisor's negligence, as well as the costs, including attorneys' fees, of defending against them, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Developer in which Franchisor is not a party, Developer shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Developer acknowledges and agrees that Developer's indemnification and hold harmless obligations under this Section 11.4 shall survive the termination or expiration of this Agreement.

12. APPROVALS AND WAIVERS

12.1 Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

12.2 Developer acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

12.3 No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer under any of the terms, provisions, covenants, or conditions of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Developer, or as to subsequent breach or default by Developer. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, provisions, covenants, or conditions of this Agreement.

13. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Developer concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced Developer to execute this Agreement. However, and notwithstanding the foregoing, nothing in this Development Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

14. SEVERABILITY AND CONSTRUCTION

14.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part of this Agreement.

14.2 Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 7 hereof, any rights or remedies under or by reason of this Agreement.

14.3 Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

14.4 All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement.

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

14.6 All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

15. APPLICABLE LAW

15.1 This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Minnesota, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Minnesota choice-of-law rules); provided, however, that if the covenants in Section 8 of this Agreement would not be enforceable under the laws of Minnesota, and the Development Area is located outside of that Minnesota, then such covenants shall be interpreted and construed under the laws of the state in which the Development Area is located. Nothing in this Section 15.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, consumer protection, or similar law, rule, or regulation of Minnesota to which this Agreement would not otherwise be subject.

15.2 The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced. The parties agree that this Section 15.2 shall not be construed as preventing either party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

15.3 Before any party may bring an action in court against the other, the parties must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the International Institute for Conflict Prevention

& Resolution (CPR), under the rules established by the International Franchise Association endorsed National Franchise Mediation Program, and in accordance with its then-current rules for mediation of franchise disputes (and in the event such program is not then in existence, by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes). Notwithstanding anything to the contrary, this Section 15.3 shall not bar either party from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation.

15.3.1 The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the “**complainant**”) providing written notice of the request for mediation (the “**request**”) to the party with whom mediation is sought (the “**respondent**”). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent.

15.3.2 Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

15.4 No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

15.5 Nothing herein contained shall bar Franchisor’s right to obtain injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

15.6 FRANCHISOR AND DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING. ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF DEVELOPER AND FRANCHISOR, OR DEVELOPER’S OPERATION OF THE BUSINESS CONTEMPLATED HEREUNDER, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD

HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS OR ACTIONS SHALL BE IRREVOCABLY BARRED.

15.7 FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

16. ACKNOWLEDGMENTS

16.1 Developer acknowledges that it has conducted an independent investigation of the business contemplated hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Developer and if a corporation, partnership, or LLC, its owners as independent businesspersons. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

16.2 Developer acknowledges that it received a complete copy of this Agreement and the Exhibits hereto, with all of the blank lines herein filled in, prior to the date on which this Agreement was executed, and with sufficient time within which to review the Agreement with advisors of its choosing. Developer further acknowledges that it received the franchise disclosure document required by the Federal Trade Commission Franchise Rule, 16 C.F.R. Part 436, at least 14 days prior to the date on which this Agreement was executed.

16.3 Developer acknowledges that it has read and understood this Agreement, the Exhibits hereto, and agreements relating thereto, if any, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

16.4 Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

16.5 Developer acknowledges that it shall have sole and complete responsibility for the choice of the Development Area and the Approved Locations within the Development Area; that Franchisor has not given any representation, promise, or guarantee of Developer's success in the Development Area and at the Approved Locations; and that Developer shall be solely responsible for its own success in the Development Area and at the Approved Locations.

16.6 Developer and its Principals represent and warrant to Franchisor that: (a) neither Developer nor any of its Principals have made any untrue statement of any material fact nor omitted to state any material fact in obtaining the rights granted herein; (b) neither Developer nor any of its Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in its application materials; and (c) neither Developer nor its Principals have been designated as suspected terrorists under U.S. Executive Order 13244. Developer recognizes that Franchisor approved Developer in reliance on all of the statements Developer and its Principals have made in connection therewith, and that Developer has a continuing obligation to advise Franchisor of any material changes in these statements and representations made to Franchisor in this Agreement or in the application materials.

16.7 Although Franchisor retains the right to establish and periodically modify System standards, which Developer has agreed to maintain in the operation of the business contemplated hereunder, Developer retains the right and sole responsibility for the day-to-day management, operation, implementation and maintenance of system standards in the business contemplated hereunder.

16.8 Developer acknowledges that Franchisor may modify the offer of its franchises and development agreements to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

16.9 Developer acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Developer's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby, and Developer acknowledges that it has not received nor relied upon, any such representation or warranty.

[signature page follows]

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

The Snip-its Franchise Company, LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

The Snip-its Franchise Company, LLC

6409 City West Parkway, Suite 205-A

Eden Prairie, Minnesota 55344

Telephone: (952) 288-2222

Fax: _____

Attn: _____

Telephone: _____

Fax: _____

Attn: _____

**SNIP-ITS
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT A
DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Development Area. All Snip-its Salons developed under this Development Agreement shall be located within the boundaries of the following area:

2. Development Schedule. Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule set forth below:

By (Date)	Cumulative Total Number of Snip-its Salons Which Developer Shall Have Open and in Operation

INITIALED:

FRANCHISOR: _____ DEVELOPER: _____

**SNIP-ITS
DEVELOPMENT AGREEMENT**

**EXHIBIT B
GUARANTEE**

As an inducement to The Snip-its Franchise Company, LLC (“**Franchisor**”) to execute the Snip-its Area Development Agreement between Franchisor and _____ (“**Developer**”) dated _____, 20____ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Developer’s monetary and other obligations under the Agreement will be punctually paid and performed.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor, Franchisor’s affiliates, and their respective officers, directors, employees, and agents harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of investigation, court costs, and arbitration fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Agreement, any amendment thereto, or any other agreement executed by Developer referred to therein.

The undersigned each hereby jointly and severally acknowledge the provisions of Section 16 of the Agreement, and expressly agree to be individually bound by all of the covenants contained in Sections 7 and 8 of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “Snip-its” marks or system licensed to Developer under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 15 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Minnesota. In the event of any conflict of law, the laws of the State of Minnesota shall prevail (without regard to, and without giving effect to, the application of Minnesota conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

Guarantor(s)

Percentage of Ownership in Developer

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____

Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____

Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____

Address: _____

Signed: _____ (Seal)
(In his/her individual capacity)

Printed Name: _____

Address: _____

**SNIP-ITS
AREA DEVELOPMENT AGREEMENT**

**EXHIBIT C
LIST OF PRINCIPALS**

Name of Principal	Address and Telephone	Email address	Principal Occupation	Interest %

INITIALED:

FRANCHISOR: _____ DEVELOPER: _____

**SNIP-ITS
DEVELOPMENT AGREEMENT**

**EXHIBIT D
FRANCHISE AGREEMENT**

The form of Franchise Agreement currently offered by Franchisor is attached.

SNIP-ITS
DEVELOPMENT AGREEMENT
EXHIBIT E
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this ____ day of _____, 20__, by and between _____ (the “**Developer**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the “**Individual**”).

RECITALS:

WHEREAS, The Snip-its Franchise Company, LLC (“**Snip-its**”) owns a format and system (the “**System**”) relating to the establishment and operation of branded entertainment hair care salon businesses focusing on the specific hair care needs of children, operating in buildings that bear Franchisor’s custom interior and exterior trade dress, under the “Snip-its” name and marks (the “**Snip-its Salons**”);

WHEREAS, Snip-its and Developer have executed a Development Agreement (“**Development Agreement**”) granting Developer the right to develop one or more Snip-its Salons and, ultimately, to sign Franchise Agreements to operate Snip-its Salons, at which Snip-its Salons Developer (acting as the “Franchisee” under the Franchise Agreement) will distribute products, the Proprietary Products, and other ancillary products approved by Snip-its, and will use the Proprietary Marks in connection therewith under the terms and conditions of the Development Agreement;

WHEREAS, Individual, by virtue of his or her position with Developer, will gain access to certain of Snip-its’ Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Development is bound by.

IN CONSIDERATION of these promises, Individual’s employment with Developer, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Individual shall not, during the term of the Development Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Individual or of which Individual may be apprised by virtue of Developer’s operation under the terms of the Development Agreement. Any and all information, knowledge, know-how, and techniques which Snip-its designates as confidential shall be deemed confidential for purposes of this Agreement, except information which

Developer can demonstrate came to its attention prior to disclosure thereof by Snip-its; or which, at or after the time of disclosure by Snip-its to Developer, had become or later becomes a part of the public domain, through publication or communication by others.

2. Covenants Not to Compete.

(a) Individual specifically acknowledges that, pursuant to the Development Agreement, and by virtue of its position with Developer, Individual will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Snip-its and the System.

(b) Individual covenants and agrees that during the term of the Development Agreement, except as otherwise approved in writing by Snip-its, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Snip-its Salon or of any Snip-its Salon using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

(ii) Employ or seek to employ any person who is at that time employed by Snip-its, Developer, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any children's hair care business which is the same as or similar to the Snip-its Salon.

(c) Individual covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Snip-its, Individual shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any children's hair care business which is the same as or similar to a Snip-its Salon and which business is, or is intended to be, located within the Development Area (as defined in the Development Agreement) or within a five (5) mile radius of either the Development Area or any other Snip-its Salon operating under the System as of the commencement of the Post-Term Period.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 7 of the Development Agreement; (b) expiration or termination of the Development Agreement

(regardless of the cause for termination); and/or (c) termination of Individual's employment with Developer.

3. Injunctive Relief. Individual acknowledges that any failure to comply with the requirements of this Agreement will cause Snip-its irreparable injury, and Individual agrees to pay all court costs and reasonable attorney's fees incurred by Snip-its in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Individual agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Snip-its' and/or Developer's legitimate business needs as permitted by applicable law and public policy. In so doing, the Individual agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Snip-its or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Individual hereby acknowledges and agrees that Snip-its is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

[Signature page follows]

IN WITNESS WHEREOF, Developer and Individual attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of _____, 20____.

DEVELOPER

INDIVIDUAL

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____



Kids. Haircuts. Parties. Fun.

**Snip-its Franchise Company, LLC
3 - Pack Development Agreement**

[Date]

Re: 3-Pack Development Agreement

Dear _____:

We are pleased to be entering into this “3-Pack Development Agreement” (the “**3-Pack Agreement**”) with you today. As used in this 3-Pack Agreement, the term “**you**” means the “developer party” that is identified in the signature block of this 3-Pack Agreement, and the terms “**we**” and “**SIF**” mean the Snip-its Franchise Company, LLC.

1. Today, we entered into three (3) Snip-its Franchise Agreements (the “**Franchise Agreement(s)**”) under which you agreed to establish and operate three Snip-its Salons (“**Salon(s)**”) at the locations specified in those Franchise Agreements, as amended by Section 5 of this 3-Pack Agreement. This 3-Pack Agreement also specifies the terms that apply to you as a multi-unit developer of Salons. You are paying to us the sum of \$50,000 in connection with entering into this 3-Pack Agreement, and as the Initial Franchise Fee for all three of the Franchise Agreements, as further described in Section 5.3 below.
2. You agree to establish each of the Salons according to the development schedule that is specified on the Data Sheet (Exhibit A) attached to this 3-Pack Agreement. That schedule is referred to as the “**Development Schedule**” in this 3-Pack Agreement.
3. The term of this 3-Pack Agreement starts on the date when both parties have signed below, and ends on the last date specified in the Development Schedule, unless this 3-Pack Agreement is sooner terminated (the “**Term**”).
4. This 3-Pack Agreement does not confer upon you any license to use, in any manner whatsoever, SIF’s trademarks, trade names, or system. To the extent that we are licensing those rights to you, that license is set out under the Franchise Agreements.

3-Pack Development Agreement

5. In order to implement the terms of this 3-Pack Agreement, the following provisions of the Franchise Agreements shall be amended as follows:

5.1 Section 2.1 of the second Franchise Agreement, addressing the term of said Franchise Agreement, shall be amended to read as follows:

Except as otherwise provided herein, the initial term of this Agreement shall expire _____ years from the date that the 3-Pack Agreement was signed (the "Initial Term"), unless this Agreement is sooner terminated in accordance with the provisions hereof.

5.2 Section 2.1 of the third Franchise Agreement, addressing the term of said Franchise Agreement, shall be amended to read as follows:

Except as otherwise provided herein, the initial term of this Agreement shall expire _____ years from the date that the 3-Pack Agreement was signed (the "Initial Term"), unless this Agreement is sooner terminated in accordance with the provisions hereof.

5.3 Notwithstanding the terms of Section 4.1 of each of the Franchise Agreements, in consideration for the payment to us of \$50,000 as noted in Section 1 of this 3-Pack Agreement, you are not required to pay to us an additional Initial Franchise Fee under any of the Franchise Agreements.

5.4 Section 5.3 of each Franchise Agreement, in the first sentence, addressing the period within which you must open the Salon, is amended to read as follows:

Franchisee shall construct, furnish, and open the Salon according to the requirements contained herein, and Franchisee shall open the Salon not later than the date set out in the Development Schedule that is attached to the 3-Pack Agreement.

5.5 Paragraph 1 of Exhibit B of the second and third Franchise Agreements are amended to reflect that the date by which you must acquire or lease/sublease, at your expense, commercial real estate that is properly zoned for the use of the Salon, at a site we have approved, is as follows:

Second Franchise Agreement: _____

Third Franchise Agreement: _____

6. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this 3-Pack Agreement and also apply to this 3-Pack Agreement (except that references to "Franchisee" in those provisions refer to you under this 3-Pack Agreement, and references to "Franchisor" in those provisions refer to us or SIF under this 3-Pack Agreement):

6.1 Section 11 - Insurance

3-Pack Development Agreement

- 6.2 Section 12 - Transfer of Interest (but also see Section 7 below)
- 6.3 Section 13 - Default and Termination (but also see Section 8 below)
- 6.4 Section 14 - Obligations Upon Termination or Expiration
- 6.5 Section 15 - Covenants
- 6.6 Section 16 - Taxes, Permits, and Indebtedness
- 6.7 Section 17 - Independent Contractor and Indemnification
- 6.8 Section 18 - Force Majeure
- 6.9 Section 19 - Approvals and Waivers
- 6.10 Section 20 - Notices
- 6.11 Section 22 - Severability and Construction
- 6.12 Section 23 - Applicable Law and Dispute Resolution
- 6.13 Section 24 - Acknowledgments

7. In addition to the provisions of Section 6.2 above, you understand and agree that we have entered into this 3-Pack Agreement in reliance on your promise and commitment to establish and operate three Salons, and that as a result, you agree that it would not be unreasonable for SIF to withhold its consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this 3-Pack Agreement (if this 3-Pack Agreement has not at the time of a proposed transfer either expired or terminated).

8. In addition to the provisions of Section 6.3 above, you will be in default under this 3-Pack Agreement if you do not meet your obligations under the Development Schedule or if any other agreement between you (and/or your affiliates) and SIF is terminated. If you are in default under this 3-Pack Agreement, we will have the right to terminate this 3-Pack Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law).

9. This 3-Pack Agreement, together with the provisions that are incorporated by reference pursuant to Section 6 above and the Data Sheet that is attached to this 3-Pack Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced you to execute this 3-Pack Agreement. The parties acknowledge and agree that they relied only on the words printed in this 3-Pack Agreement in deciding whether to enter into this 3-Pack Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this 3-Pack Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

3-Pack Development Agreement

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this 3-Pack Agreement in duplicate on the day and year first above written.

Snip-its Franchise Company, LLC

(3-Pack Developer/Franchisee Party)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Address for Notices:

Address for Notices:

6409 City West Parkway, Suite 205 A
Eden Prairie, Minnesota 55344

Fax: _____

Attn: _____

Telephone: _____

Fax: _____

Attn: _____

Exhibits (1):

A – Data Sheet

3-Pack Development Agreement

Exhibit A - Data Sheet

<i>The Development Schedule under this 3-Pack Agreement shall be:</i>	
By this [anniversary of the date of this 3-Pack Agreement] [date]	Total Number of Salons That You Agree To Have Open and in Operation
	One (1)
	Two (2)
	Three (3)

Initialed

Developer _____
Franchisor



Kids. Haircuts. Parties. Fun.

**Snip-its Franchise Company, LLC
5 - Pack Development Agreement**

[Date]

Re: 5-Pack Development Agreement

Dear _____:

We are pleased to be entering into this “5-Pack Development Agreement” (the “**5-Pack Agreement**”) with you today. As used in this 5-Pack Agreement, the term “**you**” means the “developer party” that is identified in the signature block of this 5-Pack Agreement, and the terms “**we**” and “**SIF**” mean the Snip-its Franchise Company, LLC.

1. Today, we entered into five (5) Snip-its Franchise Agreements (the “**Franchise Agreement(s)**”) under which you agreed to establish and operate five Snip-its Salons (“**Salon(s)**”) at the locations specified in those Franchise Agreements, as amended by Section 5 of this 5-Pack Agreement. This 5-Pack Agreement also specifies the terms that apply to you as a multi-unit developer of Salons. You are paying to us the sum of \$75,000 in connection with entering into this 5-Pack Agreement, and as the Initial Franchise Fee for all five of the Franchise Agreements, as further described in Section 5.5 below.
2. You agree to establish each of the Salons according to the development schedule that is specified on the Data Sheet (Exhibit A) attached to this 5-Pack Agreement. That schedule is referred to as the “**Development Schedule**” in this 5-Pack Agreement.
3. The term of this 5-Pack Agreement starts on the date when both parties have signed below, and ends on the last date specified in the Development Schedule, unless this 5-Pack Agreement is sooner terminated (the “**Term**”).
4. This 5-Pack Agreement does not confer upon you any license to use, in any manner whatsoever, SIF’s trademarks, trade names, or system. To the extent that we are licensing those rights to you, that license is set out under the Franchise Agreements.

5-Pack Development Agreement

5. In order to implement the terms of this 5-Pack Agreement, the following provisions of the Franchise Agreements shall be amended as follows:

5.1 Section 2.1 of the second Franchise Agreement, addressing the term of said Franchise Agreement, shall be amended to read as follows:

*Except as otherwise provided herein, the initial term of this Agreement shall expire _____ years from the date that the 5-Pack Agreement was signed (the "**Initial Term**"), unless this Agreement is sooner terminated in accordance with the provisions hereof.*

5.2 Section 2.1 of the third Franchise Agreement, addressing the term of said Franchise Agreement, shall be amended to read as follows:

*Except as otherwise provided herein, the initial term of this Agreement shall expire _____ years from the date that the 5-Pack Agreement was signed (the "**Initial Term**"), unless this Agreement is sooner terminated in accordance with the provisions hereof.*

5.3 Section 2.1 of the fourth Franchise Agreement, addressing the term of said Franchise Agreement, shall be amended to read as follows:

*Except as otherwise provided herein, the initial term of this Agreement shall expire _____ years from the date that the 5-Pack Agreement was signed (the "**Initial Term**"), unless this Agreement is sooner terminated in accordance with the provisions hereof.*

5.4 Section 2.1 of the fifth Franchise Agreement, addressing the term of said Franchise Agreement, shall be amended to read as follows:

*Except as otherwise provided herein, the initial term of this Agreement shall expire _____ years from the date that the 5-Pack Agreement was signed (the "**Initial Term**"), unless this Agreement is sooner terminated in accordance with the provisions hereof.*

5.5 Notwithstanding the terms of Section 4.1 of each of the Franchise Agreements, in consideration for the payment to us of \$75,000 as noted in Section 1 of this 5-Pack Agreement, you are not required to pay to us an additional Initial Franchise Fee under any of the Franchise Agreements.

5.6 Section 5.3 of each Franchise Agreement, in the first sentence, addressing the period within which you must open the Salon, is amended to read as follows:

Franchisee shall construct, furnish, and open the Salon according to the requirements contained herein, and Franchisee shall open the Salon not later than the date set out in the Development Schedule that is attached to the 5-Pack Agreement.

5-Pack Development Agreement

5.7 Paragraph 1 of Exhibit B of the second, third, fourth and fifth Franchise Agreements shall be amended to reflect that the date by which you must acquire or lease/sublease, at your expense, commercial real estate that is properly zoned for the use of the Salon, at a site we have approved, is as follows:

Second Franchise Agreement: _____

Third Franchise Agreement: _____

Fourth Franchise Agreement: _____

Fifth Franchise Agreement: _____

6. The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this 5-Pack Agreement and also apply to this 5-Pack Agreement (except that references to "Franchisee" in those provisions shall refer to you under this 5-Pack Agreement, and references to "Franchisor" in those provisions refer to us or SIF under this 5-Pack Agreement):

- 6.1 Section 11 - Insurance
- 6.2 Section 12 - Transfer of Interest (but also see Section 7 below)
- 6.3 Section 13 - Default and Termination (but also see Section 8 below)
- 6.4 Section 14 - Obligations Upon Termination or Expiration
- 6.5 Section 15 - Covenants
- 6.6 Section 16 - Taxes, Permits, and Indebtedness
- 6.7 Section 17 - Independent Contractor and Indemnification
- 6.8 Section 18 - Force Majeure
- 6.9 Section 19 - Approvals and Waivers
- 6.10 Section 20 - Notices
- 6.11 Section 22 - Severability and Construction
- 6.12 Section 23 - Applicable Law and Dispute Resolution
- 6.13 Section 24 - Acknowledgments

7. In addition to the provisions of Section 6.2 above, you understand and agree that we have entered into this 5-Pack Agreement in reliance on your promise and commitment to establish and operate five Salons, and that as a result, you agree that it would not be unreasonable for SIF to withhold its consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this 5-Pack Agreement (if this 5-Pack Agreement has not at the time of a proposed transfer either expired or terminated).

8. In addition to the provisions of Section 6.3 above, you will be in default under this 5-Pack Agreement if you do not meet your obligations under the Development Schedule or if any other agreement between you (and/or your affiliates) and SIF is terminated. If you are in default under this 5-Pack Agreement, we will have the right to terminate this 5-Pack Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law).

5-Pack Development Agreement

9. This 5-Pack Agreement, together with the provisions that are incorporated by reference pursuant to Section 6 above and the Data Sheet that is attached to this 5-Pack Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersede all prior agreements, no other representations having induced you to execute this 5-Pack Agreement. The parties acknowledge and agree that they relied only on the words printed in this 5-Pack Agreement in deciding whether to enter into this 5-Pack Agreement. Except for those permitted to be made unilaterally by us hereunder, no amendment, change, or variance from this 5-Pack Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this 5-Pack Agreement in duplicate on the day and year first above written.

Snip-its Franchise Company, LLC

(5-Pack Developer/Franchisee Party)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Address for Notices:

Address for Notices:

6409 City West Parkway, Suite 205 A
Eden Prairie, Minnesota 55344
Fax: _____
Attn: _____

Telephone: _____
Fax: _____
Attn: _____

Exhibits (1):

A – Data Sheet

5-Pack Development Agreement

Exhibit A - Data Sheet

<i>The Development Schedule under this 5-Pack Agreement shall be:</i>	
By this [anniversary of the date of this 5-Pack Agreement] [date]	Total Number of Salons That You Agree To Have Open and in Operation
	One (1)
	Two (2)
	Three (3)
	Four (4)
	Five (5)

Initialed

DeveloperFranchisor

EXHIBIT C

LIST OF ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p>CALIFORNIA Commissioner of Business Oversight Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (866) 275-2677</p>	<p>MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>MICHIGAN Consumer Protection Div., Franchise Section Attn: Kathryn A. Barron 670 G. Mennen Williams Building Lansing, Michigan 48913 (517) 373-7117</p>
<p>ILLINOIS Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>MINNESOTA Commissioner of Commerce Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (651) 296-4026</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211</p>
<p>NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712 Dakota 58505 (701) 328-4712</p>	<p>VIRGINIA Director, Securities and Retail Franchising Div. State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051</p>
<p>RHODE ISLAND Department of Business Regulation Securities Division Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 277-3048</p>	<p>WASHINGTON Department of Financial Institutions General Administration Building Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760</p>
<p>SOUTH DAKOTA Department of Labor and Regulation Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501-2017 (605) 773-4823</p>	<p>WISCONSIN Office of the Commissioner of Securities 201 West Washington Avenue, Suite 300 Madison, Wisconsin 53703 (608) 261-9555</p>

EXHIBIT D

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<p>CALIFORNIA Commissioner of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (866) 275-2677</p>	<p>MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>
<p>HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p>MICHIGAN Dept. of Commerce, Corp’ns & Securities Bur. 6546 Mercantile Way P.O. Box 30222 Lansing, Michigan 48910 (517) 373-7117</p>
<p>ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p>MINNESOTA Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-4026</p>
<p>INDIANA Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681</p>	<p>NEW YORK New York State Department of State Division of Corporations Second Floor 41 State Street Albany, New York 12231</p>
<p>NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712</p>	<p>VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219 (804) 371-9733</p>
<p>RHODE ISLAND Department of Business Regulation Securities Division Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 277-3048</p>	<p>WASHINGTON Director of Department of Financial Institutions General Administration Building Securities Division – 3rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760</p>
<p>SOUTH DAKOTA Department of Labor and Regulation Division of Securities 445 E. Capitol Avenue Pierre, South Dakota 57501-2017 (605) 773-4823</p>	<p>WISCONSIN Wisconsin Commissioner of Securities Department of Financial Institutions Division of Securities 201 W. Washington Ave., Suite 300, Madison, WI 53703 (608) 261-9555</p>

EXHIBIT E

LIST OF FRANCHISEES

(as of December 31, 2013)

Arizona	
Mike & Marisol Schubert MMKSR, LLC 3415 W. Frye Rd., STE 4 Chandler, AZ 85226 (480) 963-0800	Mike & Marisol Schubert MMKSR, LLC 2743 S. Market, STE 108 Gilbert, AZ 85295 (480) 963-8111
California	
Daniel Liberman DER Enterprises, Inc. Town and Country Village 855 El Comino Real #125 Palo Alto, CA 94301 (650) 323-8330	Derek and Johanna Rigaud DJE2 Enterprises, LLC 730-E Allied Way El Segundo, CA 90245 (310) 322-7647
Derek and Johanna Rigaud 16101 Ventura Blvd., STE 125 Encino, CA 91436 (818) 788-8869	
Colorado	
Norman and Gail Stalarow We Share Hair, LLC Parker Valley Center 11290 Twenty Mile Rd., STE 126 Parker, CO 80134 (720) 851-7647	
Connecticut	
Kristin Bonanno Pupattolaa, LLC 110 Albany Turnpike Unit 719 Canton, CT 06019 (860) 693-1217	Kristin Bonanno Bellilo, LLC 405 Queen St Southington, CT 06489 (860) 621-6762
Vincent and Lori Marrone Fairfield Haircuts, LLC 919 Post Road Fairfield, CT 06824 (203) 255-7577	Vincent and Lori Marrone Kid Snips, LLC 550 Boston Post Road Orange, CT 06477 (203) 795-4989
Florida	
Julie and Stephen Hunter A Little Style, Inc. 2221 Towncenter Avenue Viera, FL 32940 (321) 634-6848	Karavil 18, LLC The Promenade Shops 20335 Biscayne Blvd., #L-35 Aventura, FL 33180 (305) 466-1889

<p>Cristina Limbo and Al Shuman Lil Headz, LLC 2625 State Rd 7, Unit C600 Wellington, FL 33414 (561) 795-7647</p>	
Georgia	
<p>Steven & Elizabeth Tralongo Ready, Set, Grow, Inc. 4475 Roswell Road, Suite 1550 Marietta, GA 30062 (770) 578-4574</p>	<p>Steve & Elizabeth Tralongo Ready, Set, Grow, Inc. Forum Shops 4880 Peachtree Corners Circle, Suite 1110 Norcross, GA 30092 (770) 246-0450</p>
Maine	
<p>Nick and Cathleen Vecchione 209 Western Ave Unit E South Portland, ME 04106 (207) 774-KIDS</p>	
Maryland	
<p>Adele and Erik Overley Overley Investments, LLC Waugh Chapel Towne Center 1406 South Main Chapel Way, STE 112 Gambrills, MD 21054 (410) 451-0303</p>	
Massachusetts	
<p>Kristin Bonanno Pupattola, LLC 25 Boylston Street Chestnut Hill, MA 02467 (617) 566-SNIP</p>	<p>Sarah Boulos Boulos Company 101 Middlesex Turnpike Burlington, MA 01803 (781) 221-9939</p>
<p>David and Michele Gifford 92 Derby Street Shoppes Suite 133 Hingham, MA 02043 (781) 740-2306</p>	<p>Dean and Patricia Harrington Sweet Pea Does and Pirate, Cutz, Inc. 231 C Highland Ave. King Philips Crossing Seekonk, MA 02771 (508) 336-2626</p>
<p>John and Dora Karafalidis Kidz cuts, LLC 300 Andover Street Peabody, MA 01960 (978) 532-1400</p>	<p>Michael and Lisa Merrigan Merrigan Development, LLC 70 Worcester Providence Tpk, Suite 531 Millbury, MA 01527 (508) 865-SNIP</p>
<p>Lil' Noggins, LLC Nick and Cathleen Vecchione 544 Turnpike Street N. Andover, MA 01845 (978) 686-1499</p>	<p>Erik and Rebecca Zola REZ Enterprises Limited, LLC 429 S. Washington Street North Attleboro, MA 02760 (508) 695-9900</p>

Erik and Rebecca Zola REZ Enterprises Limited, LLC 95 Washington Street Canton, MA 02021 (781) 821-1900	
Michigan	
Mita and John Fitzjohn ACUO, LLC 2090 Celebration Drive, Suite 118 Grand Rapids, MI 49525 (616) 364-6363	Mita and John Fitzjohn ACUO, LLC 20530 Haggerty Road Northville, MI 48167 (734) 464-7487
Minnesota	
Haseen and Tasmia Alam Smart1 Enterprises, LLC 11634 Fountain Drive Maple Grove, MN 55369 (763) 494-5547	
Nevada	
Cheryl Hanneman His Grace, LLC 13967 South Virginia Street, Suite 908 Reno, NV 89511 (775) 852-5437	
New Hampshire	
Nick and Cathleen Vecchione Li' Noggins, LLC 449 Amherst Street Nashua, NH 03063 (603) 889-0000	
New Jersey	
Jo-Ann and Eddie Wilson Jenaly, LLC 395 Mount Hope Ave, STE 550 Rockaway , NJ 07866 (973) 361-3600	
New York	
Denise Deitz-Morgan DADM Kidz Cuts II, LLC 22 Clifton County Road Clifton Park, NY 12065 (518) 373-0023	Denise Deitz-Morgan DADM Kidz Cuts, Inc. Hamilton Sq./The 20 Mall 2080 Western Ave. Guilderland, NY 12084 (518) 250-4320
Todd Hallihan and Drew Reagan Green and White Ventures, LLC 5663 East Circle Drive, Suite 500 Cicero, NY 13039 (315) 452-KIDS	Danielle Masterson & Richard Kaelin Margaret Anne, Inc. 1289 Route 9, Corporate Park Wappingers Falls, NY 12590 (845) 632-3144

New York (cont'd)	
Jennifer Solomon 450 Central Park Ave. Scarsdale, NY 10583 (914) 574-5320	Munisha Chadha 1966 Jericho Turnpike Elwood Shopping Center East Northport, NY 11731 (631) 486-7477
North Carolina	
Lars and Nghiem Larson 10-10-10 Kid's Hair Salon, Inc. 8411 Brier Creek Parkway Suite 103, Building 20 Raleigh, NC 27617 (919) 484-9292	Scott and Debra Prince Three Princes, Inc. 8625 Lindholm Dr, Suite B Birkdale Village Huntersville, NC 28078 (704) 987-0940
Scott and Debra Prince Three Princes, Inc. Harper Hills Commons 4948 Martin View Ln. Winston-Salem, NC 27104 (336) 765-6363	Jill Davis Little Dipper Ent., LLC 42223 Park Road Park Road Shopping Center Charlotte, NC 28209 (704) 522-1112
Ohio	
Eric and Edi Gorze Leaping Lizards, LLC 89 First Street – Suite 203 Hudson, OH 44236 (330) 653-3353	Eric and Edi Gorze Leaping Lizards, LLC 21609 Center Ridge Road Rocky River, OH 44116 (440) 333-2226
Oklahoma	
Tricia Thompson Kidsnips of OK, LLC Quail Springs Village 2229 NW 138th Street Oklahoma City, OK 73134 (405) 302-0656	Tricia Thompson Kidsnips of OK, LLC 1413 SW 74th Street Oklahoma City, OK 73159 (405) 681-7100
Pennsylvania	
Scott and Libby Nulty Smuggs, Inc. 191 West Lincoln Highway, Whiteland Towne Center Exton, PA 19341 (610) 524-9100	
Rhode Island	
Erik and Rebecca Zola REZ Enterprises Limited, LLC 182 Hillside Road, Garden City Cranston, RI 02920 (401) 275-2323	
South Carolina	
Jill and Gil Davis Care First, LLC 5175 Sunset Blvd., STE 2 Lexington, SC 29072	Jill Davis Wish Upon A Star, LLC 1507 C. Woodruff Road Greenville, SC 29607

(803) 520-7259	(864) 329-1251
Tennessee	
<p>Robert Goldstein InDigo Fish, LLC 790 Jordan Road, Suite 108 Franklin, TN 37067 (615) 771-3633</p>	
Texas	
<p>Zahid and Sameena Hasan 6713 Hillcrest Ave. University Park at Snider Plaza Dallas, TX 75205 (214) 265-0220</p>	<p>Zahid and Sameena Hasan Snip-its Kidz, LLC 4720 Highway 121 Suite 130 Plano, TX 75024-7025 (972) 370-2000</p>
<p>Lisa and James Lopez Lisa and James Lopez Investments, Inc. South Park Meadows Shopping Center 9500 S IH-35 South Bldg. 10, STE E-200 Austin, TX 78748 (512) 292-9300</p>	<p>Lisa and James Lopez Lisa and James Lopez Investments, Inc. 2711 La Frontera Blvd. – Suite 220 Round Rock, TX 78681 (512) 244-9696</p>
<p>Wesley & Alane Middleton Cuts & Curls, LLC 1379 S. Voss Rd., STE C Houston, TX 77058 (713) 781-0306</p>	<p>Wesley & Alane Middleton Cuts & Curls, LLC 10919 Loretta Rd., STE 100 (HEB) Houston, TX 77070 (281) 257-8158</p>
<p>Wesley & Alane Middleton 6501 S. Fry Rd., #200 Grand Lakes Market Place Katy, TX 77494 (281) 574-1555</p>	<p>Wesley & Alane Middleton Cuts & Curls, LLC 14096 Memorial (Kirkwood) Houston, TX 77079 (281) 496-2070</p>
<p>Wesley & Alane Middleton Cuts & Curls, LLC 2522 Rice Blvd. Houston, TX 77005 (713) 807-7199</p>	<p>Wesley and Alane Middleton Cuts and Curls, LLC 2810 Business Center Dr. Pearland, TX 77584 (713) 436-8181</p>
<p>Wesley and Alane Middleton Cuts and Curls, LLC 15890 Southwest Fwy Sugar Land, TX 77478 (281) 491-7647</p>	<p>Wesley and Alane Middleton Cuts and Curls, LLC The Woodlands Mall 1201 Lake Woodlands Drive The Woodlands, TX 77380 (281) 419-4222</p>
Virginia	
<p>Caitlin and Sean Gallagher Ambren Ventures, LLC 217 Connor Dr. Hollymead Town Center Charlottesville, VA 22911 (434) 971-7647</p>	

As of December 31, 2013, we signed a franchise agreement with the following franchisees, however, these franchisees have not yet opened a franchised unit:

Kristin Bonanno (1)
Ciao Ya'll, LLC
55 Whittier Ave.
Waltham, MA 02451
(781) 838-2751

Jill and Gil Davis (1)
Care First, LLC
113 Red Alder Ct.
Lexington, SC 29072
(803) 546-3008

Norman and Gail Stalarow (1), (2)
We Share Hair, LLC
4011 Levonshire Dr.
Houston, TX 77025
(832) 435-5522
(832) 347-6548

Zahid & Sameena Hasan (1), (2)
2277 Sussex Lane
Allen, TX 75013
(469) 667-4686

Notes:

1. Franchisee already operates a Snip-its salon
2. Franchisee has signed multiple Franchise Agreements to open Snip-its salons

EXHIBIT F

LIST OF FORMER FRANCHISEES

(as of December 31, 2013)

Kim Berube (3)
Kim Brenner, Inc.
38 Jamison Dr.
Clifton Park, NY 12065
(518) 2256336

Denis Lemire (3)
Lemire Enterprises, LLC
4 Lord Brook
Cromwell, CT 06416
(860) 833-1780

Lynn Ramsey (3)
Little Ones to Him Belong, LLC
24 Sunny Meadow Lane
Simpsonville, SC 29681
(864) 444-9366

Lynn Ramsey (3)
LOTHB #2, LLC
24 Sunny Meadow Lane
Simpsonville, SC 29681
(864) 444-9366

Larry Maxwell (3)
Lmaxenterprises, LLC
230 Marsh Ave.
#9
Reno, NV 89509
(775) 885-5058

Norman & Gail Stalarow (2) (3)
We Share Hair, LLC
4011 Levonshire Dr.
Houston, TX 77025
(832) 452-2852

Wesley and Alane Middleton (2) (3)
Cuts & Curls, LLC
5 Tall Trail
Missouri City, TX 77459
(832) 654-4228

Thea and Elias Tsagaris (3)
Malyia, LLC
71 Jaffarian Rd.
Haverhill, MA 01830
(978) 855-3533

Beth Whitcraft (1)
621 Barton LN
Ballwin, MO 63021
(636) 795-1715

Lorraine Mastalerz (4)
11311 Heron Bay Blvd. #2822
Coral Springs, FL 33076
(914) 830-4518

Notes:

1. Salon closed.
2. These franchisees continue to operate other franchised Salons at other locations. See Exhibit E
3. This Franchisee's salon was transferred to an existing or new Franchisee.
4. This franchisee was a developer who never entered into a Franchise Agreement or opened a Salon.

EXHIBIT G

LIST OF AFFILIATE-OWNED SNIP-ITS SALONS

(as of December 31, 2013)

The following Snip-its Salon is owned and operated by our Parent:

Framingham
Shoppers World
One Worcester Road
Framingham, MA 01701
(508) 370-0006

EXHIBIT H
FINANCIAL STATEMENTS

THE SNIP-ITS CORPORATION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 and 2011

D. F. Breen, LLC
Certified Public Accountant
Melrose, MA 02176

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
The Snip-Its Corporation:

I have audited the accompanying consolidated financial statements of The Snip-Its Corporation and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2013, 2012 and 2011, and the related consolidated statements of changes in stockholders' equity, income and retained earnings, cash flows and schedule of fixed assets for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Snip-Its Corporation and subsidiary, as of December 31, 2013, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

D. F. Breen LLC

Melrose, Massachusetts
March 11, 2014

THE SNIP-ITS CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2013, 2012 AND 2011

	<u>Assets</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets:			
Cash	\$ 438,188	\$ 622,425	\$ 500,746
Inventory	22,899	21,125	44,948
Accounts receivable	88,555	53,977	115,623
Other current assets	108,416	16,645	19,903
Total current assets	<u>658,058</u>	<u>714,172</u>	<u>681,220</u>
Fixed assets (net)	<u>251,806</u>	<u>271,865</u>	<u>296,633</u>
Other assets:			
Security deposits and other assets	22,223	39,790	24,213
Software, animation & other intangibles (net)	20,738	26,451	6,419
Copyrights	39,533	39,533	39,533
Total other assets	<u>82,494</u>	<u>105,774</u>	<u>70,165</u>
Total assets	<u>\$ 992,358</u>	<u>\$ 1,091,811</u>	<u>\$ 1,048,018</u>
	<u>Liabilities and Stockholders' equity</u>		
Current liabilities:			
Accounts payable	\$ 35,755	\$ 12,897	\$ 40,345
Marketing fund	13,759	23,273	22,131
Accrued expenses and other current liabilities	56,031	54,751	147,535
Total liabilities	<u>105,545</u>	<u>90,921</u>	<u>210,011</u>
Stockholders' equity:			
Preferred stock - Series A & B convertible preferred stock, \$.01 par value 1,828,642 shares authorized, 1,577,742 shares issued and outstanding	15,577	15,577	15,577
Common stock - Class A, \$.01 value, voting, 9,000,000 authorized, 5,479,994 shares issued and outstanding	54,760	54,800	54,800
Additional paid-in capital	2,865,308	2,865,268	2,865,268
Retained earnings (deficit)	<u>(2,048,832)</u>	<u>(1,934,755)</u>	<u>(2,097,638)</u>
Total stockholders' equity	<u>886,813</u>	<u>1,000,890</u>	<u>838,007</u>
Total liabilities & stockholders' equity	<u>\$ 992,358</u>	<u>\$ 1,091,811</u>	<u>\$ 1,048,018</u>

See accompanying notes to financial statements.

D. F. Breen, LLC, Certified Public Accountant

THE SNIP-ITS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

DECEMBER 31, 2013, 2012 AND 2011

	Series A \$.01 par Convertible Preferred Stock		Series B \$.01 par Convertible Preferred Stock		Total \$.01 par Convertible Preferred Stock		Class A \$.01 par Voting Common stock		Class B \$.01 par Non-voting Common stock		Additional Paid in Capital	Retained earnings (deficit)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2010	1,055,424	10,554	502,318	5,023	1,557,742	15,577	5,468,494	\$ 54,685	7,500	75	2,865,308	(2,315,408)	620,237
Capital stock issued, 2011	-	-	-	-	-	-	-	-	-	-	-	217,770	217,770
Net income, 2011	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2011	1,055,424	10,554	502,318	5,023	1,557,742	15,577	5,468,494	54,685	7,500	75	2,865,308	(2,097,638)	838,007
Prior period adjustment for prepaid coupon book liability	-	-	-	-	-	-	-	-	-	-	-	(16,108)	(16,108)
Balance at December 31, 2011, as restated	1,055,424	10,554	502,318	5,023	1,557,742	15,577	5,468,494	54,685	7,500	75	2,865,308	(2,113,746)	821,899
Net income (loss), 2012	-	-	-	-	-	-	-	-	-	-	-	178,991	178,991
Balance at December 31, 2012	1,055,424	\$ 10,554	502,318	\$ 5,023	1,557,742	\$ 15,577	5,468,494	\$ 54,685	7,500	75	\$ 2,865,308	\$ (1,934,755)	\$ 1,000,890
Class B Common retired for Class A	-	-	-	-	-	-	7,500	75	(7,500)	(75)	-	(114,077)	(114,077)
Net income, 2013	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2013	1,055,424	\$ 10,554	502,318	\$ 5,023	1,557,742	\$ 15,577	5,475,994	\$ 54,760	-	\$ -	\$ 2,865,308	\$ (2,048,832)	\$ 886,813

See accompanying notes to financial statements.

D. F. Breen, LLC, Certified Public Accountant

THE SNIP-ITS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue:			
Net sales	\$ 566,283	\$ 872,097	\$ 1,021,928
Franchise revenue and royalties	921,954	993,366	1,054,667
Other income	1,740	3,501	4,375
	<hr/>	<hr/>	<hr/>
Total Revenue	1,489,977	1,868,964	2,080,970
Cost of sales	<hr/>	<hr/>	<hr/>
	209,766	333,266	400,143
Gross profit	1,280,211	1,535,698	1,680,827
Operating expenses:			
Selling expenses	225,235	367,173	461,234
Marketing expenses	126,673	61,308	82,162
General and administrative	1,002,054	933,107	897,736
	<hr/>	<hr/>	<hr/>
Total expenses	1,353,962	1,361,588	1,441,132
Operating income	(73,751)	174,110	239,695
Other income:			
Interest income (net)	2,783	1,541	503
Gain on sale of store locations, net of costs of sale		52,956	-
	<hr/>	<hr/>	<hr/>
Income before depreciation and amortization	(70,968)	228,607	240,198
Depreciation and amortization	<hr/>	<hr/>	<hr/>
	(43,109)	(49,616)	(22,428)
Net income (loss)	<u>\$ (114,077)</u>	<u>\$ 178,991</u>	<u>\$ 217,770</u>

See accompanying notes to financial statements.

D. F. Breen, LLC, Certified Public Accountant

THE SNIP-ITS CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:			
Net income (loss)	\$ (114,077)	\$ 178,991	\$ 217,770
Adjustments to reconcile net income to net cash (used by) operating activities:			
Depreciation and amortization	43,109	49,616	22,428
Gain on sale of store locations, net of costs of sale	-	(52,956)	-
Changes in current assets and liabilities:			
(Increase) decrease in inventory	(1,774)	23,823	(2,104)
(Increase) decrease in accounts receivable	(34,578)	61,646	(68,571)
(Increase) decrease in other assets	(74,204)	(12,319)	(1,583)
Increase (decrease) in accounts payable and other current liabilities	14,624	(138,559)	111,980
Cash provided (used) by operating activities	<u>(166,900)</u>	<u>110,242</u>	<u>279,921</u>
Cash flows from investing activities:			
Purchase of fixed and other assets	(17,337)	(68,151)	(28,191)
Proceeds from sale of store locations	-	135,000	-
Costs of sale of store locations	-	(55,412)	-
Cash provided by investing activities	<u>(17,337)</u>	<u>11,437</u>	<u>(28,191)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Increase in cash	(184,237)	121,679	251,730
Cash, beginning of year	622,425	500,746	249,016
Cash, end of year	<u>\$ 438,188</u>	<u>\$ 622,425</u>	<u>\$ 500,746</u>
Supplemental disclosure of cash flow information:			
Cash paid for:			
Income taxes	<u>\$ 15,314</u>	<u>\$ 19,984</u>	<u>\$ 4,021</u>

See accompanying notes to financial statements.

D. F. Breen, LLC, Certified Public Accountant

THE SNIP-ITS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 and 2011

Note 1 – Summary of Significant Accounting Policies

- a. Organization – The Company was incorporated in 1996. Its principal business activity is the sale of children’s haircuts and related products and accessories, and sales of franchise rights to franchisees for additional locations.
- b. Principles of Consolidation - The consolidated financial statements include the accounts of The Snip-Its Corporation and its wholly owned subsidiary, The Snip-Its Franchise Company, LLC. All material intercompany transactions have been eliminated.
- c. Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.
- d. Inventories – Inventories are stated at cost and consist of signature accessories and salon point of sale system packages available for sale to franchisees. Cost is determined on the first in, first out (FIFO) method.
- e. Fixed Assets – These assets are recorded at cost. Depreciation is computed using primarily accelerated methods over the estimated useful lives of the assets, which is five years for vehicles, furniture and fixtures, seven years for equipment and thirty-nine years for leasehold improvements. Depreciation expense totaled \$43,109, for the year.
- f. Organization Costs – These are costs associated with the organization and start up of Snip Its Franchise Company, LLC, subsidiary of The Snip Its Corporation. These costs are amortized on a straight line basis over five years and are fully amortized at December 31, 2011.
- g. Start-up Costs and Intangible Assets – The Company expenses the costs of locating and opening new store locations as they are incurred. Intangible assets are stated at cost, and represent organizational costs, expenditures for developing software for the Company’s internal use, as well as production and animation for a short film using the Company’s trademarked characters. Amortization is calculated using primarily the straight-line method over five years.

THE SNIP-ITS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 and 2011

(Continued)

Note 1 – Summary of Significant Accounting Policies (continued)

- h. Franchise Fee Revenue - Revenue from franchise sales is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. During the year ended December 31, 2013, two multi-salon development agreements were executed; three new locations was opened; and eight locations were transferred. The company also collects a marketing fund contribution from franchisees. These monies are designated for national advertising, with contributions and related expenditures accumulated in a balance sheet account.
- i. Marketing Costs – The Company expenses the costs of marketing programs the first time the program takes place as well as the continuing costs of marketing the program. These costs totaled \$126,673, for the year.
- j. Advertising – The Company amortizes certain advertising development costs, if such costs will be utilized over two or more years. Amortization is recognized on a straight line basis, over the estimated useful life of the advertising development.
- k. Reclassifications – Certain 2011 and 2012 amounts have been reclassified to conform to 2013 presentation.

Note 2 – Commitments and contingencies

The Company occupies its store location under an operating lease which expired in 2009. The store lease was extended through September 14, 2014, with annual base rents for years one and two of \$112,260, and years three through five of \$114,505.

The Company occupies its office space as a tenant at will.

Rent and occupancy expenses totaled \$175,050, \$233,163, and \$247,069, for 2013, 2012 and 2011, respectively.

The Company has two line of credit agreements with different banks, with a total principal amount of \$175,000. The interest on the larger of the credit lines is calculated at the prime interest rate plus 1.75%; the interest on the smaller of the lines is calculated at the prime interest rate plus 2.99%. No amounts were outstanding under either line as of December 31, 2013, 2012 or 2011.

THE SNIP-ITS CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 and 2011

(Continued)

Note 2 – Commitments and contingencies (continued)

The Company entered into a service agreement with a marketing development firm effective February 5, 2013. The agreement calls for a three year term for a monthly service fee of \$1,000. After the initial three year term, the contract is renewable for successive one year terms upon ninety days written notice.

The Company also entered into a production and distribution agreement effective January 14, 2013 for broadcast distribution of a licensed character short television series. The agreement calls for a three year term with the option of a two year renewal, for an annual fee of \$7,500 for years one through three.

Note 3 – Stock Option Agreements

The Company sponsors a Stock Incentive Plan under which options may be granted at a specific price and vesting schedule. Restricted options were granted to one employee in connection with his employment contract, which was executed in October, 2008. Each year for three years, the employee vests in the right to purchase a 1.67% percent interest in the corporation, for total vesting of five percent at the end of year three. No options were issued or exercised in 2013, 2012 or 2011.

Note 4 – Net Operating Loss and Open Tax Years

The Company has net operating losses of approximately \$1,112,000 available to offset future federal taxable income. The loss carryovers will expire in tax years 2021 through 2028. The net operating losses available to offset future Massachusetts taxable income approximate \$33,000 and will expire in the tax year 2018. Open tax years subject to examination by federal or state taxing authorities are December 31, 2013, 2012, 2011 and 2010.

Note 5 – Related Party Transaction

A shareholder of the parent company provides consulting services to both the parent and subsidiary companies. Amounts incurred for services provided to the parent and subsidiary companies total \$13,300, \$42,350 and \$20,720, in 2013, 2012 and 2011, respectively.

THE SNIP-ITS CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013, 2012 and 2011

(Continued)

Note 6 – Notes Receivable

The Company has two notes receivable to certain franchisees outstanding at December 31, 2013. The two year note terms expire during 2014 and 2015 and bear interest at rates between three and seven percent per year.

Note 7 – Stockholders Equity

The Company currently has one class of Common Stock and two series of preferred stock outstanding, all with par values of \$.01. Class A Common Stock has full voting rights, and all Class B shares have been retired and exchanged for Class A. Per the Series B preferred stock terms dated September 2, 2008, common and preferred stock vote together as a single class on all actions to be taken by the stockholders.

Series A Preferred Stock is convertible at any time, at the holder's option, into shares of Class A Common Stock. Based on the current conversion formula, which is unchanged from December 31, 2008, Series A and Series B Preferred Stock outstanding are convertible on a one for one basis into shares of Class A Common Stock. The Company is required to keep common shares in reserve at all times for the purpose of issuance upon conversion. The shares will automatically convert in the event of an underwritten public offering resulting in proceeds of at least \$15,000,000, at an offering price of not less than \$4.14 per share. In the instance of a liquidation event, each holder of Series A preferred stock shall be entitled, before any distribution or payment is made on any other stock, to receive the greater of \$1.38 per share or such amount per share as would have been payable had each share been converted to Class A Common Stock; each holder of Series B preferred stock shall be entitled, before any distribution or payments is made on any other stock, to receive the greater of \$0.67 per share or such amount per share as would have been payable had each share been converted to Class A Common Stock. In the instance of such a liquidation event, the Series A and Series B preferred stock liquidation preferences will be calculated prorata. Aggregate liquidation preference on unredeemed shares is \$1,793,121, at December 31, 2013.

Note 7 – Subsequent Events

The Company has considered subsequent events through March 13, 2014.

THE SNIP-ITS CORPORATION AND SUBSIDIARY
CONSOLIDATED SCHEDULE OF FIXED ASSETS

DECEMBER 31, 2013, 2012 AND 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 210,984	\$ 210,984	\$ 211,530
Furniture and fixtures	136,344	136,344	126,201
Store equipment	206,012	203,893	211,483
Computer equipment	32,873	32,873	32,673
Molds	<u>121,121</u>	<u>121,121</u>	<u>121,121</u>
Total	707,334	705,215	703,008
Less: accumulated depreciation	<u>(455,528)</u>	<u>(433,350)</u>	<u>(406,375)</u>
Net fixed assets	<u><u>\$ 251,806</u></u>	<u><u>\$ 271,865</u></u>	<u><u>\$ 296,633</u></u>

GUARANTEE OF PERFORMANCE

For value received The Snip-its Corporation, a Massachusetts corporation, located at 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344 (the "Guarantor") absolutely and unconditionally guarantees to assume the duties and obligations of The Snip-its Franchise Company, LLC, a Massachusetts limited liability company, located at 6409 City West Parkway, Suite 205 A, Eden Prairie, Minnesota 55344 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued March 31, 2012, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Eden Prairie MN, on the 13 day of March, 2012.

Guarantor: The Snip-its Corporation

By: 

Title: President & CEO

EXHIBIT I

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OPERATIONS MANUAL

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EXHIBIT J

STATE-SPECIFIC DISCLOSURES

States

1. California
2. Illinois
3. Maryland
4. Minnesota
5. New York
6. Rhode Island
7. Washington

California Disclosure

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Franchise Disclosure Document for The Snip-Its Franchise Company, LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website, www.snipits.com, has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of the website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.

2. In Item 3, "Litigation," shall be amended by the addition of the following paragraphs:

Under California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of *nolo contendere*.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, *et seq.*) suspending or expelling such person from membership in such association or exchange.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

The following notice is required to be inserted in this disclosure document by the state of California whenever an applicable provision is included in a Franchise Agreement. We reserve the right to attempt to enforce all of the provisions listed below in which we indicate that "this provision may not be enforceable under California law."

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

The Franchise Agreement and/or the Development Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, *et seq.*).

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

The Franchise Agreement and/or Development Agreement requires application of the laws of the State of Minnesota. This provision may not be enforceable under California law.

California Corporations Code § 31125, requires the franchisor to give the franchisee and/or developer a disclosure document, approved by the

Department of Business Oversight, before soliciting a proposed material modification of an existing franchise/license/development.

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

Each provision of this Addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000 - 31516, and the California Franchise Relations Act, Cal Bus. & Prof. Code §§2000 - 20043, are met independently without reference to this Addendum to the disclosure document.

Illinois Disclosure

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Franchise Disclosure Document for The Snip-its Franchise Company, LLC for use in the State of Illinois shall be amended as follows:

1. Item 11, “Franchisor’s Assistance, Advertising, Computer Systems, and Training,” under the heading Training, the first paragraph shall be deleted in its entirety and the following paragraph shall be substituted in lieu thereof:

Before your Salon opens, you (or, if you are a corporation, partnership, limited liability company, or limited liability partnership, one of your Principals who you designate as the Operating Partner), and/or one Salon Manager, must attend and successfully complete, to our satisfaction, the initial training program that we offer. For the purpose of the Franchise Agreement, each “Principal” (including the Operating Partner) must be a person who has at least a 10% ownership interest in Franchisee, and who has signed the Guarantee, Indemnification and Acknowledgement that is attached to the Franchise Agreement. (See also Item 15 below.)

2. Item 15, “Obligation to Participate in the Actual Operation of the Franchise Business,” the first paragraph shall be deleted in its entirety and the following paragraph shall be substituted in lieu thereof:

The Franchise Agreement does not require you to participate personally in the direct operation of the Salon, although we encourage and recommend active participation by you. We do, however, require that the Salon be under the active full-time management of either you, or your Operating Partner, or the Salon Manager who has successfully completed (to our satisfaction) our initial training program. As described in Item 11, before your Salon opens, you (or, if you are a corporation, partnership, limited liability company, or limited liability partnership, one of your Principals who you designate as the Operating Partner), and/or one Salon Manager, must attend and successfully complete, to our satisfaction, the initial training program that we offer. For the purpose of the Franchise Agreement, each “**Principal**” (including the Operating Partner) must be a person who has at least a 10% ownership interest in Franchisee, and who has signed the Guarantee, Indemnification and Acknowledgement that is attached to the Franchise Agreement.

3. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following at the conclusion of the Item:

Sec. 705/4 of the Illinois Franchise Disclosure Act provides that “any provision in a franchise agreement that designates jurisdiction or venue in a forum outside this state [Illinois] is void.”

4. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

Maryland Disclosure

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the disclosure document for The Snip-its Franchise Company, LLC for use in the State of Maryland shall be amended as follows:

1. Item 5, "Initial Fees," the first paragraph under the subheading Initial Franchise Fee shall be deleted and the following paragraph is substituted in lieu thereof:

When you sign the Franchise Agreement you must pay us an initial franchise fee of \$25,000 (the "**Initial Franchise Fee**"). As required by the State of Maryland, all fees paid to us by you, including payments for goods and services received from us before the Salon opens, will be deferred pending satisfaction of all of our material pre-opening obligations to you. The Initial Franchise Fee is fully earned by us and is non-refundable. If you enter into the Franchise Agreement, or a future franchise agreement, with us for the establishment of your second or subsequent Salon within two years of the date you enter into the Franchise Agreement, or your previous franchise agreement with us, then the Initial Franchise Fee will be 75% of the then-current initial franchise fee for new franchisees entering the System. The initial franchise fees for additional franchise agreements must be paid when you open those Salons. However, if the State of Maryland requirement that all fees be deferred until the Salon opens for business is eliminated, all fees for the additional franchise agreements must be paid when you sign franchise agreements for those additional Salons. The Initial Franchise Fee and the discount for additional Salons is uniformly applied. If you have paid to us a development fee under a Development Agreement, and the Salon is established under the Development Schedule, then we will credit to you the portion of the development fee paid to us for the Salon, as described below.

2. Item 5, "Initial Fees," the first paragraph under the subheading Development Fee shall be deleted and the following paragraph is substituted in lieu thereof:

When you sign a Development Agreement, you must pay us a non-refundable development fee (the "**Development Fee**") in the amount of: (a) \$50,000 if you are to establish and operate three Snip-its Salons under the Development Schedule, or (b) \$75,000 if you are to establish and operate five Snip-its Salons under the Development Schedule. For so long as the State of Maryland imposes rules on the timing and deferral of initial franchise and development fee payments, you must pay us the entire Development Fee when you open your first salon under the Development Agreement.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following language:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following language to the summary of Provision "h":

Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

5. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language to the summary of Provisions "v" and "w":

except for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. Exhibit L, "Franchisee Compliance Certification," is amended by the addition of the following at the end of Exhibit L:

The representations under this Franchisee Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

7. Each provision of this addendum to the disclosure document is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this addendum to the disclosure document.

Minnesota Disclosure

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for The Snip-its Franchise Company LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following paragraphs:

With respect to franchisees/developers governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3,4, and 5 which require, except in certain specified cases, that a franchisee/developers be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement/Area Development Agreement, and that consent to the transfer of the franchise/development not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies provided as may be for by the laws of the jurisdiction.

2. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the disclosure document.

New York Disclosure

ADDITIONAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT C OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

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

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Franchise Disclosure Document for The Snip-its Franchise Company LLC for use in the State of New York shall be amended as follows:

1. Item 3, "Litigation," shall be deleted in its entirety, and the following Item 3 shall be substituted in its place:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action (or a significant number of civil or arbitration actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded *nolo contendere* to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded *nolo contendere* to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a franchisees a real estate broker or sales agent.

Accordingly, no litigation is required to be disclosed in this disclosure document.

2. The paragraph under Item 4, "Bankruptcy" is deleted in its entirety and the following language substituted in its place:

Neither the franchisor, nor any predecessor or current officer of the Franchisor, during the ten-year period immediately preceding the date of this disclosure document, has filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; obtained a discharge of its debts under the bankruptcy code; or was a principal officer in a company, or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its

debts under the U.S. Bankruptcy Code during or within one year of the time that the officer or general partner held this position in the company or partnership.

3. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by deleting rows d, j, and w, and the following new rows d, j, and w shall be substituted in their place:

Provision	Section in Franchise Agreement	Summary
d. Termination by you	None	Pursuant to New York General Business Law, the franchisee may terminate the Agreement upon any grounds available by law.
j. Assignment of contract by us	§ 12.1 in Franchise Agreement; § 7.1 in Development Agreement;	There are no limits on our right to sign the Franchise Agreement. No assignment will be made except to an assignee who, in Franchisor’s judgment, is willing and able to assume the Franchisor’s obligation under the Franchise Agreement.
w. Choice of law	§ 22.1 in Franchise Agreement; § 15.1 in Development Agreement;	Minnesota. The foregoing choice of law should not be considered as a waiver of any right conferred upon the franchisor or the franchisee by the General Business Law of the State of New York, Article 33.

4. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if the franchisee is domiciled in or the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

STATEMENT OF DISCLOSURE DOCUMENT ACCURACY

THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.

Rhode Island Disclosure

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for The Snip-its Franchise Company, LLC for use in the State of Rhode Island shall be amended to include the following:

1. Item 17, “Renewal, Termination, Transfer and Dispute Resolution,” shall be amended by the addition of the following:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. This addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum to the disclosure document.

Washington Disclosure

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the disclosure document for The Snip-its Franchise Company, LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

2. Each provision of this addendum to the disclosure document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the disclosure document.

EXHIBIT K
STATE-SPECIFIC
AGREEMENT AMENDMENTS

States

1. Illinois
2. Maryland
3. Minnesota
4. New York
5. Rhode Island
6. Washington

Illinois Franchise Agreement Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached The Snip-Its Franchise Company, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term and Renewal," shall be supplemented by the addition of the following new paragraph 2.3, which shall be considered an integral part of the Agreement:

2.3 If any of the provisions of this Section 2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 13 of the Agreement, under the heading "Default and Termination," shall be supplemented by the addition of the following new paragraph 13.7, which shall be considered an integral part of the Agreement:

13.7 If any of the provisions of this Section 13 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 21 of the Agreement, under the heading "Entire Agreement and Amendment," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

This Agreement and the documents referred to herein constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof. Other than the representations set forth in the Franchise disclosure document provided to Franchisee by Franchisor in accordance with the Federal Trade Commission's Trade Regulation Rule Concerning Franchising and Business Opportunity Ventures, there are no other oral or written understandings, representations or agreements between Franchisee and Franchisor concerning the subject matter of this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

4. Sections 23.1 and 23.2 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

23.1 **Governing Law.** This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Illinois, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Illinois choice-of-law rules); provided, however, that if the covenants in Section 15 of this Agreement would not be enforceable under the laws of Illinois, and the Salon is located outside of Illinois, then such covenants shall be interpreted and construed under the laws of the state in which the

Salon is located. Nothing in this Section 23.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, consumer protection, or similar law, rule, or regulation of the State of Illinois to which this Agreement would not otherwise be subject.

23.2 Venue. Subject to Section 23.3, the parties agree that any action brought by Franchisee against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced, except with respect to claims arising under the Illinois Franchise Disclosure Act. Any action brought by Franchisor against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced. The parties agree that this Section 23.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

5. Section 23 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be supplemented by the addition of the following new Section 23.9, which shall be considered an integral part of the Agreement:

23.9 Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Illinois Area Development Agreement Amendment

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached The Snip-Its Franchise Company, LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4 of the Agreement, under the heading "Term," shall be supplemented by the addition of the following new paragraph 4.3, which shall be considered an integral part of the Agreement:

4.3 If any of the provisions of this Section 4 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act, the provisions of the Act shall apply. If Franchisor refuses to renew this Agreement, Franchisor shall compensate Franchisee if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 6 of the Agreement, under the heading "Default," shall be supplemented by the addition of the following new paragraph 6.8, which shall be considered an integral part of the Agreement:

6.8 If any of the provisions of this Section 6 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 13 of the Agreement, under the heading "Entire Agreement," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

This Agreement and the documents referred to herein constitute the entire, full, and complete Agreement between Franchisor and Franchisee concerning the subject matter hereof. Other than the representations set forth in the Franchise Disclosure Document provided to Franchisee by Franchisor in accordance with the Federal Trade Commission's Trade Regulation Rule Concerning Franchising and Business Opportunity Ventures, there are no other oral or written understandings, representations or agreements between Franchisee and Franchisor concerning the subject matter of this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

4. Sections 15.1 and 15.2 of the Agreement, under the heading "Applicable Law," shall be deleted in their entirety, and shall have no force or effect; and the following new paragraphs shall be substituted in lieu thereof:

15.1 This Agreement takes effect upon its acceptance and execution by Franchisor, and shall be interpreted and construed exclusively under the laws of the State of Illinois, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Illinois choice-of-law rules); provided, however, that if the covenants in Section 8 of this Agreement would not be enforceable under the laws of Illinois, and the Development Area is located outside of that Illinois, then such covenants shall be interpreted and construed under the laws of the state in which the Development Area is located. Nothing in this Section 15.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, consumer

protection, or similar law, rule, or regulation of Illinois to which this Agreement would not otherwise be subject.

15.2 The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced, except with respect to claims arising under the Illinois Franchise Disclosure Act. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced. The parties agree that this Section 15.2 shall not be construed as preventing either party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

5. Section 15 of the Agreement, under the heading "Applicable Law," shall be supplemented by the addition of the following new Section 15.8, which shall be considered an integral part of the Agreement:

15.8 Nothing contained in this Section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met).

6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

The Snip-its Franchise Company, LLC
6409 City West Parkway, Suite 205-A
Eden Prairie, Minnesota 55344
Telephone: (952) 288-2222
Fax: _____
Attn: _____

Telephone: _____
Fax: _____
Attn: _____

Maryland Franchise Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached The Snip-its Franchise Company, LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.7 of the Agreement, under the subheading "Renewal," shall be amended by the addition of the following sentence:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 4.1, under the heading "Initial Franchise Fee," is deleted in its entirety, and shall have no force or effect, and the following paragraph shall be substituted in lieu thereof:

4.1 Initial Franchise Fee

Franchisee shall pay Franchisor an initial franchise fee of Twenty Five Thousand Dollars (\$25,000) (the "Initial Franchise Fee"). As required by the State of Maryland, all fees paid to us by you, including payments for goods and services received from us before the Salon opens, will be deferred pending satisfaction of all of our material pre-opening obligations to you. This fee is fully earned by us as of the opening date. If Franchisee enters into this Agreement, or a future franchise agreement, with Franchisor for the establishment of Franchisee's second (2nd) or subsequent Snip-its Salon within two (2) years of the effective date of this Agreement, or franchisee's previous franchise agreement with Franchisor, as the case may be, then the Initial Franchise Fee under such franchise agreement shall be equal to seventy-five percent (75%) of the then-current initial franchise fee for new franchisees entering the System. The initial franchise fees for additional franchise agreements must be paid when you open those Salons. However, if the State of Maryland requirement that all fees be deferred until the Salon opens for business is eliminated, all fees for the additional franchise agreements must be paid when you sign franchise agreements for those additional Salons. If Franchisee is unable to locate a site for the Approved Location in accordance with the Site Selection Addendum, or if after Franchisee locates a site for the Approved Location, Franchisee is unable to complete Franchisor's initial training program, Franchisor shall have the right to terminate this Agreement.

3. Section 12.4.1 of the Agreement, under the subheading "Conditions for Approval," shall be amended by the addition of the following sentence:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Section 23.2 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

23.2 Subject to Section 23.3 below, the parties agree that any action brought by Franchisee against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced, except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law. Any action brought by Franchisor against Franchisee in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced, except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law. The parties agree that this Section 23.2 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. Franchisee hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

5. Section 23.7 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be amended by the addition of the following sentence:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Section 24 of the Agreement, under the heading “Acknowledgments,” shall be amended by the following:

24.9 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

7. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Maryland Area Development Agreement Amendment

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached The Snip-its Franchise Company, LLC Area Development Agreement (the “Agreement”) agree as follows:

1. Section 2.1, under the heading “Development Fee,” is deleted in its entirety, and shall have no force or effect, and the following paragraph shall be substituted in lieu thereof:

2.1 Development Fee

In consideration of the development rights granted herein, Developer shall pay to Franchisor a development fee (“**Development Fee**”) in the amount of: (a) \$50,000 if you are to establish and operate three Snip-its Salons under the Development Schedule, or (b) \$75,000 if you are to establish and operate five Snip-its Salons under the Development Schedule. As required by the State of Maryland, the entire Development Fee will be paid to us on the date you open your first Salon for business. The Development Fee will be fully earned when received by us and will be non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you.

2. Section 7.4.1 of the Agreement, under the heading “Transfers,” shall be amended by the addition of the following sentence:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 15.2 of the Agreement, under the heading “Applicable Law,” shall be deleted in its entirety, and shall have no force or effect; and the following shall be substituted in lieu thereof:

15.2 The parties agree that any action brought by Developer against Franchisor in any court, whether federal or state, shall be brought within such state and in the judicial district in which Franchisor has its principal place of business at the time the action is commenced, except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced, except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law. The parties agree that this Section 15.2 shall not be construed as preventing either party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action.

4. Section 15.6 of the Agreement, under the heading “Applicable Law,” shall be amended by the addition of the following sentence:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Section 16 of the Agreement, under the heading "Acknowledgments," shall be amended by the following:

16.10 The foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

The Snip-its Franchise Company, LLC
6409 City West Parkway, Suite 205-A
Eden Prairie, Minnesota 55344
Telephone: (952) 288-2222

Telephone: _____

Fax: _____

Fax: _____

Attn: _____

Attn: _____

Minnesota Franchise Agreement Amendment

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached The Snip-its Franchise Company LLC Franchise Agreement (the “Agreement”) agree as follows:

1. Section 2.2.7 of the Agreement, under the heading “Term and Renewal,” shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

2.2.7 Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its subsidiaries and affiliates, and their respective officers, directors, agents, and employees; excluding only such claims as Franchisee may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce; and

2. Section 2 of the Agreement, under the heading “Term and Renewal,” shall be supplemented by the addition of the following new paragraph:

2.3 Minnesota law provides franchisees with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a franchisee be given 180 days notice of non-renewal of the Franchise Agreement.

3. Section 6 of the Agreement, under the heading “Proprietary Marks and Copyrights,” shall be amended by the addition of the following new paragraph 6.9:

6.9 Pursuant to Minnesota Stat. Sec. 80C.12, Subd. 1(g), Franchisor is required to protect any rights Franchisee may have to Franchisor’s Proprietary Marks.

4. Section 12.4.1 of the Agreement, under the heading “Transfer of Interest,” shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

12.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Franchisee and Franchisor or its affiliates, and federal, state, and local laws and rules; excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce;

5. Section 12 of the Agreement, under the heading “Transfer of Interest,” shall be supplemented by the addition of the following new paragraph 12.12:

12.12 Minnesota law provides franchisees with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the franchise may not be unreasonably withheld.

6. Section 13 of the Agreement, under the heading “Default and Termination,” shall be supplemented by the following new paragraph 13.7:

13.7 Minnesota law provides franchisees with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) of the Franchise Agreement.

7. Section 23.5 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

23.5 Injunctive Relief. Nothing herein contained shall bar Franchisor’s right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

8. Section 23.7 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be supplemented with the addition of the following language at the end of the first sentence:

; provided, however, that any action pursuant to the Minnesota Franchises Law may be commenced within three years after the cause of action accrues.

9. Section 23 of the Agreement, under the heading “Applicable Law and Dispute Resolution”, shall be supplemented by the following paragraph 23.9, which shall be considered an integral part of the Agreement:

23.9 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction.

10. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Minnesota Area Development Agreement Amendment

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached The Snip-its Franchise Company LLC Area Development Agreement (the "Agreement") agree as follows:

1. Section 4 of the Agreement, under the heading "Term," shall be supplemented by the addition of the following new paragraph:

4.3 Minnesota law provides developers with certain non-renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that a developer be given 180 days notice of non-renewal of the Area Development Agreement.

2. Section 7.4.1 of the Agreement, under the heading "Transfers," shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

7.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules; excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce;

3. Section 7 of the Agreement, under the heading "Transfers," shall be supplemented by the addition of the following new paragraph 7.12:

7.12 Minnesota law provides developers with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the development may not be unreasonably withheld.

4. Section 6 of the Agreement, under the heading "Default," shall be supplemented by the following new paragraph 6.8:

6.8 Minnesota law provides developers with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that a developer be given 90 days notice of termination (with 60 days to cure) of the Agreement.

5. Section 15.5 of the Agreement, under the heading "Applicable Law," shall be deleted in its entirety and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

15.5 Nothing herein contained shall bar Franchisor's right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

6. Section 15.6 of the Agreement, under the heading "Applicable Law" shall be supplemented with the addition of the following language at the end of the first sentence:

; provided, however, that any action pursuant to the Minnesota Franchises Law may be commenced within three years after the cause of action accrues.

7. Section 15 of the Agreement, under the heading "Applicable Law", shall be supplemented by the following paragraph 15.8, which shall be considered an integral part of the Agreement:

15.8 Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to jury trial, any procedure, forum, or remedies as may be provided for by the laws of the jurisdiction

8. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Minnesota amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

The Snip-its Franchise Company, LLC

6409 City West Parkway, Suite 205-A

Eden Prairie, Minnesota 55344

Telephone: (952) 288-2222

Fax: _____

Attn: _____

Telephone: _____

Fax: _____

Attn: _____

New York Franchise Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Snip-its Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.6 of the Agreement, under the heading "Term and Renewal," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

2.2.7 Franchisee shall execute a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees, provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied; and

2. Section 12.4.1 of the Agreement, under the heading "Transfer of Interest," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

12.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, agents, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

3. Section 15.9 of the Agreement, under the heading "Covenants," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

15.9 Franchisee acknowledges that Franchisee's violation of the terms of this Section 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee accordingly agrees that Franchisor may seek an injunction prohibiting any conduct by Franchisee in violation of the terms of this Section 15.

4. Section 23.5 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

23.5 Nothing herein contained shall bar Franchisor's right to seek injunctive relief against threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

5. Section 23 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be supplemented by the addition of the following new Section 23.9:

24.8 Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

6. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

The Snip-its Franchise Company, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

New York Area Development Agreement Amendment

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Snip-its Area Development Agreement (the “Agreement”) agree as follows:

1. Section 7.4.1 of the Agreement, under the heading “Transfer of Interest,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

7.4.1 The transferor shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its officers, directors, agents, and employees, in their corporate and individual capacities, including, without limitation, claims arising under federal, state, and local laws, rules, and ordinances, provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied;

2. Section 8.9 of the Agreement, under the heading “Covenants,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in its place:

8.9 Developer acknowledges that Developer’s violation of the terms of this Section 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly agrees that Franchisor may seek an injunction prohibiting any conduct by Developer in violation of the terms of this Section 8.

3. Section 15.5 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

15.5 Nothing herein contained shall bar Franchisor’s right to seek injunctive relief against threatened conduct that shall cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

4. Section 15 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be supplemented by the addition of the following new Section 15.9:

15.9 Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

5. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Developer is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective franchisee or developer who is protected under the New York General Business Law, Article 33.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

The Snip-its Franchise Company, LLC
6409 City West Parkway, Suite 205-A
Eden Prairie, Minnesota 55344
Telephone: (952) 288-2222
Fax: _____
Attn: _____

Telephone: _____
Fax: _____
Attn: _____

Rhode Island Franchise Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Snip-its Franchise Agreement (the “**Agreement**”) agree as follows:

1. Section 23.2 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be supplemented by the following additional text:

23.2 Notwithstanding the foregoing, Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

The Snip-its Franchise Company, LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Rhode Island Area Development Agreement Amendment

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties to the attached Snip-its Area Development Agreement (the “**Agreement**”) agree as follows:

1. Section 15.2 of the Agreement, under the heading “Applicable Law and Dispute Resolution,” shall be supplemented by the following additional text:

15.2 Notwithstanding the foregoing, Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. This amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Rhode Island amendment to the Area Development Agreement on the same date as the Area Development Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

The Snip-its Franchise Company, LLC
6409 City West Parkway, Suite 205-A
Eden Prairie, Minnesota 55344
Telephone: (952) 288-2222
Fax: _____
Attn: _____

Telephone: _____
Fax: _____
Attn: _____

Washington Franchise Agreement Amendment

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached The Snip-its Franchise Company, LLC Franchise Agreement agree as follows:

1. The state of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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

3. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

The Snip-its Franchise Company, LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT L

FRANCHISEE COMPLIANCE CERTIFICATION

EXHIBIT L

THE SNIP-ITS FRANCHISE COMPANY, LLC
FRANCHISEE COMPLIANCE CERTIFICATION

As you know, The Snip-its Franchise Company, LLC (the “**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a “Snip-its” franchised hair salon (the “**Salon**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

- a. _____,201__ The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a Salon.
Initials _____

- b. _____,201__ The date on which I received Franchisor’s Franchise Disclosure Document (“**FDD**”).
Initials _____

- c. _____,201__ The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and/or Development Agreement and Addenda (if any) and all other documents I later signed.
Initials _____

- d. _____,201__ The date on which I signed the Franchise Agreement.
Initials _____

2. Have you received and personally reviewed the Franchise Agreement, Development Agreement and each Addendum and related agreement attached to them?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, Development Agreement, each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Development Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Do you understand that the Franchise Agreement and Development Agreement contain a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

8. Have you discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a Salon as a franchised business?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your franchised Salon business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has any employee or other person speaking for the Franchisor made any statement or promise to you concerning the revenues, profits or operating costs of a Salon operated by the Franchisor or its franchisees, that is contrary to the information contained in the FDD?
- Yes _____ No _____
11. Has any employee or other person speaking for the Franchisor made any statement or promise to you regarding the amount of money you may earn in operating the Salon that is contrary to the information contained in the FDD?
- Yes _____ No _____
12. Has any employee or other person speaking for the Franchisor made any statement or promise to you concerning the total amount of revenue the Salon will or may generate, that is contrary to the information contained in the FDD?
- Yes _____ No _____
13. Has any employee or other person speaking for the Franchisor made any statement or promise to you regarding the costs you may incur in operating the Salon that is contrary to or different from, the information contained in the FDD?
- Yes _____ No _____
14. Has any employee or other person speaking for the Franchisor made any statement or promise to you concerning the likelihood of success that you should or might expect to achieve from operating a Salon?
- Yes _____ No _____
15. Has any employee or other person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the FDD?
- Yes _____ No _____
16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?
- Yes _____ No _____
17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?
- Yes _____ No _____

18. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions?

Yes _____ No _____

19. Do you understand that Franchisor and its affiliates and subsidiaries retain the right, directly or through others, to develop and franchise other similar franchises or different franchise systems inside or outside of your territory?

Yes _____ No _____

20. Do you understand that the Franchise Agreement and Development Agreement contain the entire agreement between you and the Franchisor concerning the franchise and development rights for the Salon, meaning that any prior oral or written statements not set out in the Franchise Agreement and Development Agreement will not be binding?

Yes _____ No _____

21. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines (for example, if you are an existing franchisee and are acquiring the right to operate an additional Salon). (Attach additional pages, as needed, and refer to them below.) If you have answered "no" to each of questions 10-17, then please leave the following lines blank.

22. I signed the Franchise Agreement, Development Agreement, and Addenda (if any) on _____, 201__, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

23. During my negotiations and evaluations leading up to my decision to buy a Salon, I communicated with the following individuals from the Franchisor or its affiliates, or independent brokers:

Name

Address

1. _____
2. _____
3. _____

4. _____

[Insert additional names and addresses below if needed]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

FRANCHISE APPLICANT

Signed

Printed Name

_____, 201____
Date

EXHIBIT M

GENERAL RELEASE

The following is our current general release language that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release.

General Release

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this _____ day of _____, 201__ (the “**Effective Date**”), by and between:

- _____, a _____ corporation whose principal place of business is _____ (“**Franchisor**”); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and _____ having offices at _____ [(“**Franchisee**”)] [(“**Developer**”)] [(“**Transferor**”)].

BACKGROUND:

A. Franchisor and Franchisee are party to a [Franchise Agreement] [Development Agreement] dated _____ (the “**Agreement**”);

B. Franchisor and Franchisee have agreed, pursuant to the Agreement, [to renew or extend Franchisee’s rights under the Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of _____ pursuant to the Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Developer] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

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

1. **Release.** [Franchisee] [Developer] [Transferor], its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless [FRANCHISOR], its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the “**Franchisor Group**”), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Agreement, the relationship created by the Agreement, or the development, ownership, or operation of the [BUSINESS]. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’, and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could

have, as a result of, arising from, or under the Agreement or the [BUSINESS]. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.6. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

Franchisor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT N

RECEIPTS

ITEM 23 • RECEIPTS

(To be retained by you)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Snip-its Franchise Company, LLC offers you a franchise, it must provide this disclosure document to you:

- (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or
- (b) Under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the distributorship, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or
- (c) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or
- (d) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Snip-its Franchise Company, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate agency listed in Exhibit C.

The franchise seller is: Mr. James George, or
 The Snip-its Franchise Company, LLC
 6409 City West Parkway, Suite 205-A
 Eden Prairie, Minnesota 55344
 (952) 288-2222

Any additional individual franchise sellers involved in offering the franchise are:

Issuance date: March 31, 2014

The Snip-its Franchise Company, LLC authorizes the agents listed in Exhibit D to receive service of process for us.

I received a Franchise disclosure document dated March 31, 2014 that included the following Exhibits:

- | | |
|--|---------------------------------------|
| A Franchise Agreement | H Financial Statements |
| B Area Development Agreement; 3-Pack Agreement; and 5-Pack Agreement | I Table of Contents for Manual |
| C List of State Administrators | J State-Specific Disclosures |
| D Agents for Service of Process | K State-Specific Agreement Amendments |
| E List of Current Snip-its Franchisees | L Franchisee Compliance Certification |
| F List of Former Snip-its Franchisees | M General Release |
| G List of Affiliate-Owned Snip-its Salons | N Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (please print)

Address: _____

ITEM 23 • RECEIPT

(To be signed, dated, and sent to Franchisor)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If The Snip-its Franchise Company, LLC offers you a franchise, it must provide this disclosure document to you:

- (e) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or
- (f) Under New York and Rhode Island law, if applicable, at the earlier of (i) your first personal meeting to discuss the distributorship, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or
- (g) Iowa requires that we give you this disclosure document at the earlier of the first personal meeting or 14 days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship, or
- (h) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If The Snip-its Franchise Company, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate agency listed in Exhibit C.

The franchise seller is: Mr. James George, or
The Snip-its Franchise Company, LLC
6409 City West Parkway, Suite 205-A
Eden Prairie, Minnesota 55344
(952) 288-2222

Any additional individual franchise sellers involved in offering the franchise are:

Issuance date: March 31, 2014

The Snip-its Franchise Company, LLC authorizes the agents listed in Exhibit D to receive service of process for us.

I received a Franchise disclosure document dated March 31, 2014 that included the following Exhibits:

- | | |
|--|---------------------------------------|
| A Franchise Agreement | H Financial Statements |
| B Area Development Agreement; 3-Pack Agreement; and 5-Pack Agreement | I Table of Contents for Manual |
| C List of State Administrators | J State-Specific Disclosures |
| D Agents for Service of Process | K State-Specific Agreement Amendments |
| E List of Current Snip-its Franchisees | L Franchisee Compliance Certification |
| F List of Former Snip-its Franchisees | M General Release |
| G List of Affiliate-Owned Snip-its Salons | N Receipts (2 copies) |

Date Received

Prospective Franchisee

Name (please print)

Address: _____
