

EXHIBIT C

Franchise Agreement

**GREAT CLIPS®
FRANCHISE AGREEMENT**

**GREAT CLIPS, INC.
Minneapolis, Minnesota**

**GREAT CLIPS® FRANCHISE AGREEMENT
TABLE OF CONTENTS**

| <u>Paragraph</u> | | <u>Page</u> |
|------------------|--|-------------|
| 1. | Grant of License | 1 |
| | 1.1 Grant | 1 |
| | 1.2 Authorized Location | 1 |
| | 1.3 Protected Area..... | 1 |
| 2. | Acceptance by Franchisee | 1 |
| | 2.1 Acceptance..... | 1 |
| | 2.2 Non-exclusive License..... | 2 |
| 3. | Term | 2 |
| | 3.1 Initial Term | 2 |
| | 3.2 Renewal..... | 2 |
| | 3.3 Conditions to Renewal..... | 2 |
| 4. | Trademark Standards | 3 |
| | 4.1 Name and Ownership..... | 3 |
| | 4.2 Usage..... | 3 |
| | 4.3 Use of Marks on the Internet | 3 |
| | 4.4 Litigation..... | 3 |
| 5. | Fees | 3 |
| | 5.1 Initial Franchise Fee..... | 3 |
| | 5.2 Right to Cancel Agreement..... | 3 |
| | 5.3 Refundability..... | 4 |
| | 5.4 Continuing Franchise Fee | 4 |
| | 5.5 Continuing Advertising Contribution | 4 |
| | 5.6 Gross Sales..... | 4 |
| | 5.7 Initial Market Development Advertising Fund Contribution | 4 |
| | 5.8 Payment..... | 4 |
| | 5.9 Pre-Authorized Bank Debits..... | 5 |
| | 5.10 Late Payment | 5 |
| 6. | Great Clips Services | 5 |
| | 6.1 Franchisee Orientation and Training | 5 |
| | 6.2 Additional Assistance for Franchisees..... | 5 |
| | 6.3 Great Clips Academy for Hair | 6 |
| | 6.4 Additional Training for Managers and Stylists..... | 6 |
| | 6.5 Payment of Salaries and Expenses..... | 6 |
| | 6.6 Opening Advisory Services | 6 |
| | 6.7 Continuing Services | 6 |
| | 6.8 Revenues | 6 |
| 7. | Franchisee Obligations | 6 |
| | 7.1 Site Selection | 6 |
| | 7.2 Lease | 7 |
| | 7.3 Facility Standards..... | 7 |
| | 7.4 Great Clips' Right to Modify Facility Standards..... | 7 |
| | 7.5 Salon Opening..... | 7 |

| | | |
|------|---|----|
| 7.6 | Relocation | 8 |
| 7.7 | Signage..... | 8 |
| 7.8 | Products and Services | 8 |
| 7.9 | Credit Cards/Gift Cards | 8 |
| 7.10 | Compliance with Laws | 8 |
| 7.11 | Personnel..... | 8 |
| 7.12 | Standards of Operation | 9 |
| 7.13 | Computer System and Equipment | 9 |
| 7.14 | Participation in Web Site or Other On-line Communications | 9 |
| 7.15 | E-Mail Address | 10 |
| 7.16 | Evaluations..... | 10 |
| 7.17 | Confidentiality | 10 |
| 7.18 | Non-Competition | 10 |
| 7.19 | Notice of Proceedings..... | 11 |
| 8. | Advertising..... | 11 |
| 8.1 | Local Co-op | 11 |
| 8.2 | Local Advertising..... | 11 |
| 8.3 | North American Advertising Fund | 11 |
| 8.4 | Market Development Advertising Fund | 12 |
| 8.5 | Grand Opening..... | 12 |
| 8.6 | Classified Directory Listing..... | 12 |
| 9. | Financial Standards..... | 12 |
| 9.1 | Records and Reports | 12 |
| 9.2 | Financial Management..... | 12 |
| 9.3 | Salon Data Reports | 12 |
| 9.4 | Biweekly Report | 13 |
| 9.5 | Right to Conduct Audit or Review | 13 |
| 10. | Insurance Required by Law..... | 13 |
| 10.1 | Coverages Required by Law..... | 13 |
| 10.2 | Liability Insurance | 13 |
| 10.3 | Additional Insured; Certificates of Coverage | 13 |
| 10.4 | Indemnification | 13 |
| 11. | Great Clips' Right of First Refusal | 14 |
| 11.1 | Definitions..... | 14 |
| 11.2 | Offer to Great Clips | 14 |
| 11.3 | Exclusions | 14 |
| 11.4 | Documentation Required | 14 |
| 11.5 | Notice to Franchisee | 14 |
| 11.6 | Cash Equivalent Offer..... | 15 |
| 11.7 | Dispute Resolution Mechanism | 15 |
| 12. | Assignment of Franchise | 15 |
| 12.1 | Assignment by Great Clips | 15 |
| 12.2 | Assignment by Franchisee | 15 |
| 12.3 | Restrictions | 15 |
| 12.4 | Conditions to Approval of Assignment | 16 |
| 12.5 | Execution of Assignment..... | 16 |
| 12.6 | Assignment Fee..... | 16 |
| 12.7 | Assignment to Controlled Entity | 17 |

| | | | |
|-------------------|------|--|----|
| | 12.8 | Public Offering..... | 16 |
| | 12.9 | Death or Disability..... | 16 |
| 13. | | Resolution of Disputes | 17 |
| | 13.1 | Arbitration..... | 17 |
| | 13.2 | Power of the Arbitrator | 18 |
| | 13.3 | Disputes Not Subject to Arbitration..... | 18 |
| | 13.4 | Other Proceedings..... | 18 |
| | 13.5 | Venue and Jurisdiction..... | 18 |
| | 13.6 | Costs and Fees..... | 18 |
| 14. | | Termination | 18 |
| | 14.1 | Immediate Termination..... | 18 |
| | 14.2 | Grounds for Termination | 19 |
| | 14.3 | Notice of Breach | 19 |
| 15. | | Consequences of Termination | 19 |
| 16. | | Transfer of Salon Premises and Fixtures | 20 |
| | 16.1 | Salon Premises | 20 |
| | 16.2 | Salon Fixtures and Equipment..... | 20 |
| 17. | | Miscellaneous Provisions | 20 |
| | 17.1 | Designation of Responsible Parties | 20 |
| | 17.2 | Governing Law | 21 |
| | 17.3 | Entire Agreement | 21 |
| | 17.4 | Severability | 21 |
| | 17.5 | Notice..... | 21 |
| | 17.6 | Relationship | 21 |
| | 17.7 | Parties Affected..... | 22 |
| | 17.8 | Review | 22 |
| | 17.9 | Responsibility | 22 |
| Signatures | | | 23 |

GREAT CLIPS® FRANCHISE AGREEMENT

This Franchise Agreement (this "Agreement") dated _____, 20____, is made by and between Great Clips, Inc., a Minnesota corporation ("Great Clips"), and _____ ("Franchisee");

WHEREAS, Great Clips has expended considerable time, effort, skill and financial resources in developing an image, brand and business system for the development and operation of distinctive retail salons offering haircare and personal grooming services (the "System"), identified by the GREAT CLIPS® service mark and other trademarks and service marks licensed hereunder (the "Marks"), and

WHEREAS, Franchisee desires to obtain the right to use the Marks and System in the operation of a GREAT CLIPS® salon under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the covenants and agreements set forth below, the parties agree as follows:

1. GRANT OF LICENSE.

1.1 **Grant.** Great Clips grants to Franchisee, subject to the terms and conditions of this Agreement, the right and license to: (a) establish and operate one retail haircare salon (the "Salon") at a location that has been authorized by Great Clips; (b) use the Marks under the terms of this Agreement to identify and promote the Salon and the business conducted and the goods and services offered; and (c) use Great Clips' proprietary business methods, know-how, standards and requirements for the System as set forth periodically in the GREAT CLIPS® Franchisee Orientation and Training Manual, Operations Manual, other manuals, training programs, the GREAT CLIPS® Web Site, or other communications to Franchisee.

1.2 **Authorized Location.** Franchisee shall locate the Salon at a location consented to by Great Clips (the "Authorized Location") within the following Designated Market Area (the "DMA"): _____. Upon the opening of the Salon, the Authorized Location will be identified on the Confirmation of Opening form attached to this Agreement.

1.3 **Protected Area.** While this Agreement is in effect, Great Clips will not establish or license another person or entity to establish a GREAT CLIPS® salon within a radius of three-quarters of a mile from the primary customer entrance of the Salon (the "Protected Area"). If the Authorized Location is in a downtown or comparable business district, the Protected Area will be a radius of one-tenth of a mile from the primary customer entrance of the Salon. If the Authorized Location is designated by Great Clips to be a non-traditional site, the Protected Area will be determined by Great Clips at the time of such designation. The Protected Area for a non-traditional site will be further described in an exhibit to this Agreement.

2. ACCEPTANCE BY FRANCHISEE.

2.1 **Acceptance.** Franchisee accepts this Agreement and the license granted to Franchisee, and undertakes the obligation to develop and operate the Salon in accordance with the System using the Marks in strict compliance with the terms and conditions specified in this Agreement. Franchisee may not franchise, subfranchise, license or sublicense the rights granted to Franchisee in this Agreement.

2.2 **Non-exclusive License.** The license granted to Franchisee is non-exclusive. Great Clips and its affiliates have the absolute right to establish company-owned or franchised GREAT CLIPS® salons at any locations they choose outside of the Protected Area of the Salon. Great Clips and its affiliates may operate or franchise a business under a different trademark or name that sells goods and services similar to those offered by Franchisee and may engage in any other operation, haircare or otherwise, at any location, including the Protected Area and to any customer. Great Clips and its affiliates may market GREAT CLIPS® products, including products with the GREAT CLIPS® trademarks, service marks, trade names and other symbols, through alternative channels of distribution, at any location or over the Internet, including the Protected Area, without obligation to Franchisee.

3. **TERM.**

3.1 **Initial Term.** This Agreement is in effect from the date it is signed by Great Clips and extends until the tenth anniversary of the date that the Salon opens for business. Upon the opening of the Salon, the expiration date will be confirmed in writing by Great Clips on the Confirmation of Opening form attached to this Agreement.

3.2 **Renewal.** Franchisee may renew the rights licensed in this Agreement on the conditions specified in Paragraph 3.3 for consecutive additional renewal terms of five years each from the date of expiration of the term. Unless renewed pursuant to Paragraph 3.3, this Agreement and all rights licensed to Franchisee shall expire and revert to Great Clips upon the expiration of this Agreement.

3.3 **Conditions to Renewal.** Upon the expiration of this Agreement, Franchisee must satisfy each of the following conditions to renew the license granted to Franchisee:

- (a) Franchisee shall give Great Clips written notice of renewal not less than 90 days, nor more than 180 days, before the expiration of the term;
- (b) Franchisee shall be in compliance with this Agreement and all other GREAT CLIPS® Franchise Agreements, and shall be in compliance with Great Clips' policies for all GREAT CLIPS® salons on the date of the notice of renewal and at the expiration of the term;
- (c) Franchisee shall perform, at Franchisee's expense, such renovation and replacement of building, grounds, leasehold improvements, equipment, fixtures and signage as Great Clips reasonably requires so that the Salon conforms with then-current System standards;
- (d) Franchisee shall pay the renewal fee of \$1,750 (subject to increase or decrease in proportion to annual changes in the Consumer Price Index - All Urban Consumers, or its successor index, published by the U.S. Department of Labor);
- (e) at Great Clips' discretion, Franchisee shall re-attend and successfully complete the training program at Franchisee's expense; and
- (f) Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement shall sign a General Release and the then-current GREAT CLIPS® Franchise Agreement. Franchisee will be required to pay the Continuing Franchise Fee and the Continuing Advertising Fund Contribution, but not the Initial Franchise Fee, required by the then-current Franchise Agreement. The then-current Franchise Agreement required to be executed by Franchisee at the time of renewal may contain terms materially different from those contained in this Agreement.

4. TRADEMARK STANDARDS.

4.1 **Name and Ownership.** Franchisee shall not use any of the Marks in or as a corporate or business name, nor shall Franchisee use the Marks in or as a name for an independent franchisee association, organization or cooperative. Franchisee's use of the Marks inures to the benefit of Great Clips. Great Clips owns all right, title, interest and goodwill in and to the Marks and Franchisee has and acquires only the qualified license granted in this Agreement. Franchisee agrees not to contest ownership or registration of the Marks.

4.2 **Usage.** Franchisee shall display and use the Marks only in the manner and form prescribed or authorized by Great Clips through the GREAT CLIPS® Marketing Guidebook, Brand Manual and other ongoing communications. Standards for such usage are subject to change. Franchisee shall use the Marks only with advertising goods and services prescribed or authorized by Great Clips. Great Clips may also permit Franchisee to use from time to time other trademarks, service marks, trade names and commercial symbols as may be designated in writing. Great Clips reserves the right if necessary in Great Clips' judgment to change the principal Marks on a national or regional basis. Upon notice to Franchisee, Franchisee at its expense shall promptly adopt a new principal Mark(s) designated by Great Clips to identify the Salon and business conducted hereunder, including new salon signage and trade dress.

4.3 **Use of Marks on the Internet.** Franchisee's use of the Marks on the Internet and in domain names for the Internet is subject to the provisions of this Agreement and the Great Clips Information Protection Policy. Great Clips reserves the right to establish and modify rules which will govern Franchisee's use of the Marks on the Internet and in domain names and Franchisee agrees to abide by such rules. Franchisee's right to use the Marks on the Internet will terminate immediately upon the expiration or termination of this Agreement.

4.4 **Litigation.** Great Clips will have sole and absolute discretion to determine what steps, if any, will be taken in any instance of unauthorized use or infringement of any of its Marks and will have complete control of any litigation or settlement in connection with any claim of an infringement or unfair competition or unauthorized use with respect to the Marks. Franchisee must immediately notify Great Clips if it becomes aware that any person who is not a licensee of Great Clips is using or infringing any of the Marks. Franchisee at Franchisee's own expense will assist and cooperate with any suit or other action undertaken by Great Clips with respect to such unauthorized use or infringement such as by giving testimony or furnishing documents or other evidence. The attorneys' fees for any such action will be paid by Great Clips.

5. FEES.

5.1 **Initial Franchise Fee.** Franchisee shall pay an initial franchise fee (the "Initial Franchise Fee") of \$20,000. \$10,000 of the Initial Franchise Fee (the "Partial Initial Franchise Fee") is due and payable upon the signing of this Agreement. The balance of \$10,000 is due and payable at the time Franchisee places the equipment order with Great Clips for the Salon. Great Clips shall not accept Franchisee's equipment order for the Salon without the receipt of the balance of the Initial Franchise Fee.

5.2 **Right to Cancel Agreement.** Great Clips will have the right, but not the obligation, to cancel this Agreement if:

- (a) Franchisee fails to obtain necessary financing for the development of the Salon within 6 months of the date of this Agreement;
- (b) Franchisee does not execute a lease for the Salon within twelve months of the date of this Agreement;

- (c) Franchisee fails to open the Salon within six months after the landlord has delivered the site;
- (d) Franchisee fails to complete the training program to Great Clips' satisfaction;
- (e) Great Clips determines that Franchisee is using this Agreement for speculative purposes; or
- (f) Franchisee is an existing GREAT CLIPS® franchisee and becomes restricted from expansion under Great Clips' Development Policy for any reason between the time Great Clips accepts this Agreement and before a lease is fully executed for the Authorized Location.

5.3 **Refundability.** The Partial Initial Franchise Fee is non-refundable if: (a) this is the first Franchise Agreement that Franchisee has entered into with Great Clips (unless Franchisee purchases an existing GREAT CLIPS® salon); or (b) Franchisee has participated in an incentive program which requires non-refundable fees or deposits to be paid to Great Clips. If this Franchise Agreement is cancelled, and this Agreement is not the first Franchise Agreement that Franchisee has entered into with Great Clips and it is not part of an incentive program, Great Clips will refund the Partial Initial Franchise Fee. To receive a refund of the Partial Initial Franchise Fee, Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement must sign a General Release in favor of Great Clips and Great Clips shall have no further obligation to Franchisee. All refunds are without interest.

5.4 **Continuing Franchise Fee.** Franchisee shall pay Great Clips biweekly as a continuing franchise fee (the "Continuing Franchise Fee") an amount equal to 6% of Franchisee's Gross Sales.

5.5 **Continuing Advertising Contribution.** Franchisee shall make a biweekly continuing advertising contribution (the "Continuing Advertising Contribution") to the GREAT CLIPS® North American Advertising Fund (the "North American Ad Fund"), in an amount equal to 5% of Franchisee's Gross Sales. Franchisee is required to pay all Continuing Advertising Contributions with a separate check, draft, money order or pre-authorized bank debit.

5.6 **Gross Sales.** "Gross Sales" means the total dollar volume income from all cash, credit or charge sales of all merchandise, products and services sold or rendered in connection with Franchisee's GREAT CLIPS® business. Gross Sales will not include any sales or use tax imposed by any taxing authority directly upon sales if the amount of the tax is added to the selling price and expressly charged to the customer. If a taxing authority imposes any tax on Great Clips such as a sales tax or other tax on the Continuing Franchise Fee or on any other fees paid to Great Clips, Great Clips reserves the right to collect any such tax directly from Franchisee. Gross Sales from GREAT CLIPS® Gift Cards are included upon the redemption of a value on a Gift Card and are included upon recognition of any dormancy amounts of Gift Card liabilities.

5.7 **Initial Market Development Advertising Fund Contribution.** Franchisee shall pay an initial advertising contribution (the "Initial Advertising Contribution") of \$5,000 to the Market Development Advertising Fund (the "Market Development Ad Fund"). The Initial Advertising Contribution will be paid at the time Franchisee places the equipment order with Great Clips for the Salon. No equipment order will be accepted by Great Clips from Franchisee without receipt of the Initial Advertising Contribution to the Market Development Ad Fund. The Initial Advertising Contribution is refundable until such time as the Salon is operational.

5.8 **Payment.** All Continuing Franchise Fees and Continuing Advertising Contributions shall be calculated and paid biweekly and are due and payable and must be received by Great Clips by the Friday following the end of each biweekly period. For purposes of this Agreement, a "week" is a seven-day period, and a "biweekly" period is a 14-day period,

ending on Friday, or such other day, as designated periodically by Great Clips. Great Clips shall apply Franchisee's payments to Franchisee's outstanding accounts in any manner Great Clips reasonably deems appropriate, regardless of any instructions provided by Franchisee. Franchisee will timely pay all Continuing Franchise Fees and Continuing Advertising Contributions and will not have the right to offset these amounts regardless of any claims or allegations of liability for damages or other payments that Franchisee may allege against Great Clips.

5.9 **Pre-Authorized Bank Debits.** Upon the request of Great Clips, Franchisee will execute such documents as Great Clips may request to provide Franchisee's authority to Great Clips' bank directing Franchisee's bank to pay and deposit directly to Great Clips' account, and to charge the account of the Franchisee, the amount of Continuing Franchise Fees and Continuing Advertising Contributions payable by the Franchisee pursuant to this Agreement before the close of business on Friday following the end of each biweekly period. Franchisee will, at all times during the term of this Agreement, maintain a balance in its bank account sufficient to allow the appropriate amount to be debited from Franchisee's account for payment of the Continuing Franchise Fees and Continuing Advertising Contributions payable by the Franchisee for deposit into Great Clips' account.

5.10 **Late Payment.** Any amounts that are not paid to Great Clips when due shall bear interest from the date due until paid at the lesser of 18% per annum or the maximum legal rate of interest allowed by the state or province in which the Salon is located. Franchisee shall pay Great Clips for any and all costs incurred by Great Clips in the collection of any unpaid amount from Franchisee including attorneys' fees, costs and other expenses incurred in collecting amounts owed by Franchisee.

6. **GREAT CLIPS SERVICES.**

6.1 **Franchisee Orientation and Training.** Franchisee must attend and successfully complete all training required for franchisees as set forth in the then-current Operations Manual. At no extra charge beyond the Initial Franchise Fee, Great Clips will provide a training program for Franchisee, Franchisee's shareholders or equity owners who are active in the GREAT CLIPS® business, and three of Franchisee's initial management staff who commence training within three months of the opening of the Salon, to educate, familiarize and acquaint the attendees in the major aspects of establishing and operating a GREAT CLIPS® Salon. The training program is mandatory and must be successfully completed within the timeframe established by Great Clips. The training is conducted at training facilities designated by Great Clips and will be scheduled by Great Clips in its sole discretion. Great Clips reserves the right to deliver training via video, the Internet or other on-line communications, or through other means. If Franchisee fails to complete the training program to Great Clips' satisfaction, Great Clips may cancel this Agreement in accordance with Paragraph 5.2. Training requirements may be communicated and updated through periodic memos, publications, manuals, or over the GREAT CLIPS® Web Site or other on-line communications. In the event a Franchisee or manager fails to successfully complete the training program, he or she will not be permitted to manage or operate the Salon. Great Clips reserves the right to require Franchisee or any of Franchisee's equity owners to re-attend any training sessions.

6.2 **Additional Assistance for Franchisees.** Great Clips will conduct meetings and conventions for franchisees at such times and at such locations as Great Clips deems appropriate. Franchisee must use its best efforts to attend all such meetings conducted by Great Clips for franchisees during the term of this Agreement. All expenses incurred by Franchisee or any employees in traveling to and attending such meetings will be paid for by Franchisee.

6.3 **Great Clips Academy for Hair.** At no extra charge beyond the Initial Franchise Fee, Great Clips will provide a training program for Franchisee and Franchisee's initial group of up to 15 stylists (including three management staff) who are hired by Franchisee and who commence training prior to or within three months of the opening of the Salon. The Great Clips Academy for Hair training is mandatory and must be successfully completed within the timeframe established by Great Clips as set forth in the Operations Manual.

6.4 **Additional Training for Managers and Stylists.** Additional or subsequent managers and stylists who are hired by Franchisee (who have not already successfully completed all required training) who commence required training for managers and stylists after the Salon has been in operation for three months must successfully complete the training program. Franchisee must pay the then current additional Training Fee or fees for all such training. Training Fees are subject to change at Great Clips' discretion.

6.5 **Payment of Salaries and Expenses.** Franchisee shall pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation, insurance, lodging, food, travel costs and all other expenses for Franchisee, Franchisee's managers, stylists, and all other persons sent to training programs by Franchisee. Franchisee will comply with all applicable laws pertaining to all employees who attend Great Clips' training programs.

6.6 **Opening Advisory Services.** Great Clips shall advise Franchisee on salon layout, obtaining licenses or permits, proper display of the Marks, procurement of equipment, fixtures and initial inventories, recruiting personnel, and managing construction of the Salon.

6.7 **Continuing Services.** To protect and maintain the distinction, valuable goodwill and uniformity represented by the Marks and System, Great Clips shall:

- (a) prescribe from time to time uniform standards of quality and service;
- (b) provide Franchisee with access to the GREAT CLIPS® Web Site for franchisees on the Internet;
- (c) provide Franchisee with the Franchisee Orientation and Training Manual, Operations Manual, and various other manuals which may be available only through the GREAT CLIPS® Web Site or other on-line communications;
- (d) provide counseling and information on advertising and promotional matters, training and development procedures, and other elements of the GREAT CLIPS® System, through Great Clips directives, System bulletins, meetings and seminars, telephone and on-site visits; and
- (e) provide Franchisee access to such purchasing programs as Great Clips may establish periodically for salon fixtures, furnishings, equipment, signage, inventory and supplies, subject to Franchisee's compliance with credit terms and qualification requirements established periodically by Great Clips.

6.8 **Revenues.** Great Clips and its affiliates may offer to sell various goods and services to Franchisee at a profit. Great Clips reserves the right to receive fees or other consideration in connection with GREAT CLIPS® sales promotion and advertising programs or from other vendors.

7. FRANCHISEE OBLIGATIONS.

7.1 **Site Selection.** Franchisee is solely responsible for locating, evaluating and selecting a site for the Salon and for the review and negotiation of the lease for the Authorized Location. Great Clips will, at Franchisee's request, assist Franchisee in site selection by furnishing Franchisee with Great Clips' confidential site evaluation criteria, by consulting with

and counseling Franchisee, and, at Great Clips' discretion, by conducting field inspections of proposed sites at mutually convenient times. Franchisee will not lease or otherwise acquire a site for the Salon until the site has been consented to by Great Clips. Great Clips may withhold consent to any proposed location in its absolute discretion, and its consent, if granted, is permission only and not an assurance or guaranty to Franchisee of the availability, suitability or success of a location. If Great Clips does not consent to the proposed location, it will notify Franchisee and Franchisee may elect to cancel this Agreement, or to submit another proposed location to Great Clips. Great Clips prohibits Franchisee from assigning or otherwise disposing of its interest in a lease for the proposed Salon without first offering the lease to Great Clips. From time to time, Great Clips may use exclusive real estate agents in connection with real estate location searches. Great Clips requires Franchisee, at Franchisee's expense, to use only Great Clips' exclusive real estate agents when pursuing sites that exclusive real estate agents have presented to Great Clips, if any.

7.2 **Lease.** Great Clips may, in its sole and absolute discretion, require that Franchisee submit the lease for the Salon to Great Clips for its written consent before Franchisee executes the lease. Great Clips will not withhold consent arbitrarily, but each lease by which Franchisee occupies the Salon must provide that Great Clips may, at its sole option, upon the termination, expiration or proposed transfer of this Agreement, take an assignment of Franchisee's interest in the lease, without the payment of additional consideration (other than a reasonable assignment fee), and without liability for obligations of Franchisee accrued as of the date of the assignment of the lease. Great Clips' review of the lease prior to its execution will not be for the purpose of approving the legal aspects, economics, or rental terms of the lease. Accordingly, Great Clips will have no responsibility to Franchisee with regard to the economics, legality or enforceability of the lease. Franchisee is required to provide Great Clips with a copy of Franchisee's fully executed lease for the Salon.

7.3 **Facility Standards.** Franchisee shall be solely responsible for insuring that the Salon is designed, constructed or improved, equipped and furnished in accordance with Great Clips' System standards. The Salon must conform to Great Clips' approved salon layouts, floor plans, specifications, exterior and interior decorating designs and color schemes. Franchisee must have architectural drawings completed by a licensed architect. All drawings must be submitted to and approved by Great Clips prior to commencing any work on the location. Franchisee shall purchase equipment, furnishings, fixtures and signs for the Salon from Great Clips or from suppliers authorized by Great Clips. Franchisee must obtain necessary permits, licenses and other legal or architectural requirements and shall insure that the Salon is in compliance with all applicable local, state, provincial and federal laws, statutes and building codes, including the Americans with Disabilities Act and any applicable state or provincial cosmetology regulations. Franchisee may remodel or alter the Salon, or change its equipment or fixtures, only with Great Clips' prior consent. Franchisee shall promptly repair or replace defective or obsolete equipment, signage, flooring or fixtures in accordance with such standards established by Great Clips.

7.4 **Great Clips' Right to Modify Facility Standards.** Great Clips may modify facility standards from time to time in response to changes in consumer expectations and buying trends, to implement enhancements in response to technological advances, as a result of Great Clips' research and development activities, and to meet competition. Franchisee will be required periodically to remodel, modernize, and redecorate the Salon and to replace and modernize the furniture, fixtures, supplies and equipment so that the Salon will reflect the then-current System standards. Franchisee shall implement changes in facility requirements when prescribed, even if additional investment or expenditures are required.

7.5 **Salon Opening.** Franchisee agrees not to open the Salon until: Franchisee is notified by Great Clips that the Salon meets Great Clips' standards and specifications; Franchisee

is fully-staffed with an approved schedule; Franchisee has successfully completed training to Great Clips' satisfaction; Franchisee has an approved marketing plan; and all applicable franchise fees and other amounts owing to Great Clips have been paid.

7.6 **Relocation.** With the consent of Great Clips, Franchisee may apply to relocate the Salon subject to Great Clips' then-current Relocation Policy. Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement must execute a General Release in favor of Great Clips, in the form prescribed by Great Clips. Great Clips will consent to or reject Franchisee's relocation application in accordance with its then-current Relocation Policy. If the Salon is temporarily closed pending relocation, Franchisee may not assign any interest in the franchise to another party or entity until such time as the Salon is reopened and in operation.

7.7 **Signage.** The Salon shall be identified only by the Marks and shall contain or display only signage that has been specifically designated or authorized by Great Clips. The Salon shall contain signage prominently identifying Franchisee by name as a franchisee of Great Clips. Great Clips may place information relating to GREAT CLIPS® franchise opportunities in the lobby area of the Salon.

7.8 **Products and Services.** Franchisee shall use and offer for sale all, but only those, products and services that are designated periodically by Great Clips. Franchisee acknowledges and agrees that Great Clips may change designated products and services from time to time and Franchisee is obligated to conform to the then-current requirements as they may change. Service prices shall be stated only in even-dollar amounts or other distinctive denomination or format designated periodically by Great Clips. Franchisee shall use only the type and style of pricing board designated by Great Clips. Franchisee shall offer GREAT CLIPS® private label products only from the Authorized Location and from no other location or through the Internet or other on-line communications. Franchisee shall not conduct business at the Authorized Location other than the GREAT CLIPS® business.

7.9 **Credit Cards/Gift Cards.** Franchisee will honor all credit cards and gift cards approved by Great Clips. Franchisee must obtain prior-written approval of Great Clips prior to honoring any previously unapproved credit cards or other credit devices.

7.10 **Compliance with Laws.** Franchisee shall maintain the Salon in a clean, orderly and safe manner and in compliance with all applicable laws pertaining to the business including all health, sanitation, cosmetology, and Occupational Safety and Health Administration laws. Franchisee shall operate and maintain the Authorized Location in strict compliance with all fire, safety and building codes, the American with Disabilities Act, and other requirements that may be prescribed by Great Clips or by public authority. Franchisee is exclusively responsible for the full knowledge and application of all employment laws, such as Title VII of the Civil Rights Act, Family and Medical Leave Act, Consolidated Omnibus Budget Reconciliation Act, Fair Labor Standards Act, all federal and state or provincial wage and hour laws, workers' compensation, Internal Revenue Code, Immigration Law, and all federal, state, and provincial employment laws. Franchisee is exclusively responsible for ensuring that all stylists are licensed by the applicable state or provincial Cosmetology Board or equivalent official licensing entity.

7.11 **Personnel.** Franchisee shall manage or operate the Salon on a regular basis through Designated Operator(s) or a manager who has successfully completed the Great Clips Academy for Hair and the Management Training programs. Franchisee will staff the Salon with qualified, competent employees who have been trained in accordance with Great Clips standards within the timeframe required by Great Clips. Franchisee is solely responsible for recruiting, hiring, supervising and discharging employees, assuring their continuing compliance with standards of training and competence and setting their wages and terms of employment.

Franchisee and Franchisee's employees shall wear attire prescribed by Great Clips, furnished at Franchisee's or the employee's expense.

7.12 Standards of Operation. Franchisee shall at all times operate the Salon in compliance with the System standards, authorized services, operating systems, and other aspects of the System prescribed by Great Clips in the Franchisee Orientation and Training Manual, Operations Manual, on the Internet, in training videos and other materials or communications, as revised periodically by Great Clips. Franchisee shall not duplicate or disseminate the Franchisee Orientation and Training Manual, Operations Manual, training videos and other materials or communications in whole or in part and shall destroy superseded pages of all manuals, and shall return the Franchisee Orientation and Training Manual, Operations Manual, training videos and all other materials or communications to Great Clips immediately upon the assignment, termination or expiration of this Agreement. The Franchisee Orientation and Training Manual, Operations Manual, training videos and other communications may only be available on the Internet or other on-line communications. The Salon shall be open for business for such days and hours as prescribed periodically by Great Clips, including Sundays if permitted under Franchisee's lease. Franchisee shall implement changes in operational requirements when prescribed, even if additional investment or expenditures are required. Franchisee acknowledges that other GREAT CLIPS® salons may operate under different forms of agreement with Great Clips, and that the rights and obligations of parties to other agreements may differ from those hereunder.

7.13 Computer System and Equipment. Franchisee shall install and use such electronic data processing and communications hardware and software, including voice mail systems and computers, as Great Clips may designate. Franchisee agrees to maintain all specified points of high-speed Internet connection according to Great Clips' standards and specifications. Franchisee shall be required to obtain Great Clips' proprietary software package and the hardware designated by Great Clips or the software supplier, which are subject to change periodically at Great Clips' discretion. Franchisee is required to obtain a license to use computer software from Great Clips' authorized supplier for such merchandise, which is currently Innovative Computer Systems (ICS). Franchisee will have sole and complete responsibility for the acquisition, operation, maintenance and upgrading of the computer system, the manner in which the computer system interfaces at the specified levels of connection speed, and any and all consequences if the computer system is not properly operated, maintained and upgraded. Franchisee must maintain the Salon's computer so as to provide Great Clips with independent access to all sales, financial, marketing, customer, productivity, management, and other business information and other operational data. All such information for the Salon is proprietary property owned by Great Clips, regardless of whether such information is stored in Franchisee's computer system or by a third-party data warehousing service.

7.14 Participation in Internet Web Site or Other On-line Communications. Franchisee will, at all times during the term of this Agreement, at Franchisee's expense, have access to the Internet through an Internet Service Provider. Franchisee must participate in the GREAT CLIPS® Web Site listed on the Internet or other on-line communications ("Web Site"). Great Clips will, at its discretion, determine the content and use of the Web Site and will establish the rules under which Franchisee will participate in the Web Site or separately use the Internet or other on-line communications. Great Clips may, but is not obligated to, provide Franchisee with a webpage on the Web Site. If Franchisee is provided with a webpage, Franchisee must provide Great Clips with any information and materials requested to develop, update and modify the webpage and notify Great Clips whenever any information on the webpage is not accurate. Great Clips will own all intellectual property and other rights in the Web Site including Franchisee's webpage, and all information it contains, including, without limitation, the domain name or URL for Franchisee's webpage, the log of "hits" by visitors, and any personal or business data that visitors supply. Great Clips will retain all rights relating to

the Web Site and may alter or terminate the Web Site at its sole and absolute discretion. Franchisee's general conduct on the Web Site and specifically its use of the Marks or any advertising on the Web Site (including the domain name and any other Marks Great Clips may develop as a result of participation in the Web Site) will be subject to the provisions of this Agreement and the Great Clips Information Protection Policy. Franchisee acknowledges that certain information obtained through its participation in the Web Site may be considered Confidential Information, including passwords, access codes and identification codes. Franchisee is responsible for ensuring that Franchisee's employees maintain the same level of confidentiality. Franchisee's right to participate in the Web Site or otherwise use the Marks or System on the Internet or other on-line communications will terminate when this Agreement expires or terminates.

7.15 E-Mail Address. Great Clips will provide Franchisee with a proprietary e-mail address, mailbox and password for use in communicating with Great Clips. Franchisee's e-mail address will be used as a method for the Franchisee and Great Clips to communicate with one another and to transmit documents and other communications and information. Franchisee will review its e-mail at least once per business day and will use reasonable efforts to respond to e-mails from Great Clips within 24 hours. Great Clips will send information to Franchisee at the Great Clips e-mail address and no other e-mail address used by Franchisee. Franchisee's conduct on the e-mail system is subject to this Agreement and the Great Clips Information Protection Policy. Franchisee is required to keep all passwords, access codes and identification codes provided by Great Clips confidential.

7.16 Evaluations. For the purpose of making periodic evaluations to ascertain if the provisions of this Agreement are being observed by Franchisee, Great Clips or its authorized representative shall have the right to enter the Salon, announced or unannounced, at all reasonable times to: observe the operation of the Salon; inspect and evaluate Franchisee's products and services; and take photographs and videotapes of the interior and exterior of the Salon. Franchisee must provide Great Clips or its authorized representative with access to all information, books, records, operational data, computer reports and customer information relating to the Salon as Great Clips may require.

7.17 Confidentiality. During and after the term of this Agreement, Franchisee shall not disclose, except to Franchisee's GREAT CLIPS® employees, or use for any purpose other than operating the Salon, any trade secret, confidential or proprietary aspect of the GREAT CLIPS® System including, but not limited to, the contents of the Franchisee Orientation and Training Manual, Operations Manual, training videos and other materials or communications, Great Clips' training program, the GREAT CLIPS® Web Site and other on-line communications, marketing calendars, marketing plans, or other information or know-how distinctive to a GREAT CLIPS® salon. Franchisee is further responsible for ensuring that Franchisee's employees maintain the same level of confidentiality. If Franchisee or Franchisee's employees learn about an unauthorized use of any trade secret or confidential or proprietary materials, Franchisee must promptly notify Great Clips. Great Clips is not obligated to take any action but will respond to the information as it deems appropriate. If Franchisee or an employee of Franchisee at any time conducts, owns, consults with, is employed by or otherwise assists a similar or competitive business to that franchised hereunder, it is Franchisee's burden to prove that Franchisee is not in violation of this covenant.

7.18 Non-Competition. To prevent a conflict of interest and unfair competition based upon Franchisee's knowledge and use of the GREAT CLIPS® System and Marks, Franchisee, or its spouse, shall not without Great Clips' prior written consent (which may be withheld arbitrarily), directly or indirectly engage or participate in, consult with, or assist in any way, or participate in or share the earnings or profits of, or lease property to any other business or activity that competes with the GREAT CLIPS® business, including any retail haircare or personal

grooming business, beauty school, barber school, cosmetology school, or any business selling hair products: (a) during the term of this Agreement, at any location or over the Internet; (b) for one year after the expiration or termination of this Agreement for any reason anywhere within five miles of the Authorized Location or of any GREAT CLIPS® salon; and (c) for one year after Franchisee has assigned its interest in this Agreement anywhere within five miles of the Authorized Location or of any GREAT CLIPS® salon. Franchisee shall not acquire or hold directly or indirectly any interest (other than one percent or less of the stock in a publicly-traded corporation) in another retail haircare or personal grooming business or haircare franchisor, without Great Clips' prior written consent. Franchisee expressly agrees that the one year period and the five mile limit are the reasonably and necessary time and distances required to protect Great Clips and Great Clips franchisees if this Agreement expires or is terminated for any reason, and that this covenant not to compete is necessary to permit Great Clips the opportunity to resell and/or develop a new Great Clips business at or near the Authorized Location. If a court or arbitrator finds this Paragraph or any portion of this Paragraph to be unenforceable, the court or arbitrator is authorized and directed to reduce the scope or duration (or both) of the provision in issue to the extent necessary to render it enforceable and to enforce the provision as so revised.

7.19 **Notice of Proceedings.** Franchisee shall immediately deliver to Great Clips a copy of any notice of default received from any landlord or a copy of any notification of a legal proceeding commenced by or against Franchisee relating to Franchisee's GREAT CLIPS® business. Franchisee shall keep Great Clips continuously advised of the status of the matter.

8. **ADVERTISING.**

8.1 **Local Co-op.** Franchisee shall join a local GREAT CLIPS® marketing, advertising or comparable cooperative organization authorized or designated by Great Clips that will conduct and administer media advertising and promotions in Franchisee's DMA. Franchisee shall attend local co-op meetings and shall participate in market-wide or system-wide programs as required by Great Clips. Franchisee shall pay all dues, assessments or contributions, and comply with the obligations of its charter and bylaws.

8.2 **Local Advertising.** Franchisee shall employ sales promotion and advertising programs in local media, by direct mail, Yellow Pages advertising, or otherwise. Franchisee shall use only advertising programs or materials provided by Great Clips or that Great Clips has specifically designated in writing. All costs, including production costs, for advertising programs or materials not provided by Great Clips shall be paid by Franchisee. Franchisee will be required to participate, from time to time, in promotional and discount programs and/or offer various promotional items, cross-marketing coupons, rebates or other sales and marketing goods or value-added items. There may be additional purchases required from time to time to participate in such promotions and/or programs. Franchisee may be required to sell goods and/or services with maximum price limits. Any such pricing and promotional requirements will be based on Great Clips' unilateral determination of what would be in the best interest of the System to protect its competitive brand position.

8.3 **North American Advertising Fund.** Franchisee shall cooperate with Great Clips in various advertising and sales promotion programs. Great Clips reserves the right to establish and prescribe periodic advertising and sales promotion programs. Great Clips has sole and absolute discretion, within its own assessment of the general best interests of the GREAT CLIPS® System, to determine the amount and nature of expenditure of funds collected into the GREAT CLIPS® North American Ad Fund for advertising, research, marketing, public relations and various sales promotion programs and as to the selection of materials, programs, media and agencies on which said expenditures are made. Great Clips may compensate itself and its affiliates from the North American Ad Fund for reasonable expenses of administering and promoting the North American Ad Fund and the programs funded and administered through the

North American Ad Fund, including any taxes that may be levied on or in relation to the North American Ad Fund receipts or fund balances. Great Clips shall advise Franchisee annually of the receipts and expenditures of the North American Ad Fund and of Great Clips' expense of administering and promoting the North American Ad Fund and its programs.

8.4 **Market Development Advertising Fund.** Great Clips has sole and absolute discretion to determine the amount and nature of expenditures from the Market Development Ad Fund. Great Clips has the exclusive right to decide whether and in what proportions such funds will be allocated to advertising, research, marketing, public relations, sales promotions or other areas, and to select materials, programs, media and agencies it deems appropriate. Great Clips may compensate itself and its affiliates from the Market Development Ad Fund for all reasonable expenses of administering and promoting the Market Development Ad Fund and programs funded and administered under the Market Development Ad Fund, including for payment of any taxes that may be levied on or in relation to Market Development Ad Fund receipts or balances. Great Clips has no obligation to Franchisee to account for its administration of or expenditures under the Market Development Ad Fund.

8.5 **Grand Opening.** Franchisee shall conduct a grand opening at Franchisee's expense in the form, and using the advertising and promotional campaign and materials, reasonably designated or authorized by Great Clips. Franchisee shall be required to spend the then-current expenditure requirement for the grand opening. Franchisee will not open the Salon until Great Clips has approved Franchisee's Grand Opening Plan.

8.6 **Classified Directory Listing.** Franchisee shall list separately, or participate in a listing, in the Yellow Pages of the local telephone directory. The listing shall contain such copy as Great Clips may reasonably specify.

9. **FINANCIAL STANDARDS.**

9.1 **Records and Reports.** Franchisee shall maintain and furnish to Great Clips upon request all computer data and computer-generated reports, whether stored electronically in Franchisee's computer system or by a third-party data warehousing service. Franchisee shall furnish to Great Clips all information, books and records relating to the Salon as Great Clips periodically may require, on forms designated by Great Clips, including Franchisee's sales and use tax returns, monthly, quarterly, and annual financial statements, sales reports, check registers, purchase records and business plans. Franchisee shall furnish its annual financial statements to Great Clips within 60 days after Franchisee's fiscal year end. All sales shall be recorded in a manner prescribed by Great Clips. All records shall be made available to Great Clips for at least three years following the end of Franchisee's fiscal year to which they pertain. Franchisee shall keep all such records where they are readily available to Great Clips and shall permit Great Clips to inspect, copy, and audit them at any time.

9.2 **Financial Management.** Franchisee shall make available sufficient working capital to permit operation of the Salon in compliance with this Agreement. Franchisee shall pay the debts of, and taxes and assessments against, the Salon. Franchisee shall discharge any encumbrance against the Salon (except those incurred in connection with Franchisee's long-term financing of the Salon) within 30 days of its creation.

9.3 **Salon Data Reports.** Franchisee shall submit to Great Clips reports containing sales, financial, marketing, customer, productivity, management and other business and operational data pertaining to the Salon as Great Clips may periodically require. Franchisee shall provide the reports to Great Clips via electronic transfer from the Salon's computer system, or Great Clips may poll this information from the computer system to a data collection system. All

information for the Salon is the proprietary property owned by Great Clips regardless of whether such information is stored in Franchisee's computer system or by a third-party warehousing service.

9.4 **Biweekly Report.** Franchisee shall submit to Great Clips by the Friday after the end of each biweekly period designated by Great Clips a report, certified by Franchisee, showing such information pertaining to Franchisee's operation hereunder as Great Clips periodically may require. The report shall show the computation of the Continuing Franchise Fee and the Continuing Advertising Contribution, and shall be accompanied by payment in full of all amounts owed.

9.5 **Right to Conduct Audit or Review.** Great Clips or its authorized representative shall have the right to conduct an audit or review of Franchisee's books and records. If such an audit or review reveals a misstatement of 5% or greater in any data reported by Franchisee, or an underpayment of 2% or more of any fees due to Great Clips or of the Continuing Advertising Contribution, Franchisee shall, in addition to other remedies, promptly reimburse Great Clips' cost of conducting the audit or review, including reasonable professional fees. Franchisee shall pay additional amounts found due within 10 days after Franchisee is notified. If no underpayment or misstatement as described in this Paragraph is found to exist, Great Clips will pay the costs associated with the audit or review.

10. **INSURANCE; INDEMNIFICATION**

10.1 **Coverages Required by Law.** Franchisee shall, at its sole cost and expense, maintain all insurance required by state, provincial or federal law, including workers' compensation or other insurance required for its employees, and including all insurance required under the lease for the Authorized Location and the operation of the GREAT CLIPS® business.

10.2 **Liability Insurance.** Franchisee must acquire and maintain in full force and effect: (a) public liability insurance including product liability and professional liability in a minimum amount of \$1,000,000 combined single limit per occurrence, or such greater limits as Great Clips may reasonably prescribe; and (b) "All Risk" or special property coverage of not less than the current replacement cost of the glass, equipment, fixtures and leasehold improvements at the Authorized Location sufficient in amount to restore the Salon promptly to full operations.

10.3 **Additional Insured; Certificates of Coverage.** All insurance policies procured and maintained by Franchisee pursuant to this Agreement shall: (a) name Great Clips as an additional insured; (b) waive any right to assert a claim back against Great Clips; and (c) undertake to notify Great Clips 30 days in advance of any cancellation or material change in the policy. Franchisee shall provide Great Clips with certificates of coverage at least annually. If Franchisee fails to provide the certificates of insurance, Great Clips (in addition to all other rights and remedies) may purchase such insurance in the name and on behalf of Franchisee, and Franchisee shall immediately reimburse Great Clips' expenses and premiums paid to obtain such insurance. Great Clips may engage a third party vendor to compile and maintain records of the certificate of insurance.

10.4 **Indemnification.** Franchisee shall indemnify and hold Great Clips, its affiliates, officers, directors and employees harmless against all claims, lawsuits, liabilities, obligations and judgments arising out of or in connection with Franchisee's conduct of the business licensed hereunder including: (a) any personal injury, property damage, commercial loss or environmental contamination; (b) any failure to comply with any requirement of any governmental authority; and (c) failure to pay any of its obligations. Great Clips will have the absolute right to defend any claim made against it that results from or arises out of Franchisee's

GREAT CLIPS® business. Franchisee will reimburse Great Clips for all such obligations and damages for which Great Clips is held liable and for all costs reasonably incurred by Great Clips in the defense of such claims, including attorneys' fees. Franchisee shall not be liable to Great Clips for matters in which Great Clips is found liable for its own conduct.

11. GREAT CLIPS' RIGHT OF FIRST REFUSAL.

11.1 **Definitions.** The following words and phrases will have these definitions:

- (a) "Assignment" – includes Franchisee's assignment, transfer, sale, gift, or other disposition of any interest in: (i) this Agreement; (ii) the Franchisee entity; (iii) the Salon governed by this Agreement; or (iv) the assets or a substantial portion of the assets of the Salon.
- (b) "Controlling Interest" – a person will be deemed to have a controlling interest in Franchisee if that person has the majority of the voting stock or other forms of voting ownership interest of a corporation, partnership or other entity, or is otherwise able to direct or cause the direction of that entity's management or policies.
- (c) "Franchisee" – includes all persons and entities with an ownership interest in this Agreement.

11.2 **Offer to Great Clips.** If Franchisee desires to make an assignment or otherwise dispose of all or any part of Franchisee's interest in this Agreement, Franchisee shall first offer the proposed transaction to Great Clips.

11.3 **Exclusions.** Notwithstanding the terms of Paragraph 11.2, the right of first refusal shall not apply if the assignee, transferee, or beneficiary is: (a) the spouse or child of Franchisee; (b) a corporation or other entity owned and controlled solely by Franchisee; or (c) already a shareholder or equity owner and the transaction does not result in a change in Controlling Interest. Franchisee must obtain Great Clips' prior written approval to the assignment and must comply with all of the terms and conditions of Paragraph 12 of this Agreement.

11.4 **Documentation Required.** Franchisee shall provide the following information to Great Clips:

- (a) a purchase agreement or letter of intent signed by the assignee or other party to the transaction and by Franchisee, specifying all the material terms and conditions of the offer including price and payment terms;
- (b) a copy of the most recent income statement and the income statement from the Salon's last fiscal year end;
- (c) a copy of the lease for the Authorized Location;
- (d) current financial statements of the assignee; and
- (e) any other information or documents as reasonably requested by Great Clips.

11.5 **Notice to Franchisee.** Great Clips will have 30 days from receipt of all of the above materials to accept the offer, by written notice to Franchisee, on the price and payment terms (or pay to Franchisee the cash equivalent of the price and payment terms) of the third party offer. If the proposed transaction includes assets not related to the operation of the Salon, Great Clips may choose to purchase only the assets related to the operation of the Salon. In the event that Great Clips does not exercise its right of first refusal and the offer changes in any way, or another offer is made to Franchisee, this new offer must also be presented to Great Clips. Great Clips will have 30 days to accept the new offer, by written notice to Franchisee, on the price and terms (or pay to Franchisee the cash equivalent of the price and payment terms) of the third party

offer. Any offer that Great Clips does not match must be transacted within 120 days from the date that Great Clips informs Franchisee of its intent not to exercise its right of first refusal. If the transaction does not take place within 120 days, Great Clips will have the right to re-evaluate and match the offer if it elects to do so by notice to Franchisee.

11.6 Cash Equivalent Offer. Great Clips will have the right to replace the price and payment terms in the original purchase offer with a cash ("cash equivalent") offer. If Great Clips exercises its right of first refusal by making a cash equivalent offer, and there is any dispute concerning whether Great Clips' offer is equivalent to the price and payment terms, then the following dispute resolution procedure shall be utilized. Franchisee will have seven days after the receipt of Great Clips' cash equivalent offer to notify Great Clips that it claims that Great Clips' offer is not of equivalent value to the price and payment terms of the transaction. If, within seven additional days, Great Clips and Franchisee cannot resolve the dispute through negotiation, then Great Clips and Franchisee will each appoint a separate national certified public accounting firm to make an independent determination of what the cash equivalent of the price and payment terms of the transaction would be. Great Clips and Franchisee will each bear their own costs of the work of the separate national certified public accounting firm appointed by each of them to perform this task. The accounting firms appointed to resolve this matter will finish their work within 30 days of appointment. The final amount which will be utilized as the cash equivalent will be the average of the amounts determined by each of the accounting firms. Upon that determination, Great Clips will have the option of proceeding with its right of first refusal, utilizing the cash equivalent amount determined by this process.

11.7 Dispute Resolution Mechanism. This dispute resolution mechanism to determine the cash equivalent for purposes of exercising the right of first refusal will be final, binding, and non-appealable as a fully arbitrated resolution of this matter. The mandatory utilization of this dispute resolution mechanism to determine the cash equivalency of the transaction terms for this right of first refusal will constitute an exception to any other mechanism for the resolution of disputes as set forth in Paragraph 13 of this Franchise Agreement.

12. ASSIGNMENT OF FRANCHISE.

12.1 Assignment by Great Clips. Great Clips may assign its interest in this Agreement, directly or indirectly, by merger, assignment, pledge or other means.

12.2 Assignment by Franchisee. The rights granted to Franchisee pursuant to this Agreement may be assigned or transferred by Franchisee only with the prior written approval of Great Clips. Whether Franchisee is an individual, group of individuals, partnership, corporation, limited liability company or other entity, any assignment (or new issuance), directly or indirectly, occurring as a result of a single transaction or a series of transactions that alters the Percentage of Ownership Interest reflected in Paragraph 17.1 of this Agreement, including a public offering, is an "assignment" within the meaning of this Paragraph and must be consented to by Great Clips. Franchisee must apply for consent to an assignment on Great Clips' forms, accompanied by the Assignment Fee described in Paragraph 12.6 and proposed purchase agreement or other agreement signed by the Franchisee and the proposed assignee. Any unauthorized assignment is a breach of this Agreement, void, and of no effect.

12.3 Restrictions. Franchisee may not assign more than a 50% interest in this Agreement to any person, persons or entity who is not currently a party to this Agreement if the Salon is not yet operational. Franchisee may not assign any interest whatsoever in this Agreement if the Salon is temporarily closed due to a pending relocation, as authorized by Great Clips under Paragraph 7.6. Franchisee may not include any of the Marks licensed under this Agreement when advertising the sale of its GREAT CLIPS® business in newspapers, magazines,

journals, via electronic media, or in any other public forum without prior written approval of Great Clips.

12.4 Conditions to Approval of Assignment. Great Clips shall not unreasonably withhold consent to the assignment provided that Franchisee and the assignee comply with the following conditions and all of the terms, conditions and requirements set forth in the then-current Development Policy:

- (a) Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement must sign a General Release in favor of Great Clips;
- (b) all current liabilities of Franchisee shall be paid in full, including any liability for outstanding GREAT CLIPS® Gift Cards;
- (c) the Assignment Fee set forth in Paragraph 12.6 is paid in full;
- (d) Franchisee shall complete at Franchisee's expense reasonable refurbishing and repair of the Salon and its fixtures, furnishings, grounds and signage as Great Clips may prescribe to conform to the then-current System standards;
- (e) if Great Clips has any ongoing liability under Franchisee's lease for the Salon, Great Clips will require the assignee to personally and corporately provide a hold harmless agreement to Great Clips and may further condition its consent upon receiving a fully-executed copy of an assignment of lease from Franchisee to the assignee; and
- (f) the assignee must: (i) agree to operate the Salon as a GREAT CLIPS® salon; (ii) demonstrate that it is financially qualified to operate the Salon; (iii) meet the residency requirements set forth in Great Clips' Development Policy; (iv) have no conflicting interests with Great Clips as determined by Great Clips in its sole discretion; (v) not be restricted from expansion (if the assignee is an existing GREAT CLIPS® franchisee); (vi) devote its best efforts to the management of the GREAT CLIPS® business; (vii) communicate, in English, with Great Clips and with Franchisee's customers, suppliers and employees; (viii) successfully complete Great Clips' training program within the timeframe established by Great Clips (if the assignee has experience operating GREAT CLIPS® salons, Great Clips will consider that experience and performance as a factor in the approval process); (ix) assignee and each of assignee's shareholders or equity owners with a 10% or greater interest in a corporate assignee must sign a General Release in favor of Great Clips.

12.5 Execution of Assignment. If the assignee is approved by Great Clips, the assignee will execute and deliver to Great Clips the then-current standard form of GREAT CLIPS® Franchise Agreement which may be materially different than this Agreement. The assignee and each of the assignee's shareholders or equity owners that will have a 10% or greater interest in the Franchise Agreement shall personally guaranty performance of the Franchise Agreement on Great Clips' form of Guaranty. Notwithstanding the execution by the assignee of the then-current form of Franchise Agreement, the assignee will assume the balance remaining of the term of this Agreement with the attendant renewal provisions. The assignee shall not be required to pay an Initial Franchise Fee for the then-current Franchise Agreement.

12.6 Assignment Fee. Franchisee shall pay an Assignment Fee of \$1,500 per salon (subject to increase or decrease in proportion to annual changes in the Consumer Price Index – All Urban Consumers, or its successor index, published by the U.S. Department of Labor), to Great Clips. The Assignment Fee shall be paid upon Franchisee's request for consent to the proposed assignment. If Great Clips declines its consent to a proposed assignment, Great Clips shall refund the Assignment Fee without interest, less its costs in connection with the proposed

assignment. The Assignment Fee is otherwise non-refundable. No Assignment Fee is due if:

- (a) the assignment is to Franchisee's spouse; or
- (b) the assignment is less than 25% and the assignment does not cause a change in the Controlling Interest of Franchisee and is not part of a series of transactions that amount to 25% or greater change in the Controlling Interest of Franchisee; or
- (c) Great Clips exercises its right of first refusal.

Although the Assignment Fee may be waived, Franchisee must comply with all other requirements for assignment set forth in this Paragraph 12.

12.7 Assignment to Controlled Entity. Great Clips shall consent to Franchisee's assignment of this Agreement to a corporation or other business entity whose shares are wholly-owned and controlled by Franchisee provided that: (a) Franchisee provides a copy of Franchisee's Articles of Incorporation, partnership documents or a copy of the fully-executed legal documents that reflect the formation of such entity, including evidence of distribution of ownership; (b) Franchisee applies for Great Clips' consent on Great Clips' form; (c) Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement sign a personal Guaranty and agree to be bound by the provisions of the Franchise Agreement; and (d) Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement sign a General Release in favor of Great Clips.

12.8 Public Offering. In the event Great Clips gives its consent to a public offering by Franchisee, such consent does not in any way constitute Great Clips' approval of Franchisee's offering or relieve Franchisee of its sole responsibility for the contents and veracity of the offering and any private placement memorandum or other documents associated with the offering. Franchisee must provide to Great Clips all documents related to the public offering for its review and pay all Great Clips' costs for such review and appraisal of the documents. Franchisee will be required to include such written disclosures as Great Clips deems appropriate in the event of a public offering by Franchisee.

12.9 Death or Disability. In the event of the death, disability or incapacity of any individual franchisee or principal officer or director of an incorporated franchisee or partner in a partnership franchisee, or member of a limited liability company, the transferee, assignee or beneficiary must apply for Great Clips' consent to assignment of the Franchise Agreement. The assignment shall not be valid or effective until Great Clips has received the properly executed legal documents which it deems necessary to properly and legally document the transfer, assignment or bequest of this Agreement, and until the transferee, assignee or beneficiary agrees to be unconditionally bound by the terms and conditions of this Agreement and to personally guarantee the performance of Franchisees' obligations under this Agreement. The transferee, assignee or beneficiary will be required to comply with all of the terms and conditions of Paragraphs 11 and 12 of this Agreement including the payment of the Assignment Fee owed under Paragraph 12.6.

13. RESOLUTION OF DISPUTES.

13.1 Arbitration. Except as specifically provided to the contrary in this Agreement, all disputes concerning this Agreement or the business conducted hereunder, including allegations of fraud, misrepresentation or violation of any state, provincial or federal law or regulation, shall be resolved by the American Arbitration Association pursuant to the Commercial Arbitration Rules and Regulations. Either party may commence arbitration by filing a Demand for Arbitration with the American Arbitration Association and serving the Demand for Arbitration on the opposing party. A Demand for Arbitration must be filed within three years of the date when any cause of action asserted in the Demand for Arbitration accrued, or such cause

of action will be barred and must be dismissed by the Arbitrator. For purposes of this Agreement, a cause of action will be deemed to have accrued when the claimant knew or reasonably should have known of the facts on which the cause of action is based.

13.2 Power of the Arbitrator. The Arbitrator will be appointed within 60 days after a written Demand for Arbitration has been made in accordance with the Commercial Arbitration Rules and Regulations of the American Arbitration Association. The authority of the Arbitrator will be limited to making a finding, judgment, decision and award relating to the interpretation of or adherence to the written provisions of this Agreement. The Arbitrator will not have the authority or right to add to, delete, amend or modify in any manner, the terms, conditions and provisions of this Agreement. All findings, judgments, decisions and awards of the Arbitrator will be limited to the dispute set forth in the Demand for Arbitration, and the Arbitrator will not have the authority to decide any other issues. The Arbitrator will not have the right or authority to award punitive damages to either party. All findings, judgments, decisions and awards by the Arbitrator will be in writing and will be made within 60 days after the arbitration hearings have been completed, and will be final and binding on Great Clips and Franchisee. The written decision of the Arbitrator will be deemed to be an order, judgment and decree and may be entered as such in any court of competent jurisdiction by either party.

13.3 Disputes Not Subject to Arbitration. The following disputes and controversies between Great Clips and Franchisee shall not be subject to arbitration: (a) any dispute involving the Marks; (b) any dispute involving immediate termination of this Agreement pursuant to Paragraph 14.1; and (c) any dispute involving enforcement of the covenants not to compete set forth in Paragraph 7.18 of this Agreement.

13.4 Other Proceedings. Notwithstanding Paragraph 13.1, upon a breach or threatened breach of this Agreement by Franchisee, Great Clips is entitled to injunctive relief in court restraining such breach without bond and without regard to the adequacy of its legal remedies. Interim equitable relief is available to Great Clips in addition to other remedies or rights Great Clips may have. Great Clips is also entitled to proceed in a court of law in lieu of arbitration to obtain a decree of specific performance requiring that each provision of this Agreement be honored, carried out and enforced as written and to obtain a declaratory judgment or other appropriate relief if there is a controversy over interpretation of this Agreement or the rights and obligations of the parties. Notwithstanding Paragraph 13.1, Great Clips may also proceed against Franchisee in a court of law to collect sums of money due to Great Clips or to protect or enforce its rights in or under the Marks.

13.5 Venue and Jurisdiction. All arbitration hearings will take place exclusively in Minneapolis, Minnesota. Any other legal proceeding involving any dispute between the parties must be venued exclusively and solely in federal or state court in Hennepin County, Minnesota. Great Clips and Franchisee and their respective officers, directors and shareholders, partners and personal guarantors acknowledge that Franchisee and its officers, directors and employees have had substantial business and personal contacts with Great Clips in Minnesota, do hereby agree and submit to personal jurisdiction in Minnesota, and hereby waives any rights they may have to contest venue and jurisdiction in Minnesota and any claims that the venue and jurisdiction in Minnesota are invalid.

13.6 Costs and Fees. The prevailing party in any arbitration or legal proceeding shall recover its costs in obtaining relief under this Agreement, including its reasonable attorneys' fees.

14. TERMINATION.

14.1 Immediate Termination. Great Clips will have the absolute right and privilege, unless prohibited by applicable law, to immediately terminate this Agreement if:

- (a) any act or practice by Franchisee impairs or imminently threatens to impair the goodwill associated with the Marks or System;
- (b) Franchisee is determined to be insolvent within the meaning of any state, provincial, or federal law or becomes a party to any bankruptcy proceedings;
- (c) Franchisee makes an assignment for the benefit of creditors or enters into an arrangement for the disposition of its assets for the benefit of creditors;
- (d) Franchisee abandons the GREAT CLIPS® business;
- (e) Franchisee is convicted of or pleads guilty or no contest to a charge or violation of law related to the GREAT CLIPS® business, or any felony;
- (f) Franchisee assigns an interest in the Franchise Agreement without the consent of Great Clips; or
- (g) Franchisee fails to renew this Agreement in accordance with Paragraph 3.3.

If this Agreement is terminated pursuant to this Paragraph, Great Clips will give Franchisee written notice that this Agreement is terminated. Unless applicable law applies to the contrary, the effective date of termination of this Agreement will be the day written notice is given to Franchisee.

14.2 Grounds for Termination. Either party may terminate this Agreement for "good cause." Good cause for termination by either party is a material breach of this Agreement or any other Franchise Agreement Franchisee has entered into with Great Clips for a GREAT CLIPS® salon, or intentional, repeated or continuous breach of any provision of this Franchise Agreement or any other Agreement. Good cause for termination of this Agreement by Great Clips also includes:

- (a) Franchisee's failure to comply with the System and standards of uniformity and quality established by Great Clips;
- (b) Franchisee's failure to make when due any payment pursuant to any Franchise Agreement, promissory note, other contract or other obligation payable by Franchisee to Great Clips;
- (c) Franchisee's failure to pay its obligations owing to suppliers, landlord, bank, other creditors or any federal, state, provincial and municipal government, including federal, provincial and state taxes; and
- (d) Franchisee's understatement of Gross Sales.

14.3 Notice of Breach. Unless terminated in accordance with Paragraph 14.1, the party who seeks to terminate this Agreement shall give the other party written notice stating the grounds relied upon for termination. If the stated grounds for termination are for nonpayment of amounts due or the understatement of Gross Sales, Franchisee will have seven days after the notice to cure the alleged breach. If applicable law does not specify a time period to cure an alleged breach, then the party will have 30 days after the notice to cure the alleged breach. However, if the breach is not corrected within the cure period, the termination will then become effective upon expiration of the cure period.

15. CONSEQUENCES OF TERMINATION.

Upon the termination, expiration or non-renewal of this Agreement:

- (a) Franchisee's interest in this Agreement and all rights licensed to Franchisee automatically revert to Great Clips. All goodwill associated with the licensed Marks shall at all times remain the exclusive property of Great Clips;
- (b) Franchisee shall cease all use of the Marks, any materials containing the Marks and any other confusingly similar name or marks;

- (c) Franchisee shall assign to Great Clips the telephone number used in the operation of the Salon, and Great Clips may direct that an intercept be placed on the Salon's telephone number;
- (d) Franchisee shall pay all sums it owes to Great Clips or to Great Clips' affiliates, including any liability for outstanding GREAT CLIPS® Gift Cards, and all sums it owes to third parties for which Great Clips may also be liable;
- (e) Franchisee shall return to Great Clips the Franchisee Orientation and Training Manual, Operations Manual and other manuals, confidential data, all database information and disks, software, operational data and customer information, videos, reports, bulletins or other documents furnished by Great Clips; and immediately cease any use of the GREAT CLIPS® Web Site, distinctive, proprietary or confidential operational, administrative or advertising techniques, systems or know-how, or trade secrets, disclosed to Franchisee by Great Clips;
- (f) unless Great Clips exercises its rights under Paragraph 16, Franchisee shall alter the appearance of the Salon to eliminate any similarity in appearance, signage, decor (including, without limitation, the GREAT CLIPS® standard "sail" trade dress), color or layout to the distinctive appearance of other GREAT CLIPS® salons. Great Clips reserves the right to take any steps necessary, at the expense of Franchisee, to ensure a complete and full de-identification of the Salon upon termination; and
- (g) Franchisee shall comply with the post-termination provisions of Paragraph 7.18 and with all other applicable provisions that continue beyond the termination of this Agreement.

16. TRANSFER OF SALON PREMISES AND EQUIPMENT.

16.1 Salon Premises. If Franchisee leases or subleases the Salon premises from Great Clips, Great Clips has the unconditional right without liability to Franchisee to terminate such lease or sublease simultaneously with the termination, expiration or non-renewal of this Agreement. If Franchisee leases the Salon premises from a third party, Great Clips may at its sole and absolute option, by notice to Franchisee, take an assignment of Franchisee's interest therein effective as of the date of termination, expiration or non-renewal hereof, but without liability for Franchisee's accrued obligations.

16.2 Salon Fixtures and Equipment. Great Clips has the right, by notice to Franchisee at the termination, expiration or non-renewal of this Agreement, to purchase any or all equipment, fixtures, furnishings or supplies owned by Franchisee and used at the Salon, at a price determined by a qualified appraiser without regard to goodwill or going concern value. If the parties cannot agree upon an appraiser, one shall be appointed by the American Arbitration Association, upon petition of either party. Great Clips may exercise its option to purchase the equipment, fixtures, furnishings or supplies within 60 days after the date of termination, expiration or non-renewal, or upon Great Clips' receipt of the appraiser's report, whichever is later. If Great Clips exercises its purchase option, Franchisee shall sell and deliver to Great Clips the equipment, fixtures, furnishings or supplies it buys in good and merchantable condition, ordinary wear and tear excepted, free and clear of all encumbrances, and deliver a bill of sale therefore. Great Clips shall pay shipping from the Salon to Great Clips' designated destination.

17. MISCELLANEOUS PROVISIONS.

17.1 Designation of Responsible Parties. Franchisee shall list below and certify to Great Clips: (a) the name, mailing address and equity interest of each person holding any shares or other form of ownership, or security or other interest convertible into an equity interest, in Franchisee, showing percentage of ownership held by each; and (b) the name and mailing address of the individual(s) who will be the principal operator(s) (the "Designated Operator(s)")

of the business franchised hereunder. The Designated Operator(s) (there may be up to two such individuals but only one address to which Great Clips communicates in regards to the franchise) must have an ownership interest in the franchise and is responsible for the day-to-day management of the Salon and has the authority to act for Franchisee in all matters regarding the Salon, including voting responsibilities. Franchisee shall promptly notify Great Clips of any change in any such information. Any change in the Designated Operator(s) or in the shareholder information is subject to Paragraph 12 of this Agreement.

Franchisee is a [] _____, organized under the laws of _____, or [] individual or group of individuals, and hereby represents and warrants that the information stated below is true and accurate as of the date set forth below:

| Shareholder, Partner or Individual Name and Address | Percentage of Ownership Interest |
|---|----------------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Designated Operator(s):

Address:

17.2 Governing Law. Except to the extent governed by the United States Trademark Act of 1946, as amended (Lanham Act, 15 U.S.C. Section 1051 et seq.), this Agreement shall be governed by and interpreted in accordance with the laws of the state or province in which the Authorized Location is located.

17.3 Entire Agreement. This Agreement constitutes the entire agreement of the parties. There are no representations, inducements, promises, agreements, arrangements or undertakings, oral or written, between the parties other than those set forth herein. This Agreement shall not be waived, altered or canceled, in whole or in part, except by a writing signed by the parties.

17.4 Severability. All provisions of this Agreement are severable and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were severed, the remainder of this Agreement shall remain in effect and enforceable to the fullest extent permitted by law.

17.5 Notice. Notices hereunder are given when delivered or three business days for all United States destinations and five business days for all foreign designations after being sent by certified mail, or overnight express, facsimile transmission or courier service, addressed to Great Clips at its corporate headquarters or to Franchisee at the Authorized Location.

17.6 Relationship. Great Clips and Franchisee stand solely in the business relationship of licensor and licensee and vendor and vendee. Franchisee is not and shall not act or represent itself as the employee, agent, partner or joint venturer of Great Clips. Franchisee shall incur no debt, liability or obligation on behalf of Great Clips. No fiduciary duties or relationship of special trust and confidence exist between the parties. Great Clips and Franchisee

shall adhere to good business practices, observing high standards of honesty, integrity, fair dealing and ethical business conduct and good faith in all business dealings with customers, employees and vendors and each other.

17.7 **Parties Affected.** This Agreement binds the parties and their respective executors, administrators, successors and assigns. No person may acquire from Franchisee any interest in this Agreement except in accordance with Paragraph 12. If Franchisee consists of more than one person, all are jointly and severally liable hereunder. Franchisee and each of Franchisee's shareholders or equity owners with a 10% or greater interest in this Agreement must sign the Guaranty of this Agreement attached hereto or otherwise provided by Great Clips.

17.8 **REVIEW.** FRANCHISEE HAS REVIEWED THIS AGREEMENT, THE UNIFORM FRANCHISE OFFERING CIRCULAR AND OTHER INFORMATION FRANCHISEE DEEMS RELEVANT WITH AN INDEPENDENT LEGAL OR BUSINESS ADVISOR. FRANCHISEE HAS RELIED UPON NO REPRESENTATION, FACT, PROMISE OR ASSURANCE MADE BY ANY EMPLOYEE, REPRESENTATIVE OR AGENT OF GREAT CLIPS OTHER THAN THE CONTENTS OF THIS AGREEMENT. FRANCHISEE HAS MADE ITS OWN INDEPENDENT INVESTIGATION AND ACKNOWLEDGES THAT IT HAS BEEN INSTRUCTED BY GREAT CLIPS TO SEEK THE ADVICE OF FRANCHISEE'S OWN INDEPENDENT PROFESSIONAL BUSINESS ADVISORS IN DECIDING TO ENTER INTO THIS AGREEMENT.

17.9 **RESPONSIBILITY.** FRANCHISEE ACKNOWLEDGES THAT THE SALON WILL BE OPERATED IN A HIGHLY COMPETITIVE MARKETPLACE AND VOLATILE ECONOMY, AND THAT ITS FINANCIAL RESULTS, INCLUDING ITS ULTIMATE SUCCESS OR FAILURE, WILL DEPEND UPON FRANCHISEE'S MANAGERIAL AND FINANCIAL CAPABILITIES, LOCAL MARKET CONDITIONS AND OTHER FACTORS. FRANCHISEE ACKNOWLEDGES, THEREFORE, THAT GREAT CLIPS CANNOT AND DOES NOT GUARANTY OR REPRESENT THAT THE SALON WILL BE PROFITABLE OR SUCCESSFUL.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth below to be effective upon execution by Great Clips.

FRANCHISOR
GREAT CLIPS, INC.

FRANCHISEE:
If Franchisee is an individual:

By: _____
Its: Secretary

Date Approved: _____

Print Name: _____
Date: _____

Print Name: _____
Date: _____

Print Name: _____
Date: _____

If Franchisee is a corporation or other
entity:

(Name of Franchisee)

By: _____
Its: _____
Print Name: _____
Date: _____

GUARANTY

EACH OF FRANCHISEE'S SHAREHOLDERS OR EQUITY OWNERS WITH A TEN PERCENT (10%) OR GREATER INTEREST IN THIS AGREEMENT MUST EXECUTE THE FOLLOWING UNDERTAKING.

In consideration of the grant of a GREAT CLIPS® franchise by Great Clips, Inc. ("Great Clips") to Franchisee each of the undersigned hereby agrees, jointly and severally, and for themselves, their heirs, legal representatives and assigns:

(1) that they, and each of them, shall be personally and firmly bound by all of the terms, provisions and conditions of the foregoing Agreement;

(2) that they and each of them do hereby unconditionally and irrevocably guaranty the full and timely performance by Franchisee of each obligation undertaken by Franchisee under the terms of the Franchise Agreement, including payment of any indebtedness of Franchisee arising under or by virtue of the Franchise Agreement; and

(3) that they and each of them will not permit or cause the effective control of Franchisee to be modified or altered in whole or in part by stock transfer or otherwise and will not make or suffer any change in their respective ownership interests in Franchisee without first notifying Great Clips of said proposed assignment or change and obtaining Great Clips' prior written consent thereto, which consent shall not be unreasonably withheld, and without first paying or causing to be paid to Great Clips the Assignment Fee provided for in the Franchise Agreement and adhering to all other provisions of the Franchise Agreement.

Name: _____
Date: _____

Name: _____
Date: _____

Name: _____
Date: _____

Name: _____
Date: _____

Name: _____
Date: _____

Name: _____
Date: _____

**CONFIRMATION OF OPENING
(SAMPLE FORM)**

Date

Name
Corporate Name
Address

Re: Franchise Agreement Dated: _____
GREAT CLIPS® Salon _____
By and between Great Clips, Inc. and _____

Dear _____:

Congratulations on your new Salon opening!

Pursuant to Article 1 of the above-referenced Franchise Agreement (the "Franchise Agreement"), this letter serves to confirm the address for the Authorized Location. Your GREAT CLIPS® Salon (the "Salon") is located at: _____.

The Salon was fully operational and open for business on: _____.
Accordingly, the initial term of the Franchise Agreement expires at the close of business on _____.

If you have not already done so, please have the insurance certificate and lease relating to this new location sent to our office immediately. The insurance certificate must name Great Clips, Inc. as an additional insured.

Except as specifically set forth in this letter, the Franchise Agreement shall remain in full force and effect in accordance with its terms. All defined terms contained in this letter will have the same meaning as defined in the Franchise Agreement.

Sincerely,

GREAT CLIPS, INC.

Its: Secretary

GENERAL RELEASE

This General Release is given to Great Clips, Inc. ("Great Clips") by _____ ("Franchisee").

FOR VALUE RECEIVED, Franchisee, on behalf of Franchisee and of Franchisee's predecessors, affiliated entities, successors and assigns, hereby: (a) represents to Great Clips that Franchisee has no outstanding claims, suits, demands, causes of action or grievances, in any amount or kind, now known or unknown, arising from or in connection with any act, practice, omission or transaction occurring in whole or in part before the date of this General Release in relation to or in connection with all matters relating to Great Clips or the GREAT CLIPS® System in any manner whatsoever, including, but not limited to, all Franchisee's GREAT CLIPS® franchises (collectively, "Claims"), and (b) releases and discharges Great Clips, its affiliates, shareholders, predecessors, successors and assigns, and their respective officers, agents, employees, directors and attorneys, from the Claims. Notwithstanding the preceding, no claim shall be released which arises out of facts deliberately concealed by Great Clips or which are not reasonably ascertainable by the Franchisee.

Franchisee represents that it has carefully and fully read this General Release, has had ample opportunity to review it with Franchisee's attorney, and understands its content and consequences.

IN WITNESS WHEREOF, Franchisee has executed this General Release this _____ day of _____, 20 _____.

FRANCHISOR
GREAT CLIPS, INC.

FRANCHISEE:

By: _____

By: _____

Its: Secretary _____

Its: _____

Date Accepted: _____

- Individually

- Individually

- Individually

(Note: If Franchisee is a corporation, partnership or other entity, this General Release MUST be signed both on behalf of the entity by an authorized officer, AND by each shareholder, partner or owner individually with a 10%+ interest in the business entity.)