

Advertising

You must participate in various market-wide and system-wide advertising and sales promotion programs. See Item 9. Great Clips, at its discretion, will establish advertising and sales promotion programs for the benefit of the GREAT CLIPS® System through the North American Advertising Fund ("Ad Fund") (Franchise Agreement - Section 8.3). You must engage in additional local advertising and sales promotion activities at your own expense. Media coverage is generally local in nature but may also be regional or national and can include television, radio, print, or other as determined by Great Clips. Great Clips currently uses advertising agencies and media buying services. Some in-house related services are provided through Great Clips' personnel. Franchisees may not develop their own advertising materials. You may make modifications to existing advertising slicks but only after you have submitted any proposed advertising for our approval, which approval may be withheld at our sole and absolute discretion. Great Clips' approval, if given, is dependent upon a number of factors, including proper use of the Marks. Franchisees are prohibited from advertising their GREAT CLIPS® business in any manner on the Internet or through other electronic means without prior permission from Great Clips.

All franchisees contribute 5% of their gross monthly sales to the Ad Fund, payable biweekly, for each of their GREAT CLIPS® salons. See Item 6. Company-owned salons, if any, will also contribute 5% of their gross monthly sales to the Ad Fund. Great Clips has sole and absolute discretion, within its own assessment of the general best interests of the GREAT CLIPS® System, to determine expenditures of funds collected into the 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 those expenditures are made. Great Clips may compensate itself and its affiliates from the Ad Fund for reasonable expenses of administering and promoting the Ad Fund and the programs funded and administered through the Ad Fund, including any taxes that may be levied on or in relation to the Ad Fund receipts or fund balances. In the fiscal year ended December 31, 2005, Great Clips was compensated \$1,516,000 or 5% of the Ad Fund's gross annual receipts, paid monthly, for administering the Ad Fund. Great Clips provides its franchisees with an annual accounting of the Ad Fund showing receipts and expenditures and Great Clips' expense of administering and promoting the Ad Fund. The Ad Fund has a \$1,000,000 line of credit at Wells Fargo Bank to cover cash flow needs during the year. The interest rate for the credit line varies, but averages approximately 2.25% over the London Interbank Offered Rate ("LIBOR"). Currently, Great Clips also provides its franchisees with a quarterly, internally prepared financial statement of the Ad Fund by DMA. In the 2005 calendar year, 4.5% of gross annual receipts of the Ad Fund was spent on production, 82.5% was spent on media and 13% was spent on other expenses that included a 5% administration fee paid to Great Clips, the advertising agency fee, research and testing, and meeting-related expenses. Great Clips is not obligated to spend any specific amount collected into the Ad Fund in the DMA in which your Salon will be located. At the end of the calendar year, surplus funds, if any, are carried over into the next year. Currently, Great Clips does not use any advertising funds to solicit new franchisees. The Ad Fund is audited on an annual basis. The annual Ad Fund audit is available for review by franchisees.

As referenced in Item 7, you must invest a minimum of \$12,000 in a grand opening marketing plan approved by Great Clips.

As referenced in Items 5 and 7, you must make a \$5,000 initial contribution to the Great Clips, Inc. Market Development Advertising Fund ("Market Development Ad Fund") when you place your equipment order with Great Clips. This is a one-time fee. 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 these funds will be allocated to advertising, research, marketing, public relations, sales promotions or other

areas, and to select materials, programs, media and agencies it considers to be appropriate. Great Clips may compensate itself and its affiliates from the Market Development Ad Fund for reasonable expenses of administering and promoting (i) the Market Development Ad Fund and (ii) programs funded and administered under the Market Development Ad Fund, including payment of taxes that may be levied on or in relation to Market Development Ad Fund receipts or balances. Great Clips has no obligation to its franchisees to account for its administration of or expenditures under the Market Development Ad Fund.

Great Clips has established a Marketing and Advisory Review Council (the "MARC") that is composed of an elected body of franchisees for the purpose of providing Great Clips with input on a variety of issues and opportunities. The MARC operates under its own Bylaws. The MARC is purely advisory in nature, but from time to time may vote on various programs, promotions or policies. Great Clips may change or dissolve the MARC at any time.

You must join and attend the meetings of a local marketing cooperative ("Co-op") designated by Great Clips (Franchise Agreement - Section 8.1). The area of membership of the Co-op is defined by DMA. Each individual Co-op determines its own dues and assessments, if any. These dues and assessments are for exclusive use for consumer marketing and advertising activities. The member franchisees of the Co-op administer their own Co-op and operate under the Charter and Bylaws for the Great Clips Marketing Cooperative which is included as Exhibit H. Co-ops are not currently required by Great Clips to prepare any kind of periodic accounting. Great Clips has the right to require marketing cooperatives to be formed and may change the way in which they operate through amendment of the Charter and Bylaws referenced above. The Co-op is separate from and has no relationship to the North American Advertising Fund or the Market Development Advertising Fund.

Computer Systems

You must obtain a license to use computer software from Great Clips' designated supplier, which is currently Innovative Computer Systems ("ICS"). Samples of the Software License and Support Agreement and related agreement are included as Exhibit G. This point-of-sale software product is called *Styleware Touch*[™] and is the proprietary property of ICS, designed exclusively for use by the GREAT CLIPS[®] System. ICS has been providing software for Great Clips since October 1, 1992. Their business address is: 6321 Bury Drive, Suite 1, Eden Prairie, Minnesota 55346. Their business telephone numbers are: (952) 949-2507 and (800) 735-1436. Currently, ICS cannot distribute *Styleware Touch*[™] to anyone outside the GREAT CLIPS[®] System. The current software requirements to run *Styleware Touch*[™] are Microsoft[®] Windows 2000 Professional or Microsoft[®] Windows XP Professional, with service Pack 3, and Borland Interbase 7.1. You will pay a monthly fee to ICS which is currently \$89.50. This fee is subject to change. See Item 6. This fee covers all licensing, past and future research and development, surveys, updates, upgrades, documentation, and installation guides, as well as toll-free software support seven days a week. You may be required to pay the monthly fee to ICS electronically via an automatic bank withdrawal.

You must promptly update and upgrade the *Styleware Touch*[™] program as determined by Great Clips. Great Clips reserves the right, if necessary and in Great Clips' sole judgment, to change the software program to be used by its franchisees, in which case you will be required to replace the *Styleware Touch*[™] program within the timeframe specified by Great Clips and at your expense. The *Styleware Touch*[™] software program tracks employee productivity, records individual performance, customer data, monitors salon profitability factors, facilitates scheduling and payroll, records product sales, monitors inventory, simplifies point-of-sale and potentially links GREAT CLIPS[®] salons to computer networks, including the Internet. Your Salon must have an active ISP (Internet Service Provider) that meets the current requirements provided by Great Clips.

You must maintain your 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 your Salon is proprietary property owned by Great Clips. There are no contractual limitations on Great Clips' rights to access information for your Salon.

Great Clips currently requires all franchisees to transmit to Great Clips various reports that give Great Clips access to all sales, financial, marketing, customer, productivity, management and other business and operational data pertaining to the Salon. You will provide this information to Great Clips via electronic transfer from your computer or Great Clips may poll this information from your computer system to a data collection system. (Franchise Agreement – Section 9.3).

You will send in your Continuing Franchise Fee and North American Ad Fund Contribution with your Biweekly Sales Report (Franchise Agreement - Section 9.4). You are also required to provide this information to Great Clips through the Internet and data warehousing site.

Currently, Great Clips does not require its franchisees to use any specific brand of computer hardware.

	Computer Hardware Recommendations
CPU	2.66 GHz or higher
RAM	512MB or higher
Hard Drive	80GB or higher
Floppy Drive	3.5" 1.44MB
CD-ROM Drive	52x or higher
ZIP Drive	250MB Internal
Video	8MB AGP or higher <i>800 x 600 resolution @ 16-bit color is recommended</i>
Sound	SoundBlaster compatible
Modem*	US Robotics 2977 US Robotics 2976 US Robotics 5610B US Robotics 5686 (external)
Magnetic Stripe Reader*	Magtek 21080203 (white) or Magtek 21080204 (black)
Touch Monitor	ELO Entuitive ET151525C (CRT) <i>Optional Upgrade:</i> ELO Entuitive ET1525L (LCD)
Report Printer	Okidata B4250 (Parallel or USB)

Receipt Printer	Star SP2320 (Parallel)
Cash Drawer	MMF ECD232 (Serial)
Line Conditioner	ONEac PC550A (Line Conditioner) <i>Optional Upgrades</i> ONEac One600 (Line Conditioner w/UPS) ONEac DP500 (Battery Backup Unit)

*The listed modem and magnetic stripe reader are required for integrated credit card processing.

Although you are not obliged to, it is recommended that you purchase compatible hardware through NCS Pearson. ICS works closely with NCS Pearson. The purchase of hardware through NCS Pearson increases the likelihood that computer problems will be properly diagnosed and corrected. Great Clips is under no obligation to provide you with any ongoing service related to your hardware package, however, NCS Pearson offers a hardware warranty program which you may purchase at your option and expense. Great Clips reserves the unlimited right to require you, at your expense and in the timeframe determined by Great Clips, to update or upgrade the hardware you use in your GREAT CLIPS® Salon to conform to new standards or specifications.

Great Clips requires its franchisees to maintain a functioning e-mail address and all specified points of high-speed Internet connection according to Great Clips' standards and specifications for the purpose of communication with Great Clips. Great Clips will provide you with a proprietary e-mail address, mailbox and password for use in communicating with Great Clips. You will be required to review your e-mail at least once per business day and use reasonable efforts to respond to e-mails from Great Clips within 24 hours. You will also be required to access the GREAT CLIPS® Web Site for franchisees. Your conduct on the Internet and on the e-mail system is subject to the Franchise Agreement and the Great Clips Information Protection Policy. You are required to keep all passwords, access codes and identification codes provided by Great Clips confidential.

Site Selection

Great Clips must consent to the site for your GREAT CLIPS® Salon (and for each Salon that you open if you have a Master Development Agreement), but your location will ordinarily be evaluated and selected by you with Great Clips' input. Factors Great Clips considers in consenting to potential sites include competition and market analysis, building suitability, traffic and transportation considerations, the nature and extent of adjacent businesses, and the comparative advantages of the particular market. Great Clips' consent to a site, Salon plans or any other matter constitutes permission only and is not an endorsement or guaranty. You are solely responsible for locating, obtaining and evaluating the suitability and prospects of your Salon location, layout and operations, and for the review and negotiation of your lease. Great Clips does not permit franchisees who have executed a lease for a GREAT CLIPS® salon to assign or otherwise dispose of their interest in that lease without first offering the lease to Great Clips at no cost to Great Clips. This right of first refusal applies to sites that you may have found or sites that Great Clips has presented to you. From time to time, Great Clips may use exclusive real estate agents in connection with real estate location searches. Great Clips requires you to use only our exclusive real estate agent when pursuing sites that the agent has presented to Great Clips. While it is rare that a franchisee would be required to pay the real estate commission on the site for the Salon, this has occurred in certain circumstances. In such a situation you will be required to pay any real estate commission whether or not the exclusive agent is utilized. If Great Clips does not give its consent to a proposed location, you may (i) cancel the Franchise Agreement; or (ii) submit another location for our review. If a lease for your Authorized

Location has not been fully executed within twelve months after the date that Great Clips accepts the Franchise Agreement, either Great Clips or you may cancel the Franchise Agreement by notice and without further obligation. If you or Great Clips cancels the Agreement in this manner, the Partial Initial Franchise Fee is non-refundable if the Franchise Agreement is the first Franchise Agreement that you have entered into with Great Clips or is part of a Fast Start Program.

You must work diligently to open your Salon for business in a timely manner. A typical length of time between the signing of the Franchise Agreement and the opening of your GREAT CLIPS® business is five to 15 months. The time required to open a new facility for business may vary depending upon the time of year, availability of financing, construction delays, the real estate market, and similar factors.

Training

Great Clips provides training to you, your stylists and management staff as described below. Franchisees must attend and complete all then-current training requirements as set forth in the Operations Manual within the timeframe established by Great Clips. There are currently no refresher courses required, but you may re-attend all or portions of the Great Clips training programs at no additional charge other than your travel and living expenses. You may be required to re-attend all or portions of a Great Clips training program, at our determination, as a condition for renewal of your Franchise Agreement. We reserve the right to require any franchisee or franchise owner, including assignees, to re-attend training sessions. We reserve the right to establish a reasonable training fee for mandatory re-training in connection with renewal of the franchise, and you must pay your own travel and living expenses.

Where available, and as indicated in the notes below, training will be provided at the nearest available market training center, although not all markets will have a training center. Training centers are established, as determined by Great Clips at its sole discretion, depending on a number of factors such as market size, the number of open salons and need. In outlying or adjacent markets where there may not be a permanent training center established (generally 90 miles from the nearest training center) the Great Clips Academy for Hair may be held at a GREAT CLIPS® salon or other site, such as a hotel facility, designated by Great Clips. In outlying or adjacent markets, the Great Clips Academy for Hair programs are conducted as determined by Great Clips based on need, provided there are three or more participants. Management Training and related workshops will only be held at identified training centers. Typically, you and your staff are expected to commute to Management Training and related workshops at your expense. This is subject to change at Great Clips' discretion.

Training requirements are communicated and updated through periodic memos, publications, manuals and the GREAT CLIPS® Web Site. Great Clips reserves the right to require any assignee or person active in the franchised business to complete all required training. Training for assignees is mandatory and must be completed to Great Clips' satisfaction within six months of assignment of the Salon. Great Clips may increase or establish training fees and modify our training programs in whole or part at our sole and absolute discretion.

Current Training Programs:

Subject	Time Begun	Instructional Material	Hours of Classroom Training	Hours of on the Job Training	Instructor
Franchisee Orientation and Training ¹	Before Salon opens	Franchisee Orientation and Training Manual	40 hours	None	Department heads and other Great Clips staff
The Great Clips Academy for Hair ²	Within 30 days of start date	The Great Clips Academy for Hair Participant Packet and Illustrated Outlines	23-24 hours	None	Field training staff
Management Training for Management Staff: Managing the Day-to Day - Module 1 ³	It is mandatory for all Management Staff to complete one module of Management Training within 90 days of hire or promotion to a management position. The other module of Management Training must be completed within 90 days of completion of the first module.	Management Training Participant Packets	21-24 hours	None	Field training staff
Management Training for Management Staff: Growing the Salon - Module 2 ⁴	It is mandatory for all Management Staff to complete one module of Management Training within 90 days of hire or promotion to a management position. The other module of Management Training must be completed within 90 days of completion of the first module.	Management Training Participant Packets	28-32 hours	None	Field training staff
Management Development Workshops ⁵	After Salon opens	Management Development Workshop Participant Materials	2-4 hours	None	Field training staff or Great Clips' employee
Advanced Technical Workshops ⁶	After Salon opens	Advanced Technical Workshop	2-4 hours	None	Field training staff

Subject	Time Begun	Instructional Material	Hours of Classroom Training	Hours of on the Job Training	Instructor
		Participant Materials			

“New franchisee” includes the Designated Operator or Operators identified in your Franchise Agreement and any of your partners that intend to be actively involved in the operation of the Salon.

1) Franchisee Orientation and Training is currently held in Minneapolis, Minnesota, several times per year. New franchisees are scheduled to attend after their Franchise Agreement is accepted by Great Clips. You must attend and successfully complete all Franchisee Orientation and Training requirements as set forth in the Operations Manual. Great Clips strongly recommends that your general manager also attend this training. There is no fee charged to attend this training but you are responsible for you and your attendees travel and living expenses necessary to attend training. Franchisee Orientation and Training covers basic aspects of establishing and operating a GREAT CLIPS® salon. The presenters' experience varies, but generally these individuals will have five to 12 years of related experience. This training is mandatory for all new franchisees and must be completed to Great Clips' satisfaction.

2) The Great Clips Academy for Hair is delivered on a periodic basis, or as communicated, at the nearest available training facility. You, your management staff and stylists must attend and complete all Great Clips Academy for Hair training requirements as set forth in the Operations Manual. This training is designed to introduce your management staff and stylists to the GREAT CLIPS® concept and its systems. Each instructor has a minimum of four months' experience as a trainer in the GREAT CLIPS® System. Occasionally, Great Clips will hire and train a franchisee's employee to conduct training. There is no fee to train you or your first 15 stylists (including three of your initial management staff as indicated in paragraph 3 below) who are hired, and start training, prior to or within three months of your Salon opening, but franchisees must pay for all meals and related expenses for themselves and their employees. Additional employees who you hire after your Salon has been open for three months must attend training at a fee which is currently \$40 per attendee plus the cost of meals and other expenses. It is mandatory for all management staff and stylists to start the Great Clips Academy for Hair training within 30 days of their start and to complete training within 60 days of starting training. All of your employees must complete the Great Clips Academy for Hair training to the satisfaction of Great Clips. You are responsible for ensuring that all your stylists are licensed by the state's Cosmetology Board or equivalent official licensing entity.

3) Management Training for Management Staff – Module 1: Managing the Day-to-Day is the first module of the two modules of Management Training. It is delivered in day-long sessions on a periodic basis, or as communicated, at the nearest available training facility. You must complete this training within six months of the date that Great Clips accepts your first Franchise Agreement. This training is designed to help your management staff develop the knowledge and skills they need to follow the Great Clips operating procedures; recruit, interview, hire, and orient staff; use forms and reports; prepare work schedules; understand basic salon financial information, payroll and team building. Each instructor has a minimum of four to six months' experience as a trainer in the GREAT CLIPS® System. There is no fee to train you or your first three management staff who are hired by you, and who start training, prior to or within three months of your Salon opening, but you must pay for all the trainees' meals and related expenses. Additional management staff who you hire after your Salon has been open for

three months must attend training at a fee, which is currently \$100 per participant. Trainees must pay for their meals and other related expenses. Currently, the training fee is waived in the event of the necessity for an overnight stay by the trainee. It is mandatory for all management staff to complete one module of Management Training within 90 days of hire or promotion to a management position. The other module of Management Training must be completed within 90 days of completion of the first module. The two modules of Management Training may be completed in any order. It is recommended that Module 1 - Managing the Day-to-Day be attended first. All new franchisees and management staff must complete this training to the satisfaction of Great Clips.

4) Management Training for Management Staff – Module 2: Growing the Salon is the second module of Management Training. It is delivered in day-long sessions on a periodic basis, or as communicated, at the nearest available training facility. You must complete this training within six months of the date that Great Clips accepts your first Franchise Agreement. This training is designed to help your management staff develop the skills they need to coach, develop, and retain staff, hold effective salon meetings, and assure excellent technical quality and customer service. Each instructor has a minimum of four months' experience as a trainer in the GREAT CLIPS® System. There is no fee to train you or your first three management staff who are hired by you, and who start training, prior to or within three months of your Salon opening, but you must pay for all the trainees' meals and related expenses. Additional management staff who you hire after your Salon has been open for three months must attend training at a fee, which is currently \$125 per participant. Trainees must pay for their meals and other related expenses. Currently, the training fee is waived in the event of the necessity for an overnight stay by the trainee. It is mandatory for all management staff to complete one module of Management Training within 90 days of hire or promotion to a management position. The other module of Management Training must be completed within 90 days of completion of the first module. The two modules of Management Training may be completed in any order. It is recommended that Module 1 - Managing the Day-to-Day be attended first. All new franchisees and management staff must complete this training to the satisfaction of Great Clips.

5) Management Development Workshops are offered periodically at the nearest available training facility or local hotel facility. These workshops are customized and designed to build upon management skills, and each workshop will focus on a different topic such as interviewing, roles and responsibilities, scheduling, recruiting, and customer service. Each instructor has a minimum of four months' experience as a trainer in the GREAT CLIPS® System. From time to time, Great Clips will bring in an outside presenter to conduct the workshop. The background and experience of such presenters will vary. This training is not mandatory, but all managers, assistant managers and franchisees are encouraged to attend. In the 12 months preceding the date of this offering circular, approximately 10% of all new franchisees attended a Workshop. Great Clips may charge a fee for this training if there are material or presenter costs. Such fees will vary. Attendees must pay for all meals and related expenses.

6) Advanced Technical Workshops are offered periodically at the nearest available training facility. These workshops may include perming, product sales, finishing techniques, shear techniques, ethnic haircutting and braiding. All instructors have a minimum of four months' experience as a trainer in the GREAT CLIPS® System. From time to time, a franchisee's employee that excels in technical skills will conduct this training. This training is not mandatory, but all management staff and stylists are encouraged to attend. Great Clips may charge a fee for this training if there are material or presenter costs. Such fees will vary. Attendees must pay for all meals and related expenses.

Item 12

TERRITORY

You will conduct the GREAT CLIPS® business at an Authorized Location by establishing and operating the Salon as provided in the Franchise Agreement. You will receive a protected area consisting of a circular area defined by a radius of three-quarters of a mile from the primary customer entrance of the Salon (the "Protected Area"). Great Clips agrees that it will not operate GREAT CLIPS® salons or grant GREAT CLIPS® franchises within the Protected Area, but you may establish additional salons within the Protected Area if you obtain our prior consent. If the Salon is in a downtown or comparable business district, the Protected Area is a radius of one-tenth of a mile, as determined by Great Clips in advance of your Salon opening. If the location of the Salon is determined by Great Clips to be a non-traditional site, the Protected Area will be determined by Great Clips at the time of the designation. The Protected Area for a non-traditional site will be described in more detail in an exhibit to the Franchise Agreement. There is no minimum sales quota. You maintain rights to your Protected Area even if the population increases.

The Franchise Agreement does not prohibit you from soliciting business for the Salon from any location. You are not required to compensate, nor are you entitled to receive compensation from, Great Clips or other franchisees on account of any territorial or customer sales restrictions or due to the activities of any competitors or other GREAT CLIPS® salons. Great Clips must consent to any relocation of the Salon. Any applications to open additional GREAT CLIPS® salons are subject to Great Clips' sole and absolute right to choose with whom it will do business. Great Clips has no obligation to enter into additional or new Franchise Agreements with existing franchisees with whom it has entered into previous Franchise Agreements for a single location or multiple locations within the Protected Area or contiguous territories.

If you enter into a Master Development Agreement, you will be granted an exclusive area defined by the then-current television Designated Market Area (the "Exclusive DMA") as long as you are in compliance with the development schedule and the terms and conditions of the Master Development Agreement. During the term of the Master Development Agreement, Great Clips agrees that it will not operate or grant another person to operate a GREAT CLIPS® salon at any location within the Exclusive DMA.

Great Clips and its affiliates have the absolute right to establish company-owned or franchised GREAT CLIPS® salons at any locations they choose outside the Protected Area of the Salon or the Exclusive DMA, as described above. 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 its franchisees 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 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 and to any customer without obligation to its franchisees.

Item 13

TRADEMARKS

The Franchise Agreement permits you to use the GREAT CLIPS® Marks only for the purposes and upon the terms and conditions set forth in the Franchise Agreement. Great Clips has registered the following Marks on the Principal Register of the U.S. Patent and Trademark Office:

Mark	Registration No.	Date of Registration
GREAT CLIPS®	1,341,594	June 11, 1985
GREAT CLIPS FOR HAIR® (Service Mark)	1,610,866	August 21, 1990
GREAT CLIPS FOR HAIR® (Trademark)	1,620,738	November 6, 1990
SAILBOAT MOTIF	1,778,591	June 29, 1993
DESIGN MARK (SAIL)	2,013,051	November 5, 1996
GREAT NEEDS. GREAT DEEDS.®	2,609,857	August 20, 2002
DETOUR®	2,798,801	December 23, 2003
RED ZONE / GREEN ZONE®	2,704,096	April 8, 2003
SOLUTIONS BY GREAT CLIPS®	2,949,985	May 10, 2005

Great Clips has filed and the U.S. Patent and Trademark Office has accepted a Combined Declaration under Sections 8 and 15 for the "GREAT CLIPS®", "GREAT CLIPS FOR HAIR®", and "SAILBOAT MOTIF" Marks claiming five or more years of continuous use of these Marks with no outstanding claims of prior use of the same or similar mark. Great Clips has filed all required affidavits of use and renewal applications in connection with the Marks listed above.

Great Clips has filed trademark applications with the Principal Register U.S. Patent and Trademark Office for the following Marks:

Mark	Serial No.	Date of Application
HARD HAT	78/529403	December 8, 2004
STOP	78/429404	December 8, 2004

The Marks indicated below are registered in the following countries outside the United States:

Mark	Registration No.	Date of Registration	Country
GREAT CLIPS FOR HAIR®	397,505	April 24, 1992	Canada
GREAT CLIPS®*	TMA 429,379	June 24, 1994	Canada
SAILBOAT MOTIF	TMA 432,008	August 19, 1994	Canada
GREAT NEEDS. GREAT DEEDS.®	614,998	July 16, 2004	Canada
DETOUR®	626,565	November 24, 2004	Canada
RED ZONE / GREEN ZONE®	630,551	January 19, 2005	Canada

* On February 26, 1998, Mike Duchnij and Jim Thorpe ("Duchnij/Thorpe") of Edmonton, Alberta, Canada served a Notice of Motion on Great Clips advising Great Clips of Duchnij/Thorpe's intent to make application in The Federal Court of Canada to seek expungement of Great Clips' registered trademark GREAT CLIPS®, number TMA 429,379 in

Canada. The Court Action number was T-314-98. Great Clips and GCRC had filed suit against Duchnij/Thorpe in May 1997 for trademark infringement and passing off relating to the use of the mark GREAT CUTS by Duchnij/Thorpe in Edmonton, Alberta, Canada. Great Clips won a temporary injunction that is still in force but stayed, pending appeal. On or about May 14, 1998, all claims relating to the Duchnij/Thorpe litigation were resolved through a settlement by the parties. As a result of the settlement, all asserted claims and appeals were dismissed. Also as part of the settlement, Duchnij/Thorpe, and their affiliated entities, based on specific restrictions set forth in the settlement agreement, agreed to refrain from using any trade name or trademark which could be confused with the GREAT CLIPS® name. Finally, as part of the settlement, Duchnij/Thorpe and their affiliated entities agreed to take the necessary steps to alter the appearance of their businesses so as not to be confused with a GREAT CLIPS® salon.

Great Clips has filed trademark applications with the Canadian Intellectual Property office for the following Marks:

Mark	File No.	Date of Application
SOLUTIONS BY GREAT CLIPS	1,250,446	March 14, 2005

Great Clips may also permit you to use from time to time other trademarks, service marks, trade names and commercial symbols as designated in writing.

Great Clips entered into an agreement dated December 12, 1992, with Clairol Incorporated in which Great Clips agreed that it will not use, advertise, or promote its SAILBOAT MOTIF mark unless the mark GREAT CLIPS® is used in direct conjunction with such use, either alone or in a phrase such as GREAT CLIPS FOR HAIR®.

There are no other agreements currently in effect that limit Great Clips' rights to use or license the use of the Marks. There are currently no infringing uses actually known to Great Clips which could materially affect your use of the GREAT CLIPS® Marks, trade name, logotypes or other commercial symbol in the state in which your Salon is to be located. There are no effective determinations of the Patent Office, the trademark administrator of any state or any court and, except for the action relating to the Canadian GREAT CLIPS® mark, there is no pending material litigation involving the Marks that are material to the franchise.

You must notify Great Clips immediately if you learn about an infringement of or challenge to your use of our Marks, and you are obligated at your own expense to 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; legal expenses of any such action would be paid by Great Clips. Great Clips is not required to take affirmative action when notified of any such use or infringement, and has sole and absolute discretion to determine what steps, if any, are to be taken in any instance of unauthorized use or infringement of any of its Marks. Great Clips has 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. Great Clips has the right to change the principal identifying Marks of the System if necessary, on either a regional or national basis, and in such case you are obligated, at your expense, to make changes designated by Great Clips in the Salon's signage and identification.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Great Clips does not own any rights in or to any patents or registered copyrights material to the franchise. Although Great Clips has not filed an application for copyright registration for the Operations Manual, other manuals, videos, training programs and promotional materials, Great Clips owns a copyright for these and other items it has developed and they may be registered at our discretion. The information contained in these materials is proprietary and you may not disclose, except to your own GREAT CLIPS® employees, or use for any purpose other than operating the Salon, any trade secret or confidential or proprietary aspect of the GREAT CLIPS® System. You are also responsible for ensuring that your employees maintain the same level of confidentiality. If you or your employees learn about an unauthorized use of any of our confidential or proprietary materials, you must promptly notify us. Great Clips is not obliged to take any action, but will respond to this information in its discretion.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must devote your best efforts to the management and operation of the GREAT CLIPS® business, but are not required to personally manage the Salon. You must successfully complete all Great Clips' required training for franchisees in the timeframe designated by Great Clips. Your management staff and stylists must also successfully complete all training required by Great Clips. See Item 11. You must attend local co-op meetings and other meetings for franchisees held in your market to ensure that you stay apprised of the most current information affecting your business. You and your spouse are obligated under the Franchise Agreement not to engage in or be connected with or participate in or consult with or share the earnings or profits of, or lease property to any other business or activity that competes with the GREAT CLIPS® business at any location, including any retail haircare or personal grooming business, beauty school, barber school, cosmetology school, or any business selling hair products during the term of the franchise, for one year after the expiration or termination of the Franchise Agreement at any location within five miles of any GREAT CLIPS® salon or over the Internet, or for one year after you have assigned your interest in the Franchise Agreement anywhere within five miles of any GREAT CLIPS® salon, subject to state law requirements. See Item 17 with respect to restrictions on assignment of the franchise and business, Great Clips' right of first refusal and for information concerning covenants not to compete. You are also obligated to respect and protect the confidentiality and restricted use of confidential, proprietary and trade secret information owned by Great Clips and are responsible for ensuring that your employees maintain the same level of confidentiality. See Item 14.

If you have formed a business entity to operate the GREAT CLIPS® business, you and each shareholder with an interest of 10% or more in that entity must personally guaranty complete and timely performance of all the franchisee's obligations under the Franchise Agreement, including payment of all fees and other expenses related to the GREAT CLIPS® business, and must sign the form of guaranty designated by Great Clips.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Your business is confined by the Franchise Agreement to the operation of the GREAT CLIPS® retail haircare and personal grooming business. You may only offer inventory items and services designated by Great Clips and you must offer the full range of services and required inventory authorized by us. See Items 8 and 9.

Great Clips may, at its sole and absolute discretion, add additional authorized services or inventory items or require you to change the required inventory items and services that you offer in your Salon. There are no limits on Great Clips' right to do so, and in such case you are obligated, at your expense, to make those changes in the timeframe designated by Great Clips. See Item 8.

No other business or activity may be conducted or products or services offered at the Authorized Location. Your business may only be identified by the name GREAT CLIPS® or another of the licensed Marks designated in writing by Great Clips.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the franchise and related agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this offering circular.

Provision	Section in Agreement	Summary
a. Term of the franchise	Sections 3.1 and 12.5 of Franchise Agreement Section 4 of Master Development Agreement	The term of the Franchise Agreement is 10 years from date of opening of the Salon or, if you buy an existing Salon, the term will be the balance of the term of the existing Salon. 5 years from date of acceptance by Great Clips.
b. Renewal or extension of the term	Section 3.2 of Franchise Agreement Section 5 of Master Development Agreement	The Franchise Agreement provides for consecutive additional renewal terms of five years each, subject to Section 3.3 of Franchise Agreement. The Master Development Agreement provides for one five-year option to extend subject to certain conditions.
c. Requirements for you to renew or extend	Section 3.3 of Franchise Agreement	To renew the Franchise Agreement you must give the required notice, be in compliance with the Franchise Agreement and Great Clips' policies, upgrade your Salon to then-current standards, pay a renewal fee of \$1,750, re-attend training at Great Clips' discretion, and

Provision	Section in Agreement	Summary
	Section 5 of Master Development Agreement	sign the then-current form of General Release and Franchise Agreement. To renew the Master Development Agreement you must give the required notice, be in compliance with the Master Development Agreement and Great Clips' policies, sign a General Release, and continue to open salons under the Development Schedule.
d. Termination by you	Section 14.2 of Franchise Agreement	The Franchise Agreement may be terminated by you only for good cause or upon any grounds available by law.
e. Termination by Great Clips without cause	None	
f. Termination by Great Clips with cause	Sections 5.2, 14.1 and 14.2 of Franchise Agreement Sections 7 and 8 of Master Development Agreement	Great Clips may cancel your Franchise Agreement if: your lease is not fully executed within six months of the date Great Clips accepts the Franchise Agreement; you are no longer in good standing prior to signing a lease; you fail to open your Salon within 6 months after landlord has delivered the space; you fail to satisfactorily complete required training; you have not obtained necessary financing within 120 days of the date of the Franchise Agreement; you engage in speculative behavior prior to the Salon opening; or if you breach your Franchise Agreement. Great Clips can terminate if you fail to: comply with the Development Schedule; pay amounts due under the Master Development Agreement or any Franchise Agreement; any Franchise Agreement is terminated by Great Clips; or you breach any of the terms and conditions of the Master Development Agreement.
g. "Cause" defined - defaults which can be cured	Section 14.2 of Franchise Agreement Section 7 of Master Development Agreement	"Good cause" is a material breach of the Franchise Agreement or any other Franchise Agreement you have with Great Clips. You have seven days to cure for non-payment of sums due; and 30 days in all other cases, except those items in "h." below. Notice of termination may be given simultaneously with notice of default, subject to a right to cure. You may be given time to cure for failure to comply with the Development Schedule.
h. "Cause" defined - defaults which cannot be cured	Section 14.1 of Franchise Agreement	Great Clips can terminate immediately if you: impair or threaten to impair the Marks or System; become insolvent; make an assignment for the benefit of creditors; abandon; are convicted of any offense; or if

Provision	Section in Agreement	Summary
	Section 8 of Master Development Agreement	<p>you assign an interest in the Franchise Agreement without the consent of Great Clips.</p> <p>Failure to pay amounts due under the Master Development Agreement or any Franchise Agreement; any Franchise Agreement is terminated by Great Clips; or a breach of any of the terms and conditions of the Master Development Agreement may result in immediate termination</p>
i. Your obligations on termination / non-renewal	<p>Section 15 of Franchise Agreement</p> <p>Section 9 of Master Development Agreement</p>	<p>Upon the termination or non-renewal of the Franchise Agreement, you must cease all use of the Marks; assign the telephone number for the Salon to Great Clips; pay all sums owed; return the manuals and cease all use of proprietary information; de-identify the Authorized Location; and comply with the non-competition covenant described in "r." below.</p> <p>Upon the termination or non-renewal of the Master Development Agreement, all rights granted under Master Development Agreement immediately revert to Great Clips. Termination does not affect the individual Franchise Agreements signed for each franchised location in the Exclusive DMA.</p>
j. Assignment of contract by Great Clips	Section 12.1 of Franchise Agreement	There is no restriction on Great Clips' right to assign.
k. "Transfer" by you - definition	<p>Section 12.2 of Franchise Agreement</p> <p>Section 11 of Master Development Agreement</p>	<p>A transfer is any transfer or assignment of assets or rights under the Franchise Agreement or any ownership change that alters the percentage of ownership. All assignments, however minor, must be consented to by Great Clips.</p> <p>You cannot assign any rights or interest in the Master Development Agreement, except to an operating partner who lives in the Exclusive DMA who has an interest of at least 25% but less than 50%.</p>
l. Great Clips approval of assignment by franchisee	Section 12.4 and 12.8 of Franchise Agreement	Great Clips must give its prior written consent to an assignment, which will not be unreasonably withheld. If Great Clips consents to a public offering, such consent does not in any way relieve you from sole responsibility for the contents and veracity of the offering and any private placement memorandum or other documents associated with the offering.
m. Conditions for Great Clips approval of assignment	Section 12.4 of Franchise Agreement	Great Clips may withhold consent to an assignment if assignee: does not agree to operate the Salon as a GREAT CLIPS® salon; is not personally or financially qualified; does not meet Great Clips' then-current

Provision	Section in Agreement	Summary
		qualification guidelines for new franchisees; is not eligible to expand (if assignee is an existing franchisee); has conflicting interests with Great Clips; will not devote best efforts to management of the business; or cannot communicate in English. Assignee must sign new form of Franchise Agreement but only for the balance of the term of the assignor's Franchise Agreement. Assignee, and all individuals with a 10% or greater interest in assignee, must sign Great Clips' form of General Release and Guaranty, and pay the assignment fee, if applicable. Assignor may not assign more than 50% interest in the Franchise Agreement if the Salon is not in operation. If the Salon is temporarily closed, pending relocation, it may not be assigned in whole or in part.
n. Great Clips right of first refusal to acquire your business	Section 11 of Franchise Agreement	If you decide to sell, merge, assign or otherwise dispose of any interest in the franchise, you must first offer the proposed transaction to Great Clips. Great Clips has 30 days after receiving the terms of a bona fide offer to match the offer on the price and terms or cash equivalent of the offer. In the event Great Clips does not exercise its right of first refusal and the offer changes in any way, or another offer is made, this new offer must be presented to Great Clips. We will then have 30 days to accept the new offer on the price and terms or cash equivalent 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 notifies the assignor that it does not wish to exercise its right of first refusal. If the transaction does not take place within 120 days, Great Clips has the right to re-evaluate and match the offer if it elects to do so.
o. Great Clips option to purchase your business	Section 16.2 of Franchise Agreement	Great Clips has the right, but not the obligation, to buy any or all equipment and furnishings in the Salon at a price set by a qualified appraiser.
p. Your death or disability	Section 12.9 of Franchise Agreement	If your heirs or executor wish to continue operating the Salon, they must apply for Great Clips' consent to the assignment and pay the Assignment Fee.
q. Non-competition covenants during the term	Section 7.18 of Franchise Agreement	You must have no involvement in any way in any haircare or personal grooming business, beauty schools, cosmetology schools, barber schools, or any business selling hair products during the term of the Franchise Agreement at any location or over the Internet.
r. Non-competition covenants after the franchise is terminated, assigned or expires	Section 7.18 of Franchise Agreement	You must have no involvement in any way in any haircare or personal grooming business, beauty schools, barber schools, cosmetology schools, or any business selling hair products for one year after the expiration or

Provision	Section in Agreement	Summary
		termination of the Franchise Agreement anywhere within five miles of any GREAT CLIPS® salon, or for one year after a franchisee's assignment of the Franchise Agreement anywhere within five miles of any GREAT CLIPS® salon.
s. Modification of the agreement	Section 17.3 of Franchise Agreement	There will be no modifications generally, but the Operations Manual, other manuals, various policies, fees for additional training, required purchases and services, and the Marks are subject to change.
t. Integration / merger clause	Section 17.3 of Franchise Agreement	Only the terms of the Franchise Agreement are binding. Any other promises or representations outside the Franchise Agreement or this offering circular are not authorized and are not binding or enforceable against Great Clips.
u. Dispute resolution by arbitration or mediation	Sections 13.1- 13.3 and 13.5 of Franchise Agreement Section 13 of Master Development Agreement	All disputes must be arbitrated in Minneapolis, Minnesota. All disputes must be arbitrated in Minneapolis, Minnesota.
v. Choice of forum	Section 13.5 of Franchise Agreement Section 13.1 and 13.2 of Master Development Agreement	Except for certain claims, all legal proceedings must be held in Hennepin County, Minnesota. All legal proceedings must be held in Hennepin County, Minnesota. Illinois franchisees: See Addendum to Uniform Franchise Offering Circular for the State of Illinois
w. Choice of law	Section 17.2 of Franchise Agreement	The governing law will be the laws of the State in which the Authorized Location is located. Illinois franchisees: Governing law will be the laws of the State of Illinois. Maryland franchisees: Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law permits a franchisee in Maryland to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

The following states have statutes that may supersede certain aspects of the Franchise Agreement in your relationship with Great Clips including the areas of termination and renewal of your franchise:

ARKANSAS [CODE SECTIONS 4-72-201 – 4-72-210], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Sections 42-133e – 42-133h] DELAWARE [Code Sections 2551 – 2556], HAWAII [Rev. Stat. Section 482E-6], ILLINOIS [815 ILCS SECTIONS 705/1-44], INDIANA [Code Sections 23-2-2.7-1 – 23-2-2.7-7], IOWA (Code Sections 523H.1 – 523H.17 and 537A.10), MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Sections 80C.14 and 80C.21], MISSISSIPPI [Code Sections 75-14-51 – 75-24-63], MISSOURI [Rev. Stat. Sections 407.400 – 407.413 and 407.420], NEBRASKA [Rev. Stat. Sections 87-401 – 87-410], NEW JERSEY [Rev. Stat. Sections 56:10-1 – 56:10-12]; RHODE ISLAND [Stat. Sections 19-28.1-14 – 19-28.1-16; Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim enforceable under this Act”], SOUTH DAKOTA [SDCL Sections 37-5A-51 and 37-5A-51.1], VIRGINIA [Code Sections 13.1-557 – 13.1-574], WASHINGTON [Rev. Code Section 19.100.180], WISCONSIN [Stat. Sections 135.01 – 135.07]. These and other states may have court decisions that may supersede the Franchise Agreement in your relationship with Great Clips including the areas of termination and renewal of your franchise.

Item 18

PUBLIC FIGURES

Great Clips will pay base sponsorship fees to Akins Motorsports for the primary sponsorship of professional racing vehicles for competition in the NASCAR Busch Grand National Series. Great Clips will pay sponsorship fees of \$3,800,000 for participation in the NASCAR Busch Series for the 2006 season. In the 2006 NASCAR Busch Series races, Anthony Foyt IV will be the driver. Drivers are subject to change. In all races in which Great Clips is the primary sponsor, the GREAT CLIPS® logo will be displayed as the main sponsor on all vehicles used in competition and may include the use of in-car cameras. This sponsorship includes the use of the GREAT CLIPS® logo on the race car transporter, Great Clips' show car and transporter, driver apparel, race team apparel, management apparel, pit banners and garage banners, and all tool boxes. Great Clips has the right to use the trade name, and trademark of Akins Motorsports in the sale, promotion, and marketing of Great Clips' products and services and in promoting the sale of our franchise. The term of the agreement is January 1, 2005 through December 31, 2006. Neither Akins Motorsports nor Mr. Foyt manage or own an interest in Great Clips.

Item 19

EARNINGS CLAIMS

Great Clips provides prospective franchisees with information regarding the average sales, expenses and cash flows of certain franchised GREAT CLIPS® units. Great Clips will substantiate the information set forth in this Item 19, upon reasonable request, provided, however, that such substantiation shall not disclose the sales, expenses or cash flows of any specific franchised unit without the written authorization of the franchisee, except as required by any applicable state or federal registration authorities.

OTHER THAN AS SPECIFICALLY DISCLOSED IN THIS ITEM 19, GREAT CLIPS DOES NOT MAKE ACTUAL, AVERAGE, PROJECTED OR FORECASTED SALES, EXPENSES, PROFITS, CASH FLOW OR EARNINGS INFORMATION AVAILABLE TO PROSPECTIVE FRANCHISEES. THERE IS NO GUARANTY THAT ANY NEW FRANCHISEE WILL ATTAIN THE AVERAGE SALES, EXPENSES, PROFITS, CASH FLOW OR EARNINGS LEVELS ATTAINED BY ANY EXISTING FRANCHISEES.

GREAT CLIPS HAS COMPILED THESE AVERAGE SALES, EXPENSES, PROFITS, CASH FLOW OR EARNINGS FIGURES FROM INFORMATION SUPPLIED BY GREAT CLIPS® FRANCHISEES AND THEY SHOULD NOT BE CONSIDERED AS THE ACTUAL OR POTENTIAL SALES, EXPENSES, PROFITS, CASH FLOW, OR EARNINGS THAT WILL BE REALIZED BY ANY OTHER FRANCHISEE. GREAT CLIPS DOES NOT REPRESENT THAT ANY FRANCHISEE CAN EXPECT TO ATTAIN THESE SALES, EXPENSES, PROFITS, CASH FLOW OR EARNINGS. A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE AVERAGE FIGURES PRESENTED BELOW. IF GREAT CLIPS INCLUDED SALONS THAT WERE ONLY OPEN FOR ONE YEAR, THESE NUMBERS WOULD BE SUBSTANTIALLY DIFFERENT.

The average sales, expenses and cash flows of the GREAT CLIPS® units were obtained from operating statements submitted to Great Clips by its franchisees. Most franchisees use a cash versus accrual system for producing their financial statements, which may produce slight differences between the actual date of occurrence of expenses and the date such expenses are reported on the franchisee's financial statements. Neither Great Clips nor its independent certified public accountants have independently audited or verified these franchisee statements. The information received in these statements, to the best of Great Clips' knowledge, is accurate and complete.

All GREAT CLIPS® units offer substantially the same services and products to the public. The actual sales, expenses, and cash flow results of any franchised GREAT CLIPS® unit may vary substantially from these averages. Sales, expenses and cash flow results depend upon many independently variable factors including, but by no means limited to, the location and visibility of the unit, local traffic patterns, the demographic composition, age of the market and trends of the market area served by the unit, the competitive environment, public awareness of and goodwill associated with the name "GREAT CLIPS®", the region and market area in which the unit is located, the length of time the unit has been in operation, the quality of the management and service at the unit, the individual skills of the franchisee and other factors. This information is therefore limited in its usefulness and should only be utilized as a reference for you to use in conducting your own independent analysis of the business.

THE FOLLOWING TABLE CONTAINS INFORMATION RELATING SOLELY TO HISTORICAL SALES, EXPENSE AND CASH FLOW DATA COMPILED FROM EXISTING FRANCHISED GREAT CLIPS® UNITS. THE TABLE IS QUALIFIED IN ITS ENTIRETY BY ALL THE INFORMATION, NOTES, CAUTIONARY STATEMENTS AND QUALIFICATIONS CONTAINED IN THIS ITEM 19.

AVERAGE OPERATING CASH FLOW OF CERTAIN GREAT CLIPS® UNITS

GENERAL DESCRIPTION AND METHODOLOGY

The following statement (hereinafter referred to as the "Average Operating Cash Flow Statement") consists of the average sales, expenses and operating cash flow of certain GREAT CLIPS® units. The statement is based on a sample of 722 units that were open two years or longer as of January 1, 2005, and operating as of the date of this offering circular.

The total eligible sample of units opened for two years or longer, as of January 1, 2005, consisted of 1513 salons. The sample was reduced by eliminating any unit for which Great Clips had insufficient data to be reasonably assured of having accurate and complete expense information (791 units).

The 791 units eliminated due to insufficient data were not distributed evenly over the entire database, based on total sales. Of the missing salons, 330 had total sales at or above the median for the total sample and 461 had total sales below the median for the total sample. If all 791 of these salons had been included in the sample, it would have reduced the median total sales in the sample by 5.8% and the net operating cash flow by a somewhat larger percent.

The sales and expense data used in the preparation of this table was taken from actual unit operating statements, provided by the franchisee, for each unit in the sample. The time frame or accounting period of these operating statements was the most current available to Great Clips, but, in some cases, did not match the exact time frame from which sales figures were drawn. Therefore some information was annualized to extract a full year worth of data.

The methodology used was to calculate each unit's reported expenses as a percentage of total sales, then to apply this expense percentage to the total sales for 2005 to compute the operating cash flow figure. Great Clips feels that this is the method that produces the fairest representation of the current operating averages for these sample units.

The 722 units included in this sample are located in the following states/provinces:

Alberta	4	New Jersey	1
Arizona	59	New Mexico	4
British Columbia	11	North Carolina	30
California	49	North Dakota	4
Colorado	42	Ohio	38
Florida	47	Oregon	23
Georgia	57	Pennsylvania	2
Idaho	6	South Carolina	7
Illinois	35	South Dakota	5
Indiana	35	Tennessee	9
Iowa	16	Texas	6
Kansas	11	Utah	3
Kentucky	10	Virginia	2
Minnesota	96	Washington	33
Missouri	40	Wisconsin	19
Nebraska	12	Wyoming	2
Nevada	4		

The average annualized total sales for this group of 722 units is \$291,550. A total of 308 units, or 42.7%, exceed this average. The average total of all expenses for this group of 722 units is \$242,053. A total of 426 units, or 59.0%, have total expenses lower than the average figure of \$242,053. The average operating cash flow for this group of 722 units is \$49,497. A total of 327 units, or 45.3%, had total average operating cash flow in excess of the average of \$49,497.

THE FOLLOWING AVERAGE OPERATING CASH FLOW INFORMATION SHOULD NOT BE CONSTRUED AS ACTUAL OR PROBABLE RESULTS THAT WILL BE REALIZED BY A FRANCHISEE. IT IS BASED ON OPERATING RESULTS OF UNITS IN OPERATION SINCE AT LEAST JANUARY 1, 2003.

<u>AVERAGE OPERATING CASH FLOW STATEMENT</u>		
Revenues ¹		
Service Sales	\$270,592	92.81%
Product Sales	<u>20,958</u>	<u>7.19%</u>
Total Revenues	\$291,550	100.00%
Expenses		
Labor ²	\$142,751	48.96%
Occupancy ³	28,647	9.83%
Products ⁴	11,619	3.99%
Royalties ⁵	17,504	6.00%
Advertising ⁶	16,330	5.60%
Other ⁷	<u>25,202</u>	<u>8.64%</u>
Total Expenses	\$242,053	83.02%
Operating Cash Flow ⁸	\$49,497	16.98%

Many GREAT CLIPS® franchisees operate more than one salon. The average number of salons per franchisee who has operated GREAT CLIPS® salons for over five years is 5.7.

AVERAGES BASED ON SALES RANGE

<u>Salons</u>				<u>Expenses as a % of Sales</u>					
Sales Range (\$000)	Number	%	Average Sales in Range	Labor	Occupancy	All Other	Total	Cash Flow (%)	Cash Flow (\$)
< \$150	8	1.1%	\$132,688	56.3%	15.5%	23.7%	95.5%	4.5%	\$6,030
\$150 - \$199	89	12.3%	\$182,988	54.3%	14.0%	26.4%	94.7%	5.3%	\$9,636
\$200 - \$249	162	22.5%	\$225,523	51.3%	12.3%	25.4%	89.0%	11.0%	\$24,734
\$250 - \$299	183	25.3%	\$273,320	48.4%	10.5%	24.5%	83.4%	16.6%	\$45,455
\$300 - \$349	122	16.9%	\$321,956	47.8%	8.8%	23.9%	80.5%	19.5%	\$62,834
\$350 - \$399	71	9.8%	\$371,230	47.7%	8.3%	23.3%	79.3%	20.7%	\$76,699
\$400 - \$449	46	6.4%	\$425,474	47.0%	7.3%	23.1%	77.4%	22.6%	\$96,069
\$450+	41	5.7%	\$521,749	47.4%	6.5%	22.8%	76.7%	23.3%	\$121,344
All Salons in Sample	722	100%	\$291,550	48.96%	9.83%	24.23%	83.02%	16.98%	\$49,497

Notes:

1. Revenues. Average sales based on actual operating results as reported by franchisees to Great Clips.
2. Labor. Includes all employee-related expenses including: wages, salary, bonus, commission, payroll taxes, insurance benefits, other benefits, and workers' compensation expenses. Includes the cost of salon manager but excludes, if identifiable, any labor expense related to general manager or franchisee.
3. Occupancy. Includes all rent, common area maintenance, real estate taxes plus percentage rent paid, if any. Also includes any other lease-related charges such as maintenance, security, trash removal, merchant association dues or charges or shopping center promotional expenses.
4. Products. Includes the cost of all product purchased for resale or for back bar customer service usage plus all freight or delivery costs associated with this product.
5. Royalties. All units in the System pay identical Continuing Franchise Fees of 6%. The model is not exactly 6% due to the fact that the franchisees predominately use a cash rather than accrual basis for accounting purposes.
6. Advertising. All units in the System pay identical amounts of 5% of gross sales into the North American Advertising Fund. In addition, virtually all franchisees participate in other discretionary advertising on a local or regional basis.

7. Other. This category includes all other cash expense items and categories not included elsewhere. These would include: travel and entertainment, supplies, dues and subscriptions, telephone, utilities, non-real estate repairs and maintenance, insurance, postage, freight, bad debts, taxes and fees, cash over/short, recruitment expense, laundry, meals, equipment purchase, credit card charges, accounting and legal, employee theft/losses, deposits, bank charges, uniforms, licenses, contributions, meeting expenses, janitorial, bad checks, printing, inventory differences, computer charges, and convention expenses.
8. Operating Cash Flow. This figure does not include any provision for income taxes or for non-cash expenses such as depreciation or amortization. It also does not include any reserve for future capital expenditures.

Newly opened units tend to have average sales and cash flow significantly below the average for the units included in the earnings claim sample above. This is especially true of new units opened by new franchisees in markets that have few existing units. Certain markets have substantially higher real estate costs than others and any prospective franchisee is urged to verify this along with all other expense factors in relation to local market conditions. Markets with many units and correspondingly larger cooperative advertising budgets tend to have units with higher revenues and cash flows than markets with few existing units.

You are responsible for developing your own business plan for your proposed GREAT CLIPS® unit, including capital budgets, pro forma financial statements, sales and expense projections and other elements appropriate to the particular circumstances of the proposed unit. In developing the business plan, you are cautioned to make necessary allowance for changes in financial results that may occur due to any of the factors listed above, for any and all ranges of general economic conditions that may exist now or in the future, or for any other circumstances that may impact the operation and performance of the business.

No representations or statements of actual, average or projected sales profits or earnings are made to applicants for GREAT CLIPS® franchises, except as stated in this Item 19. Neither Great Clips' sales personnel nor any employee or officer of Great Clips is authorized to make any claims or statements as to the earnings, sales, expenses, cash flows, or profits or prospects or chances of success that any franchisee can expect or that present or past franchisees have had, other than as stated in this Item 19. Great Clips specifically instructs its sales personnel, agents, employees and officers that they are not permitted to make any such claims or statements, nor are they authorized to represent or estimate dollar figures as to existing or future GREAT CLIPS® salon operations, other than as stated in this Item 19. Great Clips recommends that applicants for GREAT CLIPS® franchises make their own investigation and determine whether or not existing salons are profitable and whether their Salon is likely to be profitable. Great Clips will not be bound by allegations of any unauthorized representations as to earnings, sales, profits, prospects, or chances of success.

YOU ARE URGED TO CONSULT WITH APPROPRIATE FINANCIAL, BUSINESS AND LEGAL ADVISORS AND EXISTING GREAT CLIPS® FRANCHISEES IN CONNECTION WITH THE USE OF ANY OF THE INFORMATION CONTAINED IN THIS SECTION.

Item 20

**FRANCHISED SALON STATUS SUMMARY
FOR YEARS 2005/2004/2003¹**

State	Transfers ²	Canceled or Terminated By Franchisor	Not Renewed By Franchisor	Reacquired By Franchisor	Left the System ³	Total from Left ⁴	Franchises Operating at Year End ⁵
	05/04/03	05/04/03	05/04/03	05/04/03	05/04/03	05/04/03	05/04/03
Alabama	2/0/0					2/0/0	8/7/6
Alaska							5/4/4
Alberta	4/7/1	0/1/0				4/8/1	23/23/23
Arizona	2/0/0					2/0/0	109/101/96
Arkansas							1/0/0
British Col.	2/12/1	0/1/0				2/13/1	37/39/39
California	13/22/17	3/6/7	1/0/0	1/3/0	4/5/1	22/36/25	190/184/168
Colorado	13/2/18	2/0/0				15/2/18	116/114/113
Delaware							2/1/1
Dist. Colum. ⁵							
Florida	5/3/7	1/1/2				6/4/9	118/102/85
Georgia	3/7/8					3/7/8	141/135/128
Idaho							17/18/18
Illinois	16/21/4	1/3/0	1/0/0		0/3/0	18/27/4	165/156/137
Indiana	3/3/3	0/1/1				3/4/4	110/95/85
Iowa	0/3/0					0/3/0	43/42/39
Kansas	1/6/6					1/6/6	31/30/30
Kentucky	1/2/8	0/1/0				1/3/8	61/58/48
Maryland ⁵	1/1/0	1/0/1	1/0/0			3/1/1	34/31/28
Michigan	4/2/0				0/1/0	4/3/0	55/35/13
Minnesota	7/5/8					7/5/8	150/150/143
Missouri	8/5/1	1/0/2	0/0/1			9/5/4	87/85/78
Montana							13/11/10
Nebraska		0/0/1				0/0/1	22/19/17
Nevada	3/3/3				0/0/3	3/3/6	28/26/22
New Jersey	2/0/0					2/0/0	25/17/4
New Mexico	0/1/1					0/1/1	12/13/10
N. Carolina	7/6/2	0/0/1				7/6/3	133/115/101
N. Dakota							6/5/5
Ohio	8/7/2	0/1/2			0/0/1	8/8/5	175/164/143
Oklahoma					0/1/0	0/1/0	4/3/2
Oregon	2/6/1	1/0/0				3/6/1	49/48/43
Pennsylvania	3/3/1				0/2/0	3/5/1	25/17/14
S. Carolina	3/2/2	0/0/1				3/2/3	37/35/30
S. Dakota							7/7/6
Tennessee	9/14/1					9/14/1	47/39/32
Texas	24/26/22	2/1/8		0/8/0	2/0/2	28/35/32	142/134/124
Utah	0/1/4					0/1/4	54/54/46
Virginia ⁵	3/4/4	0/1/0				3/5/4	32/32/29
Washington	5/14/4	2/0/2				7/14/6	102/97/91
Wisconsin	13/3/0					13/3/0	48/45/40
Wyoming							2/1/1
Totals	167/191/129	14/17/28	3/0/1	1/11/0	6/12/7	191/231/165	2,466/2,292/2,052

- 1) All numbers are as of Great Clips' fiscal year end, December 31, for each year.
- 2) This column shows the number of salons that have been affected by a transfer of a controlling interest. Many of these transfers were single transfers between like parties that involved multiple units and in some instances may reflect multiple transfers affecting a single unit in the year indicated.
- 3) This column does not include franchised salons which are closed and in the process of being relocated pursuant to Great Clips' Relocation Policy. The Relocation Policy permits a franchisee to apply to Great Clips for approval to close a salon and relocate it within the Designated Market Area and within two years under the existing Franchise Agreement. Exhibit A-2 is a current list of franchisees which have been approved for the relocation of a salon under the Relocation Policy.
- 4) The numbers in the "Total" column may exceed the number of salons affected because several events may have affected the same salon. For example, one salon may have been affected by multiple transactions and may be referenced in more than one column.
- 5) Many GREAT CLIPS® franchisees operate more than one salon. The average number of salons per franchisee who has operated GREAT CLIPS® salons for over five years is 5.7.
- 6) These states are part of a region in which Great Clips' regional franchisor, Great Clips Mid-Atlantic, Inc. ("GCMA"), offers and services GREAT CLIPS® franchises. All of this data relates only to GCMA's region (the "Region") and does not relate to Great Clips as of the date of reporting. If GCMA reacquires a franchised unit, all such transactions are noted in both the Transfers column and Reacquired by Franchisor column, since GCMA has to execute a Franchise Agreement. See Item 1.

**STATUS OF COMPANY-OWNED SALONS
FOR YEARS 2005/2004/2003¹**

State	Salons Closed During Year	Salons Opened During Year ²	Total Salons Operating at Year End ³
Totals	0/0/0	0/0/0	0/0/0

- 1) All numbers are as of Great Clips' fiscal year end, December 31, for each year.
- 2) Great Clips does not anticipate opening any new company-owned salons, but may reacquire salons from its franchisees.
- 3) Great Clips reacquired salons from franchisees during the years reported, but did not open all these salons. Great Clips also re-franchised salons during the years reported, but they did not actually close. Therefore, these salons are not reflected in the Salons Opened During the Year or Salons Closed During the Year column. The Total Salons Operating at Year End column only reflects those salons that were still being operated by Great Clips as of December 31 of the year indicated. There were salons that were reacquired by Great Clips and re-franchised within the same year and, therefore, are not reported in the status table.

**PROJECTED OPENINGS
AS OF DECEMBER 31, 2005**

State	Franchise Agreements Signed but not Open	Projected Franchised New Salons in the Next Fiscal Year	Projected Company-Owned Openings in Next Fiscal Year ¹
Alaska	1	1	0
Alberta	4	3	0
Alabama	3	1	0
Arizona	52	7	0
Arkansas	0	1	0
British Columbia	6	3	0
California	168	25	0
Colorado	33	2	0
Delaware	0	0	0
District of Columbia ²	11	2	0
Florida	74	21	0
Georgia	41	3	0
Idaho	2	2	0
Illinois	45	6	0
Indiana	25	5	0
Iowa	13	1	0
Kansas	1	2	0
Kentucky	16	3	0
Maryland ²	8	2	0
Minnesota	37	2	0
Michigan	50	10	0
Missouri	34	4	0
Montana	0	0	0
Nebraska	4	1	0
Nevada	29	5	0
New Jersey	36	4	0
New York	0	4	0
New Mexico	3	1	0
North Carolina	56	6	0
North Dakota	0	2	0
Ohio	84	15	0
Oklahoma	1	0	0
Oregon	22	5	0
Pennsylvania	62	13	0
South Carolina	9	2	0
South Dakota	4	2	0
Tennessee	22	6	0
Texas	52	14	0
Utah	23	4	0
Virginia ²	20	2	0
Washington	15	3	0
Wisconsin	15	5	0
Wyoming	0	0	0
Totals	1,081	200	0

- 1) Great Clips does not anticipate opening any new company-owned salons, but may reacquire salons from its franchisees.
- 2) These states are part of the Region in which GCMA offers and services GREAT CLIPS® franchises. See Item 1.

The current name, business address, and business telephone number (if available) of each GREAT CLIPS® franchisee is listed separately in Exhibit A. As of Great Clips' fiscal year end, there were no franchisees who had not communicated with Great Clips for 10 weeks or more.

Item 21

FINANCIAL STATEMENTS

This offering circular contains Great Clips' audited balance sheets as of December 31, 2005, 2004, and 2003, and the related audited statements of earnings, shareholders' deficit and cash flows for the years ended December 31, 2005, 2004, and 2003, together with the report of independent certified public accountants thereon.

Item 22

CONTRACTS

Included in this offering circular is a sample of Great Clips' standard Franchise Agreement and other contracts or agreements that may be proposed for use in connection with the franchise. You are encouraged to obtain such independent legal and financial advice as you determine is appropriate to obtain a full understanding of the franchise offered by this offering circular before making any commitment.

Item 23

RECEIPT

The receipt is found on the last page of this offering circular.