

EXHIBIT D

**SPORT CLIPS
FRANCHISE AGREEMENT**

SportClips

HAIRCUTS

FRANCHISE AGREEMENT

Unit # _____

FRANCHISEE: _____

ADDRESS: _____

TELEPHONE: _____

TABLE OF CONTENTS

I.	GRANT OF FRANCHISE AND LOCATION	2
II.	TERM AND RENEWAL	3
III.	FEES	4
IV.	DUTIES OF THE FRANCHISOR	5
V.	DUTIES OF THE FRANCHISEE.....	6
VI.	PROPRIETARY MARKS	9
VII.	CONFIDENTIAL OPERATING MANUALS	10
IX.	ADVERTISING	12
X.	INSURANCE	13
XII.	DEFAULT AND TERMINATION.....	17
XIII.	OBLIGATIONS UPON TERMINATION OR EXPIRATION OF FRANCHISE AGREEMENT	19
XIV.	COVENANTS	21
XV.	TAXES AND INDEBTEDNESS.....	22
XVI.	INDEPENDENT CONTRACTOR AND INDEMNIFICATION.....	22
XVII.	APPLICABLE LAW AND FORUM SELECTION.....	24
XIX.	NOTICES.....	25
XX.	ENTIRE AGREEMENT	25
XXI.	SEVERABILITY AND CONSTRUCTION	25
XXII.	ACKNOWLEDGMENTS	26
<i>Attachment A</i>	Location of Franchise	31
<i>Attachment B</i>	Addendum to Lease	32
<i>Attachment C</i>	Telephone Assignment Agreement.....	37
<i>Attachment D</i>	Personal Guarantee	38
<i>Attachment E</i>	Supplemental Pre-Opening Services Agreement	39
	MULTI-UNIT DEVELOPMENT AMENDMENT.....	41



FRANCHISE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2005, by and between **Sport Clips, Inc.**, a corporation incorporated under the laws of Texas, whose principal place of business is 110 Briarwood, Georgetown, Texas 78628 (hereinafter referred to as the "Franchisor") and _____ with a current address of _____, (hereinafter referred to as the "Franchisee").

WITNESSETH:

WHEREAS, the Franchisor holds the exclusive franchise rights to a proprietary system which it has developed through significant expenditures of time, skill, effort and money (hereinafter the "System") relating to the establishment, development and operation of a **Sport Clips** retail business (hereinafter the "Franchised Business" and signifying both franchise and Franchisor-managed outlets) which offers professional haircutting and grooming services to men, women and children in a sports-oriented environment; and in conjunction therewith, offers hair care products, sports apparel and sports-related specialty items;

WHEREAS, the Franchisor has developed a distinctive exterior and interior design, decor, color scheme, fixtures and furnishings for the Franchised Business store, and has developed the uniform standards, specifications, methods, policies and procedures for the store operations, inventory and management control, training and assistance, and advertising and promotional programs, all of which may be changed, improved upon, and further developed from time to time;

WHEREAS, the Franchisor, through its dedicated operations, marketing methods, and merchandising policies, has developed the reputation, public image and good will of its System and established a firm foundation for its franchised retail operations consisting of the highest standards of training, management, supervision, appearance, services and quality of products;

WHEREAS, the System is identified by means of certain trade names, service marks, trade marks, logos, emblems and indicia of origin, including the mark **Sport Clips** and logo, and such other trade names, service marks, and trademarks as are now, and may hereafter be designated for use in connection with the System (the "Proprietary Marks") which Proprietary Marks are owned by Sport Clips IP, Inc. and exclusively licensed to the Franchisor, which has the exclusive right to sub-license and police the use of the System and the Proprietary Marks;

WHEREAS, the Franchisor continues to develop, expand, use, control and add to the Proprietary Marks and the System for the benefit of and exclusive use by the Franchisor and its Franchisees in order to identify for the public the source of the products and to represent the System's high standards of quality and service;

WHEREAS, the Franchisor uses a system of Area Developers and may delegate one or more of its obligations under this Agreement to an Area Developer;

WHEREAS, the Franchisee desires to operate a Franchised Business under the System and the Proprietary Marks and to obtain a license from the Franchisor for that purpose, as well as to receive the training and other assistance provided by the Franchisor in connection therewith;

WHEREAS, the Franchisee hereby acknowledges that it has read this Agreement and the Franchisor's Uniform Franchise Offering Circular, and that it has no knowledge of any representations about the Franchised Business or about the Franchisor or its franchising program or policies made by the Franchisor or by its officers, directors, shareholders, employees or agents which are contrary to the statements in the Franchisor's Uniform Franchise Offering Circular or to the terms of this Agreement, and that it understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor's high standards of quality and service and the uniformity of those standards at all facilities which operate pursuant to the System and thereby to protect and preserve the goodwill of the Proprietary Marks; and

WHEREAS, the Franchisee understands and acknowledges the importance of the Franchisor's uniformly high standards of quality and service and the necessity of operating the Franchised Business granted hereunder in strict conformity with the Franchisor's quality control standards and specifications.

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

I. GRANT OF FRANCHISE AND LOCATION

A. The Franchisor hereby grants to the Franchisee, and the Franchisee accepts, a non-exclusive and personal license to operate one unit of the Franchised Business in strict conformity with the Franchisor's standards and specifications (which may be changed, improved and further developed from time to time) at one location (the "Location") selected by the Franchisee and as will be more particularly described in the Location Addendum attached to this Agreement as Attachment A.

B. The Franchisor hereby grants to the Franchisee, for one initial term of this Franchise Agreement, a Protected Territory that is the lesser of (i) a one-mile radius around the Location, or (ii) a radius around the Location that encompasses a total population of 25,000 people. During the initial term of this Agreement, the Franchisor shall not establish company-owned units, or license other Sport Clips franchises, within the Protected Territory.

1. After the initial term, as long as there is no default under this Agreement and all conditions for renewal are met, the Franchisee shall have a First Right of Refusal for any location within the Protected Territory. After the initial term, the Franchisor may propose to the Franchisee in writing locations within the Protected Territory for an additional Sport Clips store. The Franchisee shall have thirty (30) days upon receipt of the written notice to execute the then-current Sport Clips Franchise Agreement and execute a lease with the landlord for the proposed location. If the Franchisee does not sign a Franchise Agreement or execute a lease within the thirty (30) day period, then the Franchisor shall be permitted to grant a franchise or establish a company-owned store for that location.

2. Protected Territories for Sport Clips units may overlap one another; however, in no event shall the Franchisor allow a Sport Clips unit to be placed within the Protected Territory of an existing unit during the initial term of this Franchise Agreement.

C. The Franchisor reserves the following rights:

1. Subject to Section I.B, to establish Sport Clips franchises and company-owned stores at any site the Franchisor deems to be appropriate.

2. To develop, offer, and support franchises in lines of business other than and similar to a Sport Clips business, and the Franchisor makes no representation or warranty to the Franchisee that the Franchisee shall have any right to participate in such other franchises.

3. At any time during this Franchise Agreement, and in the event the Franchisor or its affiliates acquires a company, or is acquired by a company, that is in a business similar to a Sport Clips business, the acquired or acquiring company may operate or franchise existing locations within the Protected Territory under that company's own trade name or service mark.

D. The Franchisee acknowledges and agrees that certain products of the Franchisor or its affiliates, whether now existing or developed in the future, may be distributed in the Franchisee's Protected Territory by the Franchisor or by its affiliates through channels that include, but are not limited to, supermarkets, variety stores and electronic distribution (including, without limitation, the World Wide Web), catalogs, and direct mail. This Agreement grants Franchisee no rights (i) to distribute such products through such alternative channels of distribution, or (ii) to share in any of the proceeds received by such alternative channels of distribution.

E. The Franchisor may, in its sole discretion, consent to a relocation of the Franchised Business. At a minimum, the Franchisor's consent shall be based upon the following conditions:

1. The Franchisee shall not be in default of any provision of this Agreement or in default of the lease for the original Location.

2. The Franchisee shall deliver to the Franchisor a financial statement that includes a profit and loss statement for the franchised business reflecting the previous twelve (12) months of operation, and the Franchisee shall deliver to the Franchisor a copy of the lease for the new location.

3. The new store must be constructed, located and equipped in accordance with the Franchisor's then-current specifications.

4. The Franchisee must give the Franchisor written notice of the proposed relocation ninety (90) days before the relocation date.

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

II. TERM AND RENEWAL

A. The initial term of this Agreement shall be for five (5) years and shall commence on the date the Franchised Business is open for business to the general public.

B. The Franchisee may renew this Agreement for additional five (5) year terms, subject to the following conditions:

1. The Franchisee shall give the Franchisor written notice of its election to renew this Agreement not more than twelve (12) months and not less than six (6) months prior to the end of the current term of this Agreement.

2. The Franchisee has made or has provided for such renovation and modernization of the Franchised Business as the Franchisor requires, including, without limitation, new signs, equipment, furnishings and decor that reflect the then-current Sport Clips trade dress and appearance set forth by the Franchisor in the Manual.

3. The Franchisee is not in default of any provision of this Agreement, or any other agreement between the Franchisee and the Franchisor, and shall not have received more than three (3) written notices of default during any eighteen (18) consecutive month period during the current term of this Agreement.

4. The Franchisee executes the Franchisor's then-current Franchise Agreement for the renewal term, which may include material terms different from this Agreement, including a new royalty rate and advertising fees.

5. The Franchisee shall pay a renewal fee of five thousand dollars (\$5,000) per Franchise Agreement if the Franchisee owns fewer than three (3) open Sport Clips stores, or three thousand five hundred dollars (\$3,500) per Franchise Agreement if the Franchisee owns three (3) or more open Sport Clips stores.

6. Upon the Franchisor's request, the Franchisee and its certified manager shall, at the Franchisee's expense, attend the Franchisor's then-current qualification and training programs.

7. The Franchisee, its shareholders, directors and officers shall execute a general release, in a form prescribed by the Franchisor, of any and all claims against the Franchisor, its subsidiaries and affiliates, and their respective officers, directors, agents and employees. The Franchisee shall not be required, however, to release the Franchisor for violations of or failure to comply with federal or state franchise registration and disclosure laws.

8. The Franchisee shall present evidence satisfactory to the Franchisor that it has the right to remain in possession of the premises where the Franchised Business is located for the duration of the renewal term.

9. The Franchisee's operation and management of the Franchised Business shall be in full compliance with the Confidential Manual.

10. The Franchisee shall maintain and be in good standing with all of its necessary and applicable licenses and permits.

III. FEES

A. In consideration of the right and license to operate the Franchised Business granted herein, the Franchisee shall pay to the Franchisor the following fees:

1. **Initial Franchise Fee.** Upon the execution of this Agreement, the Franchisee shall pay an initial franchise fee of Twenty-Five Thousand Dollars (\$25,000) that shall be deemed not refundable under any circumstances and fully earned upon receipt by the Franchisor as consideration for the Franchisor's services to that time, including, without limitation, screening of the Franchisee, counseling and consultation.

2. **Grand Opening Deposit.** Upon the earlier of (i) ten (10) days after the date a construction permit is issued by the local government or (ii) the date construction of the Franchised Business commences, the Franchisee shall pay to the Franchisor a grand opening deposit of fifteen thousand dollars (\$15,000) to be used by the Franchisor for public relations, promotions, marketing, advertisements, direct mail, coupons and other initial marketing expenses related to the opening of the Franchised Business.

3. **Royalty Fees.** The Franchisee shall pay to the Franchisor a continuing and non-refundable weekly royalty fee of six percent (6%) of Net Sales. "Net Sales" is defined as all sales of services and goods through the Franchised Business and at the Location, whether for cash or credit (and regardless of collectability), but does not include the sale price of goods returned by customers and does

not include any sales tax or other taxes collected from customers by the Franchisee for transmittal to the appropriate taxing authority.

4. **Advertising and Promotion Fund Contribution.** The Franchisee shall pay to the Franchisor a continuing and non-refundable weekly Advertising and Promotion Fund Contribution of two hundred and fifty dollars (\$250).

5. **Training Fees.** Franchisee shall pay to the Franchisor a weekly training fee of fifty dollars (\$50.00).

6. **Local Advertising Cooperative Fee.** In the event a Local Advertising Cooperative is formed in the Franchisee's Metropolitan Statistical Area, the Franchisee shall pay to the Cooperative a weekly fee of up to two hundred and fifty dollars (\$250).

B. The Royalty Fees on all Net Sales made the previous calendar week, Advertising and Promotion Fund Contributions, and Training Fees shall be due and payable each Monday at 2:00 pm Central Time (Standard or Daylight, whichever is in effect). The Franchisor shall obtain all information on Net Sales through polling the Franchisee's computerized point of sales system by modem or other means. The Franchisee shall make arrangements with its local bank to allow the Franchisor to draw a draft on the Franchisee's bank account for the amount of all fees and payments due the Franchisor on a weekly basis. Any payment that cannot be collected by the Franchisor from the Franchisee's bank on the due date shall be deemed overdue, and the Franchisee shall be in default under this Franchise Agreement. If any payment or report is overdue, the Franchisee shall pay to the Franchisor, in addition to the overdue amount, interest on such amount from the date it was due until paid, at the maximum rate permitted by law. Entitlement to collect such interest shall be an addition to any and all other remedies the Franchisor may have. In addition to interest, the Franchisee shall pay a penalty of twenty-five dollars (\$25) for each week, or portion of a week, that the Franchisor does not have access through the Franchisee's computer system to sales reports, not as a penalty, but as liquidated damages for the expense to manually compile this data.

IV. DUTIES OF THE FRANCHISOR

A. Prior to the opening of the Franchised Business:

1. The Franchisor shall approve or disapprove a site proposed by the Franchisee as the Location. Approval or disapproval shall be in accordance with the Franchisor's established guidelines. Approval of a site by the Franchisor shall not, however, be a warranty, representation, or promise that the Location is suitable for a Sport Clips Business and is not to be deemed to be a representation or warranty as to the likelihood of success by the Franchisee. The Franchisee acknowledges and agrees that its success will be due to factors beyond the control of the Franchisor.

2. The Franchisor shall provide to the Franchisee written guidelines and specifications for the operation and management of the Franchised Business.

3. The Franchisor shall make available, at no charge to the Franchisee, standard plans and specifications for the construction of a typical Sport Clips store. Such plans will include the exterior signage and interior design and layout, decor, color scheme, fixtures, furnishings and interior signage. The Franchised Business must be designed by a store designer or architect approved by the Franchisor, and approved by the Franchisor prior to soliciting bids for construction.

4. The Franchisor shall provide pre-opening training in the operation of the Franchised Business for up to two (2) people approved by the Franchisor (at least one of whom must be a principal of the Franchised Business), plus one manager designated by the Franchisee.

5. The Franchisor shall provide such on-site, pre-opening and opening supervision and assistance as the Franchisor deems, in its sole discretion, advisable and subject to the availability of staff.

6. The Franchisor shall loan to the Franchisee one set of the Confidential Operating Manuals (the "Manuals") that may include, at the option of Franchisor, one or more training programs on videotape or other electronic media. The Manuals shall include standards and specifications for procedures, equipment, supplies, inventory, management and operation of the Franchised Business.

7. At the Franchisor's sole option and discretion, the Franchisor may provide pre-opening assistance in the evaluation, selection and supervision of contractors and vendors, monitoring permits and construction, assistance with ordering supplies, installing interior signs, and other pre-opening activities. In the event that Franchisor offers these supplemental services to the Franchisee, the Franchisee shall be required to execute the Pre-Opening Services Agreement, Attachment E to this Franchise Agreement, use the services provided under Attachment E, and the Franchisee shall pay the Franchisor an additional fee of five thousand dollars (\$5,000) for the services for Franchisee's first store to open; four thousand dollars (\$4,000) for Franchisee's second store to open; and, three thousand dollars (\$3,000) each for Franchisee's third and subsequent stores to open.

B. After the opening of the Franchised Business:

1. The Franchisor shall provide such on-going and general advisory assistance the Franchisor, in its sole discretion, determines to be helpful and necessary for the operation and promotion of the Franchised Business.

2. The Franchisor shall continue its efforts to establish and maintain high standards of quality, cleanliness, safety, customer satisfaction and service.

3. The Franchisor shall provide to the Franchisee all updates, revisions and amendments to its Manuals, in either printed or electronic format.

4. Franchisor may, as it deems necessary and in its sole discretion, coordinate and conduct periodic training programs for its network of Franchisees.

5. The Franchisor may, on a periodic basis and as it deems advisable in its sole discretion, conduct inspections of the Franchised Business and evaluate its operation and the employed staff.

6. The Franchisor may provide management consulting services for special projects or assistance, and shall be entitled to charge a fee that is agreed to by the Franchisee.

7. The Franchisor shall have the right to send test customers ("Mystery Shoppers") to the Franchised Business from time to time, and without prior notification to the Franchisee.

C. At the Franchisor's sole discretion, some or all of the Franchisor's duties may be assigned by the Franchisor to a Sports Clips Area Developer.

V. DUTIES OF THE FRANCHISEE

A. The Franchisee understands and acknowledges that the Franchisor's standards of appearance and operation of the Franchised Business are critical to the Franchisor, the Franchisee and other Franchisees in order to (i) satisfy the expectations of the customers of the Franchised Business; (ii) develop and maintain high and uniform operating standards; (iii) increase the awareness of the products and services sold by Franchisees; and (iv) protect the Proprietary Marks, the System, and the Franchisor's trade secrets, reputation and goodwill. Accordingly, the Franchisee shall comply with all aspects of the System as set forth in this Agreement, the Manuals, and otherwise in writing by the Franchisor.

B. The Franchisee shall, within one year after executing this Agreement, have obtained the Franchisor's approval for the Location; shall have executed Attachment A to this Agreement; and, have signed a lease for the Location that has been approved by the Franchisor. The Franchisor's approval of

the lease shall be conditioned upon the landlord's and the Franchisee's execution of Attachment B to this Agreement as an amendment to the lease, and the Franchisee's execution of the Telephone Assignment Agreement that is Attachment C to this Franchise Agreement.

C. The Franchisee shall commence operation of the Franchised Business within ninety (90) days after signing the lease for the Location.

D. Before commencing any construction or leasehold improvements at the Location, the Franchisee shall:

1. Ensure that the Location is in compliance with all applicable local and state laws, regulations, and ordinances including but not limited to all zoning, signage and parking requirements.

2. Employ a qualified general contractor for the purpose of supervising the construction of the Franchised Business. Prior to employing the contractor, the Franchisee shall submit to the Franchisor a statement identifying the general contractor and describing the general contractor's qualifications and financial responsibility.

3. The Franchisee shall obtain all business licenses, permits and certifications required for lawful construction and ongoing operation of the Franchised Business (including, without limitation, zoning, access, variances, health and safety, sign and fire requirements).

E. The Franchisee shall construct and equip, at the Franchisee's sole expense, the Location in accordance with Franchisor's standards and specifications. During the period of construction, Franchisee shall provide to Franchisor such periodic progress reports as the Franchisor may, in its discretion require, signed by the Franchisee and its general contractor, warranting that construction is proceeding on schedule and in accordance with the approved final plans and with all applicable laws, ordinances and regulations. The Franchisor shall have the right to inspect the construction at all reasonable times. Franchisee shall promptly notify Franchisor of the date of completion of construction, and the Franchisee shall not open the Franchised Business without the express written authorization of the Franchisor. The Franchisor's authorization to open the Franchised Business may be conditioned upon the Franchisee's strict compliance with the Franchisor's requirements regarding initial inventory, fixtures, furnishings, equipment, and the proper staffing level.

F. The Franchisee shall comply with all of the Franchisor's training requirements for the Franchisee, any person acting as the Franchisee's manager, and acting as the Franchisee's employees.

1. Prior to the opening of the Franchised Business, the Franchisee and the person acting as the Franchisee's Manager shall attend and complete to the Franchisor's satisfaction the initial training program in Georgetown, Texas. There shall be no additional charge for this initial training, but the Franchisee shall pay all travel expenses to Georgetown, Texas, and living expenses while in Georgetown, Texas, for the Franchisee and all other persons who attend the initial training program on behalf of the Franchisee. A Manager who attends and completes to the Franchisor's satisfaction the initial training course shall be certified by the Franchisor as able to serve as a full time Manager of the Franchised Business.

2. At all times during this Agreement, the Franchised Business shall be under the direct, on-premises, and full time supervision of the Franchisee or a Manager certified by the Franchisor.

3. Prior to serving Clients, all persons acting as employees of the Franchisee shall be trained by the Franchisee, or a Manager certified by the Franchisor, by using the Franchisor's training program that includes materials supplied by the Franchisor. Employee training shall be at the Franchisee's expense, and the training may take place at the Franchised Business.

4. At the Franchisor's request, the Franchisee's employees shall periodically attend refresher training courses sponsored by the Franchisor that are held within two hundred (200) miles of the Franchised Business. This periodic training shall not be more than once every three (3) months. There shall be no charge for the training, but the Franchisee shall pay the travel and living expenses of employees during the periodic training program.

5. The Franchisee and the Franchisee's Manager shall be required to attend and complete to the Franchisor's satisfaction any additional training programs that the Franchisor may, from time-to-time, require.

6. The Franchisee and anyone acting as the Franchisee's Manager shall be required to attend the national convention sponsored by the Franchisor.

G. The Franchisee shall use the premises of the Franchised Business solely for the operation of a Sport Clips store in strict accordance with the Operating Manuals, and shall not use the premises of the Franchised Business for any other purpose.

H. The Franchisee shall continuously maintain the Franchised Business in the highest degree of sanitation, safety, repair and condition as regulatory agencies, governmental agencies and/or the Franchisor may require, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but not without the Franchisor's prior written consent) as may be required for that purpose, including without limitation, redecorating, replacement of inventory and replacement of obsolete signs, fixtures or materials as the Franchisor may reasonably direct, or as required under the lease for the Franchised Business.

I. The Franchisee shall operate the Franchised Business in conformity with the uniform methods, standards and specifications as the Franchisor may from time to time prescribe to ensure uniformity and a high degree of product quality and service. The Franchisee shall conduct its business in a manner, which reflects favorably at all times on the System and the Proprietary Marks. The Franchisee shall at no time engage in deceptive, misleading or unethical practices or conduct any other act which may have a negative impact on the reputation and goodwill of the Franchisor or any other Franchisee operating under the System.

J. The Franchisee shall equip and furnish the Franchised Business in accordance with the Franchisor's specifications, and only with equipment, fixtures, furniture, and signs that have been approved by the Franchisor for use in the Franchised Business. The Franchisee shall maintain at the premises of the Franchise Business at least one computerized point-of-sale system approved by the Franchisor. The Franchisee shall promptly obtain, at the Franchisee's expense, any applicable updates to the software for the system as the updates become available.

K. The Franchisee shall offer for retail sale only such products and services as have been expressly approved in writing by the Franchisor. The Franchisee shall, at all times, maintain at the Franchised Business a level of inventory that is approved by the Franchisor of approved product for retail sale.

L. The Franchisee shall maintain at the Franchised Business a minimum number of employees as may be prescribed by the Franchisor and in compliance with all applicable federal, state, and local laws and regulations. The Franchisee shall ensure that all employees are competent, trained, and are courteous to the public.

M. All customer complaints shall be promptly addressed by the Franchisee, and all consumer complaints pending in a legal or administrative forum shall be answered by the Franchisee within ten (10) days after receipt of any such legal proceedings (or such shorter period of time as may be provided by law). A copy of any consumer legal proceeding and the Franchisee's response shall be forwarded to the Franchisor within three (3) business days of the date that response is forwarded to the consumer or the applicable legal authority.

N. The Franchisee shall permit the Franchisor or its representatives to enter upon the premises of the Franchised Business at any reasonable time for purposes of conducting inspections, taking photographs and interviewing employees and customers. The Franchisee shall cooperate fully with the Franchisor's agents or representatives in such inspections by rendering such assistance as they may reasonably request. The Franchisee shall immediately correct any deficiencies detected during such inspections, including, without limitation, cease all use of products, equipment, inventory, advertising materials, supplies or other items that are not approved by the Franchisor. In the event the Franchisee fails or refuses to correct such deficiencies, the Franchisor shall have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such corrections as may be required, at the sole expense of the Franchisee, which the Franchisee agrees to pay upon demand.

O. The Franchisee shall at all times use the Franchisee's best efforts to promote and increase the sales and consumer recognition of the products and services offered at the Franchised Business pursuant to the System and the Manuals, to effect the widest and best possible distribution of the Franchisor's products and services from the Franchised Business.

P. The Franchisee shall not advertise any goods or services offered by the Franchised Business through the Word Wide Web except as specifically approved in writing by the Franchisor.

Q. The Franchisee shall at all times display the Franchisor's Proprietary Marks and logos at the Franchised Business and on uniforms in the manner prescribed by the Franchisor. The color, design and location of displays shall be specified by the Franchisor and may be changed from time to time in the sole discretion of the Franchisor. The Franchisee shall conspicuously display to customers any sign or notice designated by the Franchisor serving to notify and inform third parties that the Franchisor is engaged in the business of franchising and providing sufficient information to enable third parties to contact the Franchisor to inquire about prospective franchises. The Franchisee shall not display any signs or posters at the premises or elsewhere without the prior written consent of the Franchisor.

R. The Franchisee shall comply with all requirements set forth in this Agreement, in the Manuals or as the Franchisor may, from time to time, designate in writing, from time to time.

VI. PROPRIETARY MARKS

A. The Franchisee and the Franchisor agree that this license to use the Proprietary Marks applies only to their use in connection with the operation of the Franchised Business conducted at the Location, and that the license includes only such Proprietary Marks as are now or may hereafter be designated by the Franchisor in writing for use with the licensed System.

B. The Franchisor has the exclusive right to license the Proprietary Marks and the identification schemes, standards, specifications, operating procedures and other concepts embodied in the System. Any unauthorized use of the System and the Proprietary Marks is and shall be deemed an infringement of the Franchisor's rights and a breach of this Agreement. Except as expressly granted by this Agreement, the Franchisee acquires no right, title or interest in the System or in the Proprietary Marks. Any and all good will associated with the System or the Proprietary Marks shall inure exclusively to the Franchisor. Upon the expiration and termination of this Agreement, the Franchisee shall not be entitled to any compensation attributable to any goodwill associated with the Franchisee's use of the System or of the Proprietary Marks.

C. Franchisee shall promptly notify the Franchisor of the attempt by any person or entity, other than the Franchisor or its licensees, to use the Proprietary Marks or any colorable variation thereof, or any other name, mark or symbol in which the Franchisor claims a proprietary interest, or which is confusingly similar to the Proprietary Marks. Franchisee shall notify the Franchisor promptly of any litigation involving the Proprietary Marks that is instituted by any person or firm against Franchisee. Notwithstanding the lack of an obligation on the part of the Franchisor to assume responsibility or control

of any such litigation, Franchisee shall, immediately upon receiving notice thereof, grant to the Franchisor the option to defend the litigation. Within ten (10) days of receipt of the written notice from the Franchisee, the Franchisor shall notify Franchisee of its election to either defend and assume control of such litigation, or decline to defend and assume control the litigation. In the event the Franchisor elects to defend and control such litigation, the Franchisor may, without the consent of Franchisee, settle or compromise any such claims on such terms as the Franchisor, in its sole discretion, may deem appropriate, provided that any monetary settlement entered into without the consent of Franchisee will be paid by the Franchisor. In the event the Franchisor does not elect to defend and assume control of the litigation, the Franchisee shall not settle or otherwise compromise any claims regarding the Proprietary Marks on terms that are not first approved by the Franchisor. The Franchisor shall defend and indemnify the Franchisee from any claims or litigation arising under the Franchisee's use of the Proprietary Marks that arise subsequent to the date of this Agreement, provided the Franchisee has not used the marks in an unauthorized manner. The Franchisor may, in its sole discretion and at its sole expense, settle or compromise any such claims on such terms as the Franchisor deems appropriate and any settlement entered into shall be paid by Franchisor.

D. The Franchisee shall not use the Proprietary Marks or any part or form of the Proprietary Marks as part of the Franchisee's corporate or other legal name, or hold out or otherwise employ the Proprietary Marks to perform any activity, or to incur any obligation or indebtedness, in such a manner that could reasonably result in making the Franchisor responsible or liable for that obligation or debt. The Franchisee shall display within the Franchised Business a prominently visible sign stating that the Franchisee's business is independently owned by the Franchisee and that the business is operated pursuant to a Franchise Agreement with the Franchisor.

E. In addition to all other obligations of the Franchisee with respect to the Proprietary Marks licensed herein, the Franchisee agrees:

1. To refrain from using any of the Proprietary Marks, or any part or form thereof, in conjunction with any other word or symbol without the Franchisor's prior written consent.
2. To feature and use the Proprietary Marks solely in the manner prescribed by the Franchisor and not use the Proprietary Marks on the World Wide Web or as part of any e-mail address except as approved in writing by the Franchisor.
3. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of the Franchisee as the Franchisor may direct in writing from time to time.
4. To use, promote and offer for sale under the Proprietary Marks only those products and services which are authorized by the Franchisor.
5. To execute all documents requested by the Franchisor or its counsel that are necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, and to take no action that would jeopardize the validity or enforceability of such marks.

F. In the event the trade name "Sport Clips" is not available for use in any particular area, the Franchisor shall designate a trade name and logo for use by the Franchisee which shall become part of the Proprietary Marks, and the Franchisor shall have no liability to the Franchisee for any senior users that may claim rights to the Proprietary Marks

VII. CONFIDENTIAL OPERATING MANUALS

A. The Franchisee will conduct the business licensed under this Franchise Agreement in accordance with the Franchisor's Confidential Operating Manuals (the "Manuals") that the Franchisee acknowledges having received on loan from the Franchisor for the Franchisee's use during the term of this Franchise Agreement.

B. The Franchisee will at all times treat the Manuals, which include all electronic training materials, created or approved for use in the operation of the Franchised Business, as confidential, proprietary information of the Franchisor disclosed to the Franchisee under an agreement of confidentiality, and shall use all reasonable efforts to maintain such information secret and confidential. The Franchisee will not at any time, without the Franchisor's prior written consent, copy, duplicate, record, or distribute any part of the Manuals, or any other operating instructions, standards or procedures or training materials disclosed to the Franchisee by the Franchisor. The Franchisee shall not allow any person to duplicate or copy any such material, and shall obligate all employees to abide by the terms of this provision and keep and maintain such information secret and confidential, and refrain from the use of the information in any other business or activity except that which is licensed by this Agreement. Only employees that need to have access to the Manuals during the normal course of business shall have access to the Manuals.

C. The Manuals, including the electronic training materials, shall at all times remain the sole property of the Franchisor. The Franchisor may from time to time revise the content of the Manuals without the consent of the Franchisee, and the Franchisee will observe and comply with the Manuals in the amended form. The Franchisee will at all times insure that the Franchisee's copy of the Manuals is kept current and up-to-date. Additional or replacement portions of the Manuals shall, immediately upon receipt, be inserted in the Franchisee's copy of the Manuals, and the replaced portions shall immediately be destroyed. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by the Franchisor at its primary office shall be controlling. In the event the Franchisee's copy of the Manuals is damaged, lost or for other reasons becomes out of date or unusable due to the negligence of the Franchisee, the Franchisee shall promptly acquire new Manuals from the Franchisor and shall, upon such event, pay a Manual replacement fee in the amount of two hundred and fifty dollars (\$250.00) per Manual or one thousand dollars (\$1,000) per set of Manuals.

VIII. ACCOUNTING, INSPECTIONS AND RECORDS

A. The Franchisee shall maintain and preserve during the term of this Agreement and for not less than three (3) years after the expiration or termination of this Agreement, full, complete and accurate books, financial records and accounts in the form and manner prescribed by the Manuals or otherwise in writing by the Franchisor.

B. The Franchisor shall poll by modem or other means the Franchisee's computerized point of sale system to obtain any and all information the Franchisor deems necessary to its monitoring of the Franchised Business, including Net Sales and any other information that is recorded by the computerized system. All such information received by Franchisor will be treated as confidential information, and will not be made available to any third party without the consent of the Franchisee, except that comparative store data including Net Sales may be distributed to other franchises in the system by the Franchisor.

C. The Franchisee shall provide to the Franchisor, on a quarterly basis, unaudited profit and loss statements for the Franchised Business, in the format prescribed in the Manuals, within thirty (30) days of the end of each calendar quarter.

D. The Franchisee shall provide to the Franchisor on an annual basis financial statements for the Franchised Business that are prepared in accordance with Generally Accepted Accounting Procedures (GAAP), within ninety (90) days of the close of the Franchisee's fiscal year. Upon the written request of the Franchisor, Franchisee shall provide to the Franchisor copies of federal and state income tax returns for the Franchisee and the Franchised Business, as well as quarterly or monthly state sales tax returns. The annual financial statements and each annual tax return shall be prepared or reviewed by an independent public accountant and signed by the Franchisee attesting that the statements are true and correct.

E. Upon the Franchisor's request, the Franchisee shall submit copies of the Franchisee's invoices for goods purchased from all suppliers and copies of the Franchisee's operating reports to its landlord and/or shopping mall operator. The Franchisee hereby grants the Franchisor the right to

independent access to the Franchisee's accounts and records with any vendor approved by the Franchisor for the purposes of verifying sales data and product purchases.

F. The Franchisee shall submit to the Franchisor such other financial and operating data and information as the Franchisor may request.

G. The Franchisor or its designated agents shall have the right at all reasonable times to audit, examine and copy, at the Franchisor's expense, all books, financial records, receipts, bank statements and tax returns of the Franchisee. The Franchisor shall also be entitled to review the tax returns of any individual who has an ownership interest in the Franchised Business or the Franchisee. If an inspection should reveal that Net Sales have been understated through any report to, or polling by, the Franchisor, the Franchisee shall immediately pay to the Franchisor the amount owed plus interest at a rate of ten percent (10%) per annum of the underpaid amount. If any inspection or audit discloses that Net Sales have been understated during any four (4) week period by five percent (5%) or more through any report to, or polling by, the Franchisor, the Franchisee shall then also pay for the Franchisor's costs in connection with the inspection or audit, including reasonable accountants' and attorneys' fees.

IX. ADVERTISING

A. The Franchisee shall not use any advertising or promotional plans or materials that have not been approved in writing by the Franchisor, and the Franchisee shall cease to use any plans or materials promptly upon notice by the Franchisor. The Franchisee shall submit to the Franchisor for its prior written approval, samples of all promotional and marketing materials in whatever form that the Franchisee desires to use and which have not been previously supplied or approved by the Franchisor. If the Franchisor does not respond to the request to use advertising materials submitted by the Franchisee within thirty (30) days, the Franchisee shall be entitled to use the submitted materials until receiving notice otherwise from the Franchisor.

B. The Franchisor may, in its sole discretion, establish and maintain an Advertising and Promotion Fund (the "Fund"). All Advertising and Promotion Contributions made by the Franchisee shall be deposited by the Franchisor into the Fund. The Franchisor may make a reasonable allocation for its overhead expenses incurred in connection with the administration and management of the Fund, including employee salaries. However, in no event shall administration and management expenses of the Fund exceed twenty percent (20%) of the collected amount.

C. The Franchisor shall spend at least eighty percent (80%) of the Fund on advertising and promotion of the Proprietary Marks as the Franchisor deems, in its sole discretion, to be useful and appropriate. The Franchisor does not promise or represent to the Franchisee that any particular level or amount of Advertising and Promotion Contributions made by the Franchisee to the Fund will be used for advertising or promotion in the Franchisee's Protected Territory or region. The Franchisor's determination of the allocation and use of the Contributions to the Fund shall not be challenged or contested by the Franchisee.

D. If Contributions made by the System to the Fund are not spent in the fiscal year in which they made, the Contributions shall remain in the Fund for use during the following year. It is understood and agreed that the Franchisor shall allocate advertising funds as it deems, in its sole discretion, to be appropriate.

E. If there are two (2) or more Sports Clips franchisees, with four (4) more stores open in one Metropolitan Statistical Area ("MSA"), the Franchisor shall have the right, but not the obligation, to require that the franchisees in that MSA, including the Franchisee, form a local area advertising cooperative. Once such a cooperative is established, membership by all Sport Clips franchisees in the MSA shall be mandatory. A local advertising cooperative can assess each Franchisee up to \$250 per week for each individual Franchised Business owned by the Franchisee. The rules of the local cooperative will be established by the adoption of bylaws, which shall be subject to the approval of the Franchisor.

X. INSURANCE

A. Prior to the opening of the Franchised Business and prior to the commencement of any construction at the Location, the Franchisee shall obtain, and thereafter maintain in full force and effect during the term of this Agreement, insurance that protects the Franchisee and the Franchisor, and their respective officers, directors, partners and employees, against any loss, liability, personal injury, death, property damage or expense whatsoever from fire, lightning, theft, vandalism, malicious mischief and the perils included in the extended coverage endorsement, arising or occurring upon or in connection with the Franchised Business or the construction of or leasehold improvements to the Franchised Business, or by reason of the operation or occupancy of the Franchised Business.

B. The Franchisee shall submit to the Franchisor proof of insurance required by this Agreement prior to construction of the Franchise Business. Such insurance policy or policies shall be written by an insurance company satisfactory to the Franchisor in accordance with the standards and specifications set forth in the Manuals or otherwise in writing, and shall include, at a minimum (except as additional coverage and higher policy limits may reasonably be specified from time to time by the Franchisor in the Manuals or otherwise in writing) the following:

1. Comprehensive general liability insurance, including contractual liability, broad form property damage, personal injury, advertising injury, product liability, non-owned and hired auto liability, completed operations and independent contractors coverage, and fire damage coverage in the amount of at least one million dollars (\$1,000,000), or such higher amount as required by the lease, combined single limit, and naming the Franchisor as an additional insured in each such policy or policies.
2. Worker's compensation and employer's liability insurance as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is located and operated.
3. Fire, vandalism and extended coverage insurance with primary and excess limits of not less than the full replacement value of the Franchised Business and its furniture, fixtures and equipment.
4. Business interruption insurance in amounts equal to at least the average annual royalties and Advertising and Promotion Fund Contributions payable to the Franchisor, but in no event not less than one hundred thousand dollars (\$100,000) annual coverage.
5. Professional liability insurance (Barbers and Beauticians) in the amount of at least one million dollars (\$1,000,000), combined single limit, and naming the Franchisor as an additional insured in each such policy or policies (which may be included in the basic policy by some insurers, or may be written as a separate policy by others).
6. Umbrella Insurance coverage in the amount of one million dollars (\$1,000,000).
7. Life insurance on the principal operating person (Franchisee, Chief Operating Officer or Operating Partner of Franchisee), in an amount sufficient to pay any outstanding loans and to provide working capital for the recruitment, hiring and training of a replacement for the insured person.

C. The Franchisee shall not employ any general contractor to work at the Location unless the contractor submits to the Franchisee proof of comprehensive general liability insurance (with comprehensive automobile liability coverage for both owned and non-owned vehicles, builder's risk, product liability and independent contractors coverage) in at least the amount of one million dollars (\$1,000,000) with the Franchisor named as an additional insured, and worker's compensation and employer's liability insurance as required by state law. A copy of the Certificates of Insurance for all coverage shall be provided to the Franchisor prior to the commencement of construction of the leasehold improvements.

D. Should the Franchisee fail to procure or maintain the insurance required by this Agreement, the Franchisor shall have the right, but not the obligation, to procure such insurance for the benefit of the Franchisee, and the Franchisee shall promptly reimburse the Franchisor for the insurance premiums, together with a reasonable fee for the Franchisor's expenses in obtaining the insurance. The Franchisor may recover such reimbursement and expenses by drafting directly from the Franchisee's bank account.

XI. TRANSFER OF INTEREST AND INCAPACITY OF FRANCHISEE

A. The Franchisor shall have the unencumbered right, at any time, to assign this Agreement, and all of its rights and privileges hereunder, to any person, firm, corporation or other business entity.

B. Neither the Franchisee, nor any of the Franchisee's shareholders, members, or partners, if any, shall transfer or sell ten percent (10%) or more of the assets used in the Franchised Business, or mortgage or pledge as security any part of this Franchise Agreement, without obtaining the Franchisor's prior written consent.

C. If the Franchisee or any person with an ownership interest in the Franchised Business desires to accept an offer from a third party to purchase the Franchised Business in whole or in part, the Franchisee shall notify the Franchisor in writing and send a written copy of the signed offer to purchase. The Franchisor shall have the option, but not the obligation, exercisable within thirty (30) days after receipt of such written notification, to purchase the ownership interest on the same terms and conditions offered by the third party.

1. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by the Franchisor as in the case of an initial offer.

2. In the event that the Franchisor exercises its option to purchase the Franchised Business under this Section, the closing of the purchase shall occur by the later of: (i) the closing date specified in the third party offer; or (ii) within sixty (60) days from the date the Franchisor sends written notice exercising its option.

3. In the event the consideration, terms and/or conditions offered by a third party are such that the Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then the Franchisor may purchase the ownership interest for the reasonable equivalent in cash. If Franchisor and Franchisee cannot agree, within a reasonable time, on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by a third party, then each party, at its own expense, will designate an independent appraiser. The two appraisers attempt to agree as to the value and if they cannot agree to a value within ten (10) days, the appraisers shall select a third independent appraiser and the independent appraiser's determination shall be final and binding. The cost of the third appraiser shall be borne equally by the Franchisor and the Franchisee.

D. The Franchisee must first obtain the Franchisor's written approval before the transfer or sale of any controlling interest in the Franchised Business. The Franchisor's approval shall not be unreasonably withheld, but shall be conditioned upon the following:

1. The Franchisee shall not be in default of any part of this Agreement or any other Agreement between the Franchisee and Franchisor, including, but not limited to, monetary default.

2. The Franchisee and each of its partners, shareholders, officers and directors, if applicable, shall have executed a general release under seal, in a form satisfactory to the Franchisor, of any and all claims against the Franchisor and its officers, directors, shareholders and employees in their corporate and individual capacities.

3. The transferee shall demonstrate to the Franchisor's satisfaction that the transferee meets the Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related experience, Franchisor's testing criteria or otherwise); has at least the same managerial and financial criteria required of new Franchisees; and shall have sufficient equity capital to operate the Franchised Business.

4. The transferee shall enter into a written assignment, under seal and in a form satisfactory to the Franchisor, assuming and agreeing to discharge all of the Franchisee's obligations under this Agreement, and, if the transferee is not an individual, then the shareholders, partners or other owners of the transferee shall jointly and severally guarantee the obligations of the Franchisee under this Agreement in writing in a form satisfactory to the Franchisor. In the alternative, and at the Franchisor's option, the transferee shall execute the then-current form of the Sports Clips Franchise Agreement which may contain terms that are materially different from this Agreement, with a term ending on the expiration date of this Agreement but including any renewal terms as may be provided by this Agreement.

5. At least ten (10) days prior to the date of the transfer, the transferor must renovate and upgrade the Franchised Business to conform to the then-current specifications of the Franchisor.

6. The Franchisee shall be released from liability to the Franchisor for all obligations under the Franchise Agreement assumed by the transferee, except that the Franchisee shall continue to remain bound by all post-term covenants and obligations contained in this Agreement.

7. At the transferee's expense, the transferee and its manager and employees shall complete any training programs then in effect for current franchisees upon such terms and conditions as the Franchisor may reasonably require except that, if the manager and employees of the Franchised Business have been trained previously by the Franchisor they shall not be required to attend any additional training programs as a result of the transfer.

8. The Franchisee shall pay to the Franchisor a transfer fee of five thousand dollars (\$5,000) for the first Franchised Business that is transferred and, provided the transfers take place in one simultaneous transaction, a transfer fee of one thousand dollars (\$1,000) for each additional Franchised Business (or license to open a Franchised Business) that is transferred.

9. The Franchisee must provide the Franchisor with a fully executed copy of the purchase and sale agreements of purchase and sale between the Franchisee and the transferee.

E. The Franchisee must obtain the Franchisor's written approval before the transfer or sale of any controlling interest in the Franchised Business to a corporation, limited liability company, partnership, or other business entity. The Franchisor's approval shall not be unreasonably withheld, but shall be conditioned upon the following:

1. The Franchisee shall be a newly organized business entity (unless such entity already has an existing relationship with the Franchisor) and the entity's articles of formation provide that the entity's business shall be confined to the operation and management of Sport Clips franchises.

2. The Franchisee shall provide the Franchisor with a true and correct copy of the business entity's articles of formation, state certificates of formation, bylaws, and any other similar documents requested by the Franchisor.

3. All owners of the business entity, regardless of the percentage of ownership, shall jointly and severally guarantee all obligations of the business entity under the Franchise Agreement, and agree to be personally bound by all post-termination covenants.

4. In the event the business entity issues any certificates of ownership, including but not limited to stock certificates, the certificates of ownership shall state in bold face and capital letters that the

sale, transfer, assignment, pledge or encumbrance of the certificates of ownership are subject to the terms and conditions of a Franchise Agreement with Sport Clips, Inc. and the Franchisee.

5. The Franchisee shall maintain and provide to the Franchisor upon request a current list of all individual owners or partners of the business entity, together with the addresses and telephone numbers of each owner or partner.

6. The business entity shall file an assumed name registration with the county clerk of each county in which the Franchisee operates, and any other government agency that requires such a filing, stating that it is doing business under the name "Sport Clips," along with the business entity's legal name, and a copy of the filing shall be supplied to the Franchisor.

F. The Franchisee and anyone with an ownership interest in the Franchised Business must obtain the Franchisor's written approval before offering any ownership interest in the Franchised Business to the public by private or public offering or any stock exchange. The Franchisor's approval shall not be unreasonably withheld, but shall be conditioned upon the following:

1. All materials required by federal or state law, as well as any materials to be used to exempt the offering, shall be submitted to the Franchisor for review at least sixty (60) days prior to such documents being filed with any government agency or distributed to investors. Under no circumstances shall the Franchisee or anyone with an ownership interest in the Franchised Business imply by the use of the Proprietary Marks or otherwise that the Franchisor is participating in an underwriting, issuance or offering of the Franchisee's securities.

2. The Franchisee and any other participants in the offering must fully indemnify the Franchisor in connection with the offering pursuant to an indemnity agreement in form and substance satisfactory to the Franchisor and its counsel. For each proposed offering, the Franchisee shall pay to the Franchisor a non-refundable fee of no less than ten thousand dollars (\$10,000) to reimburse the Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees.

G. Upon the death, mental incapacity or disability of the Franchisee or any person with an ownership interest in the Franchised Business, the Franchisor shall consent to the transfer of the ownership interest in the Franchised Business and in this Agreement to the spouse, heirs or relative by blood or by marriage, of the deceased, incapacitated or disabled person, whether such transfer is made by will or by operation of law, if such person or persons meet the Franchisor's standards as set forth in Section XI.D. of this Agreement. If the transfer is not approved by the Franchisor, the executor, administrator or personal representative of the deceased, incapacitated or disabled person shall transfer the interest to a third party approved by the Franchisor within six (6) months after such death, mental incapacity or disability. Such transfer shall be subject to the Franchisor's right of first refusal and to the same conditions as set forth in Section XI.D. of this Agreement.

H. In the event that the Franchisee or the Franchisee's owners are absent or incapacitated for any reason, and in order to protect the Franchised Business and to prevent injury to the goodwill and reputation of the Proprietary Marks, the Franchisor shall have the right, but not the obligation, to operate the Franchised Business for as long as the Franchisor deems necessary and practical. If the Franchisor elects to operate the Franchised Business, all revenues from the operation of the Franchised Business during the period of operation by the Franchisor shall be kept in a separate account. All expenses of the Franchised Business, including but not limited to Royalty Fees, Advertising and Promotion Fund Contributions, Training Fees, and compensation and expenses for the Franchisor's representative, shall be charged to and paid from the account. Disbursements to Franchisee will be made periodically at the sole discretion of Franchisor, taking into consideration the reasonable and necessary needs of the business. If the Franchisor elects to operate the Franchised Business under this Section on behalf of the Franchisee, the Franchisee shall indemnify and hold harmless the Franchisor from any and all claims arising from the acts and omissions of the Franchisor and its representatives in the operation of the Franchised Business.

XII. DEFAULT AND TERMINATION

A. The Franchisee shall be deemed to be in default and the Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording the Franchisee any opportunity to cure the default, effective immediately upon receipt of notice from the Franchisor to the Franchisee, upon the occurrence of any of the following events:

1. If the Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, or if a petition in bankruptcy is filed by the Franchisee or such a petition is filed against and consented to by the Franchisee, or if the Franchisee is adjudicated bankrupt, or if a bill in equity or other proceeding for the appointment of a receiver of the Franchisee or other custodian for the Franchisee's business or assets is filed and consented to by the Franchisee, or if a receiver or other custodian (permanent or temporary) of the Franchisee's business or assets is appointed by any court of competent jurisdiction, or if proceedings for a conference with a committee of creditors under any state, federal or foreign law should be instituted by or against the Franchisee, or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless *supersedes* bond is filed), or if execution is levied against the Franchisee's operating location or property, or if any substantial real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal or constable.

2. If the Franchisee ceases to do business at the Location for five (5) or more consecutive business days, relocates the Franchised Business without the Franchisor's consent, or loses the right to possession of the premises upon which the Franchised Business is located or otherwise forfeits the right to do or transact business where the Franchised Business is located; provided, however, that if any such loss of possession results from the governmental exercise of the power of eminent domain, or if, the premises are damaged or destroyed by a disaster such that they cannot, in the Franchisor's judgment, reasonably be restored within one hundred twenty (120) days, and the landlord (if the business location is leased) releases Franchisee from the applicable lease, then, the Franchisee shall have ninety (90) days to identify an alternative location within the same market area as the Location for the operation of the Franchised Business (the "Substituted Site") and submit all information reasonably requested by the Franchisor in connection with the Substituted Site for its review and approval. Notwithstanding the foregoing, the Franchisor shall have a right to terminate this Agreement if the Franchisee is not in possession of the Substituted Site and open for business to the general public within six (6) months of its receipt of the Franchisor's approval.

3. If the Franchisee misuses or makes any unauthorized use of the Proprietary Marks, engages in any business or markets any service or products under a name or mark which is confusingly similar to the Proprietary Marks.

4. If the Franchisee attempts to modify the computerized point-of-sale computer system software without the prior written approval of Franchisor.

5. If the Franchisee understates by five percent (5%) or more its Net Sales in connection with any report required to be submitted to the Franchisor.

6. If a threat or danger to public safety results from the construction, maintenance or operation of the Franchised Business, or if the Franchisee operates the Franchised Business in an unlawful manner or without the proper licenses.

7. If the Franchisee is convicted of a crime of moral turpitude or any other crime or offense that the Franchisor reasonably believes is likely to have an adverse effect on the System and the Proprietary Marks, or if a judgment or a consent decree is entered against the Franchisee, or any of its officers, directors, shareholders or partners in any civil case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which the Franchisor reasonably believes is likely to have an adverse effect on the System or the Proprietary Marks.

8. If the Franchisee fails to obtain and maintain all required licenses under state and local law, so that the business is no longer able to operate as a Sport Clips franchised business.

9. If the Franchisee purports to transfer any rights or obligations under this Agreement to any third party without the Franchisor's prior written consent, or if the Franchisee moves or changes the Location without the Franchisor's prior consent.

10. If the Franchisee discloses, divulges or disseminates to an unauthorized third party the contents of the Manuals or any other designated trade secrets or confidential information provided to the Franchisee by the Franchisor.

11. If the Franchisee knowingly maintains false books or records or submits any false statements, applications or reports to the Franchisor.

12. If the Franchisee fails to present a Location for the Franchised Business and obtain the Franchisor's approval of the Location, or fails to sign the lease for the Location, or fails to open the Franchised Business within the time frames set forth in this Agreement.

13. If the Franchisee receives three (3) or more notices of default within any consecutive twenty-four (24) month period during the term of this Franchise Agreement, whether or not such defaults are timely cured by the Franchisee.

14. If the Franchisee defaults under its lease agreement for the Location and fails to cure the default within the applicable grace period.

15. If any other agreement, including any other Franchise Agreement, to which the Franchisee and the Franchisor are parties, is terminated as a result of the Franchisee failing to cure any default within the grace period (if any) provided for in that agreement.

16. If the Franchisee makes any unauthorized sale of product that violates approved vendor or manufacturer policies regarding sale of product, such as re-selling professional hair care products to wholesalers or other retailers.

B. The Franchisee shall have thirty (30) days after receiving from the Franchisor a written notice of default to remedy any default described below. If any such default is not cured within that time, or such longer period as required by applicable state law, this Agreement, at Franchisor's option, shall terminate without further notice to the Franchisee effective immediately upon the expiration of the thirty (30) day period. Such defaults shall include, without limitation, the occurrence of any of the following events:

1. If the Franchisee fails, refuses or neglects to pay promptly any monies owed to the Franchisor, its subsidiaries or affiliates, or to suppliers approved by the Franchisor, when due.

2. If the Franchisee fails to maintain any of the standards or procedures prescribed by the Franchisor in this Agreement, the Manuals, any other written agreements between the parties or otherwise.

3. If the Franchisee fails to comply with any material provision of this Agreement.

4. If the Franchisee fails to maintain and submit to the Franchisor any financial reports or statements required by this Agreement, including tax returns and bank statements.

5. If the Franchisee fails to install and maintain in good working condition computer hardware and software for a point-of-sale system as specified in the Manuals, or fails to set up the point-of-sale system so that Franchisor can access the system to download data by modem or otherwise after the store is closed each evening.

6. If the Franchisee fails to maintain signage as required by the Franchisor in the Manuals.

7. If the Franchisee, the Franchisee's manager or employees fail to attend and successfully complete any mandatory training program as required by the Franchisor. Attendance at the annual conference is mandatory and failure of the Franchisee and/or Franchisee's store manager to attend this conference shall be a default under this section.

8. If the Franchisee fails to obtain the prior written approval of the Franchisor of any and all advertising, marketing or promotional plans and materials used by the Franchisee in connection with its promotion of the Franchised Business or otherwise fails to comply with Franchisor's policies and procedures with respect to advertising, marketing or promotion.

9. If the Franchisee fails, refuses, or neglects to pay promptly when due any monies owing to a local area advertising cooperative to which the Franchisee is a member.

10. If the Franchisee fails to obtain and maintain all required licenses under state and local law, even if the business is able to continue to operate as a Sport Clips franchised business.

11. If the Franchisee offers through the Franchised Business or at the Location any product or service that is not approved by the Franchisor.

C. Termination of this Agreement for the reasons described in this Section shall be in addition to any other remedy that the Franchisor shall have in law or equity.

XIII. OBLIGATIONS UPON TERMINATION OR EXPIRATION OF FRANCHISE AGREEMENT

A. Upon termination or expiration of this Agreement, all rights granted to the Franchisee under this Agreement shall terminate immediately and the Franchisee shall have no further right to operate the Franchised Business.

B. Upon the termination or expiration of this Agreement, the Franchisee shall immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold that the Franchisee is a Sport Clips franchisee.

C. Upon the termination or expiration of this Agreement, The Franchisee shall immediately cease to use, in any manner whatsoever, the Proprietary Marks, the Manuals, trade dress, customer database, programs, literature, and all procedures and techniques associated with the System and the name "Sport Clips."

D. Upon the termination or expiration of this Agreement, the Franchisee shall cancel any assumed name or equivalent registration which contains the Proprietary Marks or any other trademark, trade name or service mark of the Franchisor, and the Franchisee shall furnish the Franchisor with evidence satisfactory to the Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement.

E. Upon the termination or expiration of this Agreement, the Franchisee shall, at the Franchisor's option and upon the Franchisor's request, assign to the Franchisor any interest that the Franchisee has in any lease or sublease for the premises of the Franchised Business.

1. In the event the Franchisor elects to exercise its option to acquire the lease or sublease of the Franchised Business, the Franchisor shall provide the Franchisee written notice of the Franchisor's election to exercise the option within thirty (30) date of the date of termination or expiration of the Franchise Agreement.

2. In the event the Franchisor elects to exercise its option to acquire the lease or sublease of the Franchised Business, the Franchisor shall have the right, but not the obligation, to purchase from the Franchisee furniture, equipment, supplies and signs used in the Franchised Business and selected by the Franchisor. Notice of the Franchisor's election to buy the furniture, equipment, supplies and signs shall be contained in the notice electing to acquire the lease or sublease of the Franchise Business. If the Franchisor elects to buy the furniture, equipment, supplies and sign, the Franchisor shall compensate the Franchisee for these items at the lesser of the (i) the Franchisee's actual cost, or (ii) fair market value. The Franchisor shall be entitled to deduct from the purchase price any sums of money owed by the Franchisee to the Franchisor. If Franchisor and Franchisee cannot agree, within a reasonable time, on the fair market value of the items to be purchased by the Franchisor, then each party, at its own expense, shall designate an independent appraiser; the two appraisers will then attempt to agree as to the value. In the event that the two appraisers cannot agree in a reasonable time, then they will select a third independent appraiser and his determination shall be final and binding. The cost of the third appraiser shall be borne equally by both parties.

F. Upon the termination or expiration of this Agreement, and in the event that the Franchisor does not elect to exercise its option to assume the lease or sublease for the Franchised Business, the Franchisee shall make such modifications or alterations to the premises of the Franchised Business as may be necessary to distinguish the appearance of said premises from that of a business operating under the System. The Franchisee shall make such specific additional changes as the Franchisor may reasonably request including, but not be limited to, ceasing to use exterior signage identifying the store as a Sport Clips; all proprietary interior signage; equipment that is unique to or an integral part of the Sport Clips overall decor package, including the receptionist desk, reception area stadium-type seats and benches, proprietary murals of crowd scenes and athletes, styling stations, fencing modules, and drop-lights over the styling stations. In the event the Franchisee fails or refuses to comply with the requirements of this Section XIV, the Franchisor shall have the right to enter upon the premises of the Franchised Business without being guilty of trespass or any other tort for the purpose of making or causing to be made such changes as may be required, at the expense of the Franchisee, which expense the Franchisee agrees to pay upon demand.

G. Upon the termination or expiration of this Agreement, the Franchisee shall immediately deliver to the Franchisor or the Franchisor's designee all Manuals, customer lists and customer databases, records, files, correspondence, brochures, and all other materials relating to the operation of the Franchised Business. The Franchisee shall not retain any copies of the material delivered to the Franchisor except for financial records required by law, correspondence between the parties and any other documents which the Franchisee reasonably needs for compliance with any provision of law. In addition to the foregoing, the Franchisee shall deliver to the Franchisor a complete list of all persons employed by the Franchisee during the three (3) years immediately preceding termination, together with all employment files of each employee. The cost of delivering the materials as required by this paragraph shall be borne by the Franchisee.

H. Upon the termination or expiration of this Agreement, the Franchisee shall promptly notify the appropriate telephone company and all telephone directory listing agencies of the termination or expiration of the Franchisee's right to use any telephone number and any regular, classified or other telephone directory listings associated with the Proprietary Marks. The Franchisee shall authorize the transfer of all telephone numbers associated with the Proprietary Marks to the Franchisor or the Franchisor's designee. The Franchisee agrees to execute updated letters of direction to any telephone companies and telephone directory listing agencies that enforce the Franchisor's right to telephone numbers under this paragraph. The Franchisee acknowledges that as between the Franchisor and the Franchisee, the Franchisor has the sole right to and interest in all telephone numbers and directory listings associated with any Proprietary Marks. The Franchisee authorizes the Franchisor, and hereby appoints the Franchisor or any officer of the Franchisor as its attorney in fact, and coupled with an interest, to direct the appropriate telephone company and all listing agencies to transfer all applicable telephone numbers and telephone listings to the Franchisor upon the termination or expiration of this Agreement.

XIV. COVENANTS

A. The Franchisee specifically acknowledges that the Franchisee, through the Franchisee's relationship with the Franchisor and through this Agreement, shall receive valuable specialized training and confidential information regarding the business, promotion, sales, marketing and operational methods and techniques of the Franchisor and the System used for the retail sale of hair cutting and hair care services and related products.

B. The Franchisee covenants that during the term of this Agreement, and except as approved in writing by the Franchisor, neither the Franchisee nor any shareholder, partner, or other person with an ownership interest in the Franchisee, shall either directly or indirectly, for itself or through, on behalf of or in conjunction with any individual, partnership, corporation or other legal entity:

1. Divert or attempt to divert any business or customer of the Franchised Business to any competitor of the Franchised Business, by direct inducement or otherwise;

2. Employ or seek to employ any person who is at that time employed by the Franchisor or by any other Sport Clips franchisee or Area Developer of the Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment, whether that person is employed directly or through a Professional Employee Organization (PEO), commonly referred to as "employee leasing".

3. Own, manage, be employed by, advise, assist, invest in, make loans to, or have any interest in any business that offers hair cutting and hair care services and related products; or

4. Offer for sale hair cutting and hair care services and related services and products through any venue or business other than through, and on the premises of, the Franchised Business.

C. The Franchisee covenants that for a period of two (2) years upon the expiration or termination of this Agreement, and except as approved in writing by the Franchisor, neither the Franchisee nor any shareholder, partner, or other person with an ownership interest in the Franchisee, shall either directly or indirectly, for itself or through, on behalf of or in conjunction with any individual, partnership, corporation or other legal entity:

1. Divert or attempt to divert any business or customer of the Franchised Business to any competitor of the Franchised Business, by direct inducement or otherwise;

2. Employ or seek to employ any person who is at that time employed by the Franchisor or by any other Sport Clips franchisee or Area Developer of the Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment, whether that person is employed directly or through a Professional Employee Organization (PEO), commonly referred to as "employee leasing".

3. Own, manage, be employed by, advise, assist, invest in, make loans to, or have any interest in any business that offers hair cutting and hair care services and related product and that is within a ten (10) mile radius of the Location of the Franchised Business; or

4. Own, manage, be employed by, advise, assist, invest in, make loans to, or have any interest in any business that offers hair cutting and hair care services and related product and that is within a ten (10) mile radius of any business that is a franchisee of the Franchisor and does business under any of the Proprietary Marks.

D. If the period of time or the area specified above should be adjudged by any tribunal or court of competent jurisdiction to be unreasonable, then the period of time or the restricted area may be reduced so that the restrictions are deemed reasonable and enforceable by the presiding tribunal or court.

E. The Franchisee acknowledges and agrees that the covenants not-to-compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on the Franchisee, or the Franchisee's shareholders or partners, if the Franchisee is a corporation or partnership, since the Franchisee, its shareholders or partners have other considerable skills, experience and education which afford the Franchisee, its shareholders or partners the opportunity to derive income from other endeavors.

F. The parties agree that each covenant in this section of this Agreement shall be construed as independent of any other covenant or provision contained in this section of this Agreement. If any one covenant contained in this section is held unreasonable or unenforceable by a tribunal or court of competent jurisdiction, all other covenants deemed to be reasonable and enforceable shall remain in effect.

H. Notwithstanding anything to the contrary in this Agreement, the Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this section of this Agreement, without prior notice to the Franchisee or without the Franchisee's consent. The reduction in scope of the covenants shall be effective immediately upon receipt by the Franchisee of written notice regarding the reduction, and the Franchisee agrees that it shall comply with any covenant as it may be modified by the Franchisor.

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

J. The Franchisee acknowledges that violation of the covenants not to compete contained in this section of this Agreement will result in immediate and irreparable injury to the Franchisor for which no adequate remedy at law will be available. Accordingly, the Franchisee hereby consents to the entry of an injunction, without the necessity of Franchisor posting a bond, that prohibits any conduct by the Franchisee in violation of the terms of the covenants not to compete set forth in this Agreement.

XV. TAXES AND INDEBTEDNESS

A. The Franchisee shall promptly pay, when due, all taxes levied or assessed by any federal, state or local tax authority and any and all other indebtedness incurred by the Franchisee in the operation of the Franchised Business. The Franchisee shall pay to the Franchisor an amount equal to any sales tax, gross receipts tax or similar tax imposed on the Franchisor with respect to any payments to the Franchisor required under this Agreement, unless the tax is credited against income tax otherwise payable by the Franchisor.

B. In the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, the Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall the Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business or any improvements thereon.

C. The Franchisee shall notify the Franchisor in writing within three (3) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

XVI. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

A. This Agreement does not create a fiduciary or confidential relationship between the Franchisor and the Franchisee. The Franchisee acknowledges and agrees that the Franchisee is an

independent business person and an independent contractor. Nothing in this Agreement is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee or servant of the other for any purpose whatsoever.

B. During the term of this Agreement, the Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a license from the Franchisor and as an authorized user of the System and the Proprietary marks which are owned by the Franchisor. The Franchisee agrees to take such affirmative action as may be necessary to do so, including exhibiting to customers a sign provided by Franchisor in a conspicuous place on the premises of the Franchised Business.

C. The Franchisor shall not have the power to hire or fire the Franchisee's employees, and except as herein expressly provided, the Franchisor may not control or have access to the Franchisee's funds or the premises of the Franchised Business, or in any other way exercise dominion or control over the Franchised Business.

D. It is understood and agreed that nothing in this Agreement authorizes the Franchisee to make any contract, agreement, warranty or representation on the Franchisor's behalf, or to incur any debt or other obligation in the Franchisor's name, and that the Franchisor shall in no event assume liability for or be deemed liable as a result of any such action or by reason of any act or omission of the Franchisee in the Franchisee's conduct of the Franchised Business or any claim or judgment arising therefrom against the Franchisee.

E. The Franchisee agrees at all times to defend at the Franchisee's expense, and agrees to indemnify and hold harmless to the fullest extent permitted by law, the Franchisor and its corporate parent, the subsidiaries and affiliates, and their respective successors, assigns and designees, and their respective directors, officers, employees, agents, shareholders, designees, and representatives from all losses and expenses incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof, which arises out of the Franchised Business or, including, but not limited to, the following:

1. The Franchisee's infringement or any other alleged violation of any patent, trademark, or other proprietary right that is owned or controlled by any third party.
2. The Franchisee's alleged violation of any federal, state or local law, regulation or ordinance, or any directive of any industry standard.
3. The Franchisee's libel, slander or any other form of defamation.
4. The Franchisee's alleged violation or breach of any warranty, representation, agreement or obligation in this Agreement.
5. Any acts, errors or omissions of the Franchisee or any of its agents, servants, employees, contractors, partners, proprietors, affiliates, or representatives.
6. Latent or other defects of the premises of the Franchised Business, whether or not discoverable by the Franchisor or the Franchisee.
7. Any services or products provided by the Franchisee at, from or related to the operation at the Franchised Business.

XVII. APPLICABLE LAW AND FORUM SELECTION

A. This Agreement shall take effect upon its acceptance and execution by the Franchisor in the state of Texas. This Agreement shall be interpreted and construed under the laws of the State of Texas except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*).

B. Except for any claims arising under the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051, *et seq.*), any and all disputes arising out of or are related to this Agreement that cannot be settled through face-to-face discussions, shall be submitted to non-binding mediation for a minimum of eight hours before a mediation organization approved by the parties, or a mediator appointed by a court if the parties cannot agree on a mediation organization. Such mediation shall be held at the offices of the Franchisor or such other site in the state of Texas designated by the Franchisor.

C. ANY LITIGATION BETWEEN THE PARTIES, OR BETWEEN THE FRANCHISEE AND THE COMPANY'S OFFICERS AND DIRECTORS, SHALL ONLY BE INSTITUTED IN THE WILLIAMSON COUNTY, TEXAS, DISTRICT COURT OR IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF TEXAS. THE PARTIES AGREE THAT THIS FRANCHISE AGREEMENT WAS ENTERED INTO IN GEORGETOWN, TEXAS AND THAT SUBSTANTIAL PERFORMANCE OF ALL OBLIGATIONS HEREUNDER IS RENDERED IN GEORGETOWN, TEXAS AND THAT THERE IS A REGULAR STREAM OF BUSINESS ACTIVITY BETWEEN THE FRANCHISEE AND THE COMPANY FROM AND INTO WILLIAMSON COUNTY, TEXAS. ACCORDINGLY, THE PARTIES AGREE THAT VENUE IN ANY SUCH ACTION IS PROPERLY LAID IN EITHER SAID COURT.

D. Notwithstanding any provision contained in this Agreement, the Franchisor may seek injunctive relief in a court of competent jurisdiction for the purpose of protecting the Proprietary Marks or for the purpose of seeking other equitable relief against the Franchisee.

E. If any party institutes litigation in a court of law or equity, the non-prevailing party shall pay the prevailing party's reasonable attorneys fees relating to the litigation.

F. Each party to this Agreement waives all rights to a jury trial with respect to any litigation that is instituted or brought in any court regarding any matter arising out of or related to this Agreement.

G. No right or remedy conferred upon or reserved by the Franchisor or the Franchisee by this Agreement is intended and it shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, by law or at equity, but each right or remedy shall be cumulative of every other right or remedy.

XVIII. NO WAIVER

A. No failure of the Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by the Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of the Franchisor's right to demand exact compliance with any of the terms herein. Waiver by either party of any particular default by the other shall not affect or impair any rights with respect to any subsequent default of the same, similar or different nature, nor shall any delay, forbearance or omission of either party to exercise any power or right arising out of any breach or default by the other of any of the terms, provisions or covenants hereof affect or impair any right to exercise the same, nor shall such constitute a waiver of any right hereunder or the right to declare any subsequent breach or default and to terminate this Franchise Agreement prior to the expiration of its term. Subsequent acceptance by the Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by the Franchisor of any preceding breach by the Franchisee of any terms, covenants or conditions of this Agreement.

XIX. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: Gordon B. Logan, CEO
Sport Clips, Inc.
P.O. Box 3000-266
Georgetown, Texas 78627-3000

Notices to Franchisee: _____

Any notice sent by certified mail shall be deemed to have been given at the date and time of mailing.

XX. ENTIRE AGREEMENT

This Agreement, together with any Amendments and Attachments, if any, constitute the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and supersede all prior agreements. No amendment, change or variance from this Agreement shall be binding on the parties hereto unless mutually agreed to by the parties and executed by themselves or their authorized officers or agents in writing.

XXI. SEVERABILITY AND CONSTRUCTION

A. Except as expressly provided to the contrary in this Agreement, each section, part, term and/or provision of this Agreement shall be considered severable. If, for any reason, any section, part, term and/or provision is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms and/or provisions of this Agreement as may remain otherwise intelligible, and the valid remainder of this Agreement shall continue to have full force and effect and bind the parties; provided, however, that if the Franchisor determines that such finding of invalidity or illegality adversely affects the underlying purpose of this Agreement, the Franchisor, at its option, may terminate this Agreement.

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

C. All references in this Agreement to the masculine, feminine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable, and all acknowledgments, promises, covenants, agreements and obligations made or undertaken by the Franchisee shall be deemed jointly and severally undertaken by all of the parties executing this Agreement in his individual capacity on behalf of the Franchisee. This Agreement may be executed in one or more originals, each of which shall be deemed an original.

D. As used in this Agreement, the term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and shall be deemed to include not only the individual or entity defined as the "Franchisee" in the introductory paragraph of this Agreement, but shall also include all partners, shareholders, or members, as applicable of any business entity that executes this Agreement. By their signatures, all partners, shareholders, officers and directors of the entity that sign this Agreement as the Franchisee acknowledge and accept the duties and obligations imposed upon each of them, individually, by the terms of this Agreement.

E. As used in this Agreement, the term "employee" shall include all persons who are directly employed by Franchisee or other entities referenced in this Agreement, or who are "leased" from a Professional Employee Organization (PEO) under an arrangement commonly referred to as "employee leasing".

F. If, as a result of hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, insurrection, war, explosion, unavoidable calamity or other act of God (a "Force Majeure"), compliance by any party with the terms of this Agreement is rendered impossible or would otherwise create an undue hardship upon any party, all parties shall be excused from their respective obligations hereunder for the duration of the Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement shall continue in full force and effect.

XXII. ACKNOWLEDGMENTS

The Franchisee acknowledges that it has conducted an independent investigation of all aspects relating to the Franchised Business and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the skills and ability of the Franchisee as an independent business person or organization. The Franchisee acknowledges that it has received, read and understands this Agreement, and any Amendment and Attachments, if any, that the Franchisor has accorded the Franchisee ample time and opportunity to consult with advisors of the Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

THE SUCCESS OF THE FRANCHISEE IN OPERATING THIS FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING THE FRANCHISEE'S INDEPENDENT BUSINESS ABILITY. THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH THE FRANCHISEE. THE FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT

NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY THE FRANCHISOR TO INDUCE THE FRANCHISEE TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED WITHIN THIS AGREEMENT AND THE FRANCHISOR'S UNIFORM FRANCHISE OFFERING CIRCULAR. THE FRANCHISOR HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES OR PROFITS OF THE BUSINESS VENTURE TO THE FRANCHISEE.

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

Sport Clips, Inc.

By _____
Title _____
Date _____

Franchisee
Date _____

Franchisee
Date _____

STATE ADDENDUM TO THE SPORT CLIPS FRANCHISE AGREEMENT

FOR THE RESIDENTS OF THE STATE OF CALIFORNIA

The California Franchise Relations Act, Business and Professions Code Sections 20000 to 20043, provides Franchisees with certain rights on termination or non-renewal of a franchise. Federal bankruptcy law may prohibit termination of a franchise on filing of a petition in bankruptcy by a Franchisee. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law. The Franchise Agreement requires application of the law of the State of Texas. This provision may not be enforceable under California law.

FOR RESIDENTS OF THE STATE OF ILLINOIS

The conditions under which your franchise can be terminated and your rights under non-renewal may be affected by 815 ILCS 705/19 and 705/20. Article XXII is amended to provide that the Illinois Franchise Disclosure Act governs the interpretation and construction of the Franchise Agreement.

Section XVII.C is amended to allow litigation between the parties to be instituted in any court of competent jurisdiction located in the State of Illinois.

The first sentence of the third paragraph of Article XXII is amended to read as follows: The Company expressly disclaims the making of any warranty or guarantee, express or implied, that the Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits or success.

FOR RESIDENTS OF THE STATE OF MARYLAND

This Addendum for the residents of the state of Maryland also applies to non-residents who will operate a Sport Clips franchise in the state of Maryland. No acknowledgements or disclaimers contained within the Franchise Agreement shall, nor are they intended to, serve as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. Sections II.B.7 and XI.D.2 of the Franchise Agreement are amended to provide that a general release shall not be condition of renewal and/or assignment/transfer and shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Article XVII.C is amended to provide that the Franchisee may sue the Company in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

FOR RESIDENTS OF THE STATE OF MINNESOTA

No section shall in any way abrogate or reduce any rights of the Franchisee as provided for in the Minnesota Statutes, Chapter 80C. Minnesota statutes §80C14 regulate termination, including at least 90 days written notice in advance of termination or cancellation, with 60 days in which to cure, except that the notice shall be effective immediately for certain grounds.

Pursuant to Minn. Stat. §80C.21 and Minn. Rule Part 2860.44005, Section XXIII of the Franchise Agreement shall not in any way abrogate or reduce any rights of the Franchisee as provided for in Minnesota Statutes, Chapter 80C, including, but not limited to, the right to submit matters to the jurisdiction of the courts of Minnesota.

Section II is amended to read that unless the franchise is not renewed for good cause as defined in Minnesota Statute §80C14(b), the Company may not fail to renew the Franchise Agreement unless (i) the Franchisee has been given written notice of the intention not to renew at least 180 days in advance and (ii) has been given an opportunity to operate the franchise over a sufficient period of time to enable the Franchisee to recover the fair market value of the franchise as a going concern measured from the date of the failure to renew. The Company may not refuse to renew the Franchise Agreement if the refusal is for the purpose of converting the Franchisee's business premises to an operation that will be owned by the Company for its own account.

Sections II.B.7 and XI.C.2 of the Franchise Agreement are amended to provide that a general release shall not be a condition or renewal and/or assignment/transfer.

Section VI.C is amended to read that the Company will indemnify the Franchisee against liability to third parties resulting from claims by third parties that the Franchisee's use of the Proprietary Marks infringes trademark rights of the third party. The Company does not indemnify against the consequences of the Franchisee's use of the Company's trademark except in accordance with the requirements of the Franchise Agreement, and as a condition of indemnification, the Franchisee must provide notice to the Company of any such claim within ten (10) days and tender the defense of the claim to the Company. If the Company accepts the tender of the defense, the Company has the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

FOR THE RESIDENTS OF THE STATE OF NEW YORK

Section IV.A.4 is amended to read that the training provided by the Company will take place at the Franchisor's home office located in Georgetown, Texas.

Section VIII.C are amended by adding the following: "Any new or different requirements set forth in the Operating Manual shall not unreasonably increase the Franchisee's obligations or place an excessive economic burden on the Franchisee's operations."

Section XII.A is amended by adding the following: "However, no assignment shall be made except to an assignee who in the good faith judgment of the Company is able to assume the Company's obligations under the Franchise Agreement."

Section XVII.C is amended by adding the following: "However, the foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisee by the provisions of Article 33 of the New York State General Business Law."

FOR THE RESIDENTS OF THE STATE OF NORTH DAKOTA

Section II.B.4 of the Franchise Agreement is hereby deleted. Covenants not to compete, such as stated in Section XV of the Franchise Agreement, are generally considered unenforceable in the State of North Dakota. Sections XXII.A and XIII of the Franchise Agreement are deleted.

FOR RESIDENTS OF THE STATE OF RHODE ISLAND

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

FOR RESIDENTS OF THE STATE OF WASHINGTON

The state of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal rights of your franchise. There may also be court decisions that may supersede the Franchise Agreement in your relationship with the Franchisor including the areas of termination and renewal by the Franchisor.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by the franchisee shall not include rights under the Washington Franchise Investment Protections Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel.

Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act such as rights to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they may reflect the Franchisor's reasonable estimated or actual costs in effecting a transfer.

FOR RESIDENTS OF THE STATE OF WISCONSIN

The Wisconsin Fair Dealership Law Title XIV-A Ch.135, Sec.135.01-135.07 may effect the termination provisions of the Franchise Agreement.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges receipt and having read this Addendum for Residents of the State of _____, and understand and consents to be bound by all of its terms.

Sport Clips, Inc.

By _____
Title _____
Date _____

Franchisee
Date _____

Franchisee
Date _____

Attachment A

Location of Franchise

THIS ADDENDUM is made by and between Sport Clips, Inc. (the "Franchisor") and _____
_____ (the "Franchisee") to the Sport Clips Franchise Agreement dated _____
_____.

1. Pursuant to Section V.B of the Franchise Agreement, the Location shall be at the following address: _____
_____.

Sport Clips, Inc.

By _____
Title _____
Date _____

Franchisee
Date _____

Franchisee
Date _____

Attachment B

Addendum to Lease

THIS AGREEMENT is made and entered into this _____ day of _____, 20____, by and between Sport Clips, Inc. (hereinafter referred to as "Franchisor"), a Texas corporation; _____ (hereinafter referred to as the "Landlord"), with its principal offices at _____; and _____ (hereinafter referred to as the "Tenant"), with its principal offices at _____.

WHEREAS, the Landlord and the Tenant have executed a lease agreement dated _____, (the "Lease") for the premises located at _____ (the "Leased Premises") for use by the Tenant as a business to be opened pursuant to Franchisor's proprietary marks and system in connection with a written Franchise Agreement by and between Franchisor and the Tenant (the "Franchise Agreement");

WHEREAS, a condition to the approval of the Tenant's specific location by the Franchisor is that the Lease for the Leased Premises designated for the operation of a **Sport Clips** business (hereinafter the "Franchised Business") contain the agreements set forth herein;

WHEREAS, the Landlord acknowledges that the Franchisor requires the modifications to the Lease set forth herein as a condition to its approving the Leased Premises as a site for the Franchised Business, and that the Landlord agrees to modify and amend the Lease in accordance with the terms and conditions contained herein;

WHEREAS, according to the Sport Clips Franchise Agreement, all rights, title and interest in and to the Lease must be assigned to Franchisor, at Franchisor's option, upon the termination of the Franchise Agreement; and

WHEREAS, it is the intent of the parties hereto to provide Franchisor with the opportunity to preserve the leased premises as a Franchised Business in the event of any default or termination of said Lease or Franchise Agreement and to assure the Landlord that in the event Franchisor exercises its rights herein contained, any defaults of the Tenant under the Lease will be cured by Franchisor before it takes possession of the Leased Premises.

1. **Use Clause.** The Leased Premises shall be used for the operation of a retail business specializing in professional haircutting and hair care services and sports-related accessories and identified by the mark **SPORT CLIPS** or any other name. The Leased Premises must be able to accommodate:

Hairstyling for a primarily male clientele, and sales of related products and services, including sports attire, collectibles and specialty items.

The Landlord acknowledges that such use shall not violate any then existing exclusives granted to any existing tenant of the Landlord. The Landlord further acknowledges that during the term of this Lease or any extension thereof, the Landlord will not lease space to a business similar to the Tenant's within the same shopping center or office building in which the Franchised Business is located. Privately owned full-service salons are agreed not to be a similar business.

Landlord represents and warrants that the Leased Premises has no existing building code violations and is properly zoned for its intended use.

2. Default of Lessee under Lease. The Landlord shall mail to Franchisor copies of any notice of default or termination it gives to the tenant concurrently with giving such notices to the Tenant. If the Tenant fails to cure any default within the period provided in the Lease, if any, the Landlord shall give Franchisor immediate written notice of such failure to cure. The Landlord shall thereupon offer to Franchisor and Franchisor shall have the right to accept an assignment of the Lease or a new lease containing the same terms and conditions of the Lease, whichever Franchisor elects.

If Franchisor elects to continue the use of the Leased Premises under an assignment of the Lease or a new lease, it shall so notify the Landlord in writing within thirty (30) days after it has received written notice from the Landlord specifying the defaults the Tenant has failed to cure within the grace period specified in the Lease. Upon receipt of such notice from Franchisor, the Landlord shall promptly execute and deliver to Franchisor an assignment of the Lease or a new lease, whichever Franchisor requests, and shall deliver to Franchisor possession of the Leased Premises, free and clear of any rights of the Tenant or any third party. Franchisor, before taking possession of the Leased Premises, shall promptly cure the defaults specified by the Landlord in its notice to Franchisor and shall execute and deliver to the Landlord its acceptance of the assignment of the Lease or of the new lease, as the case may be.

In the event that the Franchisor elects to enter into a new lease with the Landlord, Landlord shall do so upon terms and conditions no less favorable than those contained in the Lease.

3. Termination of the Franchise Agreement. If the Franchise Agreement between Franchisor and the Tenant is terminated for any reason during the term of the Lease or any extension thereof, the Tenant, upon the written request of Franchisor, shall assign to Franchisor all of its rights, title and interest in and to the Lease. If Franchisor elects to accept the assignment of the Lease from the Tenant, it shall give the Tenant and the Landlord written notice of its election to acquire the leasehold interest. The Landlord hereby consents to the assignment of the Lease from the Tenant to the Franchisor, subject to the Tenant's and/or Franchisor's curing any defaults of the Tenant under the Lease before Franchisor takes possession of the Leased Premises. Alternatively, in the event of a termination of the Franchise Agreement, Franchisor may elect to enter into a new lease with the Landlord containing terms and conditions no less favorable than the Lease. Upon the Landlord's receipt of written notice from Franchisor advising the Landlord that Franchisor elects to enter into a new lease, the Landlord shall execute and deliver such new lease to Franchisor for its acceptance. The Landlord and the Tenant shall deliver possession of the Leased Premises to Franchisor, free and clear of all rights of the Tenant or third parties, subject to Franchisor's curing any defaults of the Tenant, under the Lease, and executing an acceptance of the assignment of Lease or new lease, as the case may be.

The Franchisor shall indemnify, defend and hold the Landlord harmless from any attempt to terminate the Lease or dispossess the Tenant from the Leased Premises based upon a termination of the Franchise Agreement.

4. Tenant's Agreement to Vacate Leased Premises. The Tenant agrees to peaceably and promptly vacate the Leased Premises and (subject to Franchisor's right to acquire any such property pursuant to its Franchise Agreement with the Tenant) to remove its personal property therefrom upon the termination of the Franchise Agreement or upon the Tenant's failure to timely cure all of its defaults under the Lease. Any property not removed or otherwise disposed of by the Tenant shall be deemed abandoned.

5. Deliver of Possession. If it becomes necessary for the Landlord to pursue legal action to evict the Tenant in order to deliver possession of the Leased Premises to the Franchisor, the Franchisor shall, at the written request of the Landlord, pay into an interest-bearing escrow account all amounts necessary to cure any default of the Tenant's, pending delivery of the Leased Premises to the Franchisor. If the Landlord may not legally obtain possession of the Leased Premises or if the Landlord is unable to deliver the Leased Premises to the Franchisor within six (6) months from the date the Franchisor notifies the Landlord of its election to continue the use of the Leased Premises, then the Franchisor shall have the right at any time thereafter to rescind its election to acquire a leasehold interest in the Leased Premises and to terminate the Lease or any new lease between it and the Landlord for the Leased Premises, whereupon all amounts deposited by the Franchisor in escrow, together with the interest earned thereon, shall be returned forthwith to the Franchisor, and the Landlord shall release the Franchisor from all of its obligations under the Lease or any new lease.

6. Amendment of Lease. The Landlord and the Tenant agree not to amend the Lease in any respect, except with the prior written consent of the Franchisor.

7. Franchisor Not a Guarantor. The Landlord acknowledges and agrees that notwithstanding any terms or conditions contained in this Addendum or any other agreement, the Franchisor shall in no way be construed as a guarantor or surety of the Tenant's obligations under the Lease. Notwithstanding the foregoing, in the event the Franchisor becomes the Tenant by assignment of the Lease in accordance with the terms hereof or enters into a new lease with Landlord, then the Franchisor shall be liable for all of the obligations of the Tenant on its part to be performed or observed under the Lease or a new lease.

8. Document to Govern. The terms and conditions contained herein modify and supplement the Lease. Whenever any inconsistency or conflict exists between this Addendum and the Lease, the terms of the Addendum shall prevail.

9. No Hazardous Materials. The Landlord warrants and represents that no part of the Franchised Business location, including the walls, ceilings, structural steel, flooring, pipes or boilers is wrapped, insulated, fire-proofed or surfaced with any asbestos-containing materials (hereinafter "ACM") or other hazardous materials as the same may be identified from time to time by applicable federal, state or local laws or regulations ("Hazardous Materials"), and that no ACM materials or Hazardous Materials will be present in the Leased Premises as of the date Tenant takes possession thereof.

10. Assignment and Subletting. Notwithstanding anything set forth in the Lease to the contrary, the Tenant shall have the right to assign this Lease or any interest therein, or sublet the Leased Premises or any portion thereof without the consent of Landlord, to a corporation or entity that is

- (a) a parent, subsidiary, or affiliate of Tenant;
- (b) Tenant's Franchisor or any successor or affiliate thereof;
- (c) wholly owned by Tenant, Tenant's parent or a subsidiary of Tenant;
- (d) a corporation with which Tenant merges;
- (e) a result of a reorganization, or the surviving corporation of a business restructuring;
- or
- (f) any bona fide franchisee of the Franchisor,
and all renewal options (if any) and other material provisions shall remain in force unchanged.

11. Special Provisions.
- (a) Subject to Landlord's consent as to the method of installation, which consent shall not be unreasonably withheld, Tenant shall be permitted to install a small (36" diameter or less) satellite television antennae on the roof of the Premises, such installation to be at the sole expense of Tenant. Tenant will submit drawings to Landlord as to the method of installation prior to authorizing the antennae to be installed, and Tenant shall be responsible for any damage to the roof.
 - (b) Tenant, as part of the standard Sport Clips signage plan, shall have signs approximately 48" wide by 24" high hanging in the front windows to describe the unique services and experience offered by Sport Clips. These signs will be visible from outside the Premises.
 - (c) As part of the standard Sport Clips design package, Tenant will have installed in the waiting area of the store a larger television (50" or larger) that will be visible from the exterior of the Premises.
12. Subordination. The Landlord will subordinate its interest in the Tenant's equipment to any lender financing the same, and the Landlord will further cooperate in executing all required documents to recognize such subordination.
13. Waiver. Failure of Franchisor to enforce or exercise any of its rights hereunder shall not constitute a waiver of the rights hereunder or a waiver of any subsequent enforcement or exercise of its rights hereunder.
14. Amendment of Agreement. This Agreement may be amended only in writing signed by all parties hereto.
15. Notices. All notices hereunder shall be by certified mail to the Franchisor at P.O. Box 3000-266, Georgetown, Texas 78627-3000 or to such other addresses as the parties hereto may, by written notice, designate.
16. Binding Effect. This Agreement shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.
17. Severability. If any provision of this Agreement or any part thereof is declared invalid by any court of competent jurisdiction, such act shall not affect the validity of this Agreement and the remainder of this Agreement shall remain in full force and effect according to the terms of the remaining provisions or part of provisions hereof.
18. Remedies. The rights and remedies created herein shall be deemed cumulative and no one of such rights or remedies shall be exclusive at law or in equity of the rights and remedies which Franchisor may have under this or any other agreement to which Franchisor and the Tenant are parties.
19. Attorneys' Fees. If any action is instituted by any party to enforce any provision of this Agreement, the prevailing party shall be entitled to recover all attorneys' fees and costs incurred in connection therewith.
20. Construction. This Agreement shall be governed by and construed in accordance with the laws of the State in which the Leased Premises are located.
21. Certain Acknowledgments. The Landlord and the Tenant acknowledge and agree that all interior and exterior signage and related items (collectively the "Leased/Licensed Assets") are the sole property of the Franchisor. The Tenant shall have no rights to pledge in any manner the Leased/Licensed Assets and the Landlord shall have no rights to place any liens on or make any claims to the Leased/Licensed Assets.

IN WITNESS WHEREOF, the parties hereto have caused this Mandatory Addendum to Lease to be executed the day and year first above written.

Landlord

By _____
Title _____
Date _____

Franchisor

By _____
Title _____
Date _____

Tenant

Franchisee
Date _____

Franchisee
Date _____

Attachment C

Telephone Assignment Agreement

THIS TELEPHONE ASSIGNMENT AGREEMENT is made as of this _____ day of _____, 20____ by and between _____ (hereinafter the "Assignor") and Sport Clips, Inc., a Texas corporation (hereinafter the "Assignee").

WHEREAS, the Assignee has developed and owns the trademark "Sport Clips;"

WHEREAS, the Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement in accordance with the System;

WHEREAS, in order to operate its Franchised Business, the Assignor shall be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements;

WHEREAS, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign to the Assignee all of its right, title and interest in all telephone numbers, telephone listings and telephone directory advertisements, to the Franchisor;

NOW, THEREFORE, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. The Assignor hereby assigns to the Assignee all of its rights, title and interest in and to any telephone numbers, telephone listings and telephone directory advertisements that the Assignor uses in connection with the trademark "Sport Clips."

2. Upon termination or expiration of the Sport Clips Franchise Agreement, the Assignee is authorized by the Assignor to present this Assignment Agreement to all relevant telephonic companies and telephone directory companies for the purpose of obtaining control over all telephone numbers and telephone listings that are used in association with the trademark "Sport Clips." The Assignee appoints the Assignor as the Assignee's attorney-in-fact, coupled with an interest, for this sole and express purpose.

IN WITNESS WHEREOF, each of the parties has executed this Assignment as of the day and year first written above.

Assignee

Assignor

Sport Clips, Inc.

Franchisee

Date _____

By _____

Title _____

Date _____

Franchisee

Date _____

Attachment D

Personal Guarantee

The undersigned Guarantor personally guarantees all obligations of the Franchisee under the foregoing Sport Clips Franchise Agreement dated _____, between _____ as the Franchisee and Sport Clips, Inc. as the Franchisor. The undersigned hereby individually, personally and fully guarantee, and shall be primarily liable for, the performance, debts and liabilities of the Franchisee incurred under the Franchise Agreement, and specifically agree that the Franchisor may seek against the undersigned specific performance of the Franchisee's obligations under the Franchise Agreement, to the same extent as if the undersigned were named as the Franchisee.

The undersigned Guarantor each acknowledge that the Guarantor personally owns a beneficial interest in the Franchisee and, as an individual, is benefiting from benefits that accrue to the Franchisee under the Franchise Agreement. Accordingly, the Guarantor specifically agrees to be personally bound by all the covenants contained in Section XIV of the Franchise Agreement as if the Guarantor is named as the Franchisee in the Franchise Agreement.

The undersigned further agrees and acknowledges that this Guarantee is intended to be and constitutes an inducement for the acceptance and execution of the Franchise Agreement by the Franchisor.

Guarantor
Date _____

Guarantor
Date _____

Attachment E

Supplemental Pre-Opening Services Agreement

This Supplemental Pre-Opening Services Agreement is between Sport Clips, Inc. (the "Company") and _____ (the "Franchisee").

1. The Company and the Franchisee are parties to a Sport Clips Franchise Agreement dated _____, 20____.

2. In addition to the duties set forth in the Franchise Agreement, the Company shall provide one or more of the following supplemental services to the Franchisee prior to the opening of the Franchisee's Location:

- a. Assistance with determining one or more suitable sites for the Location; provided, however, that the Franchisee shall ultimately use the Franchisee's independent business judgment in determining whether or not to submit the Location to the Company for final approval.
- b. On-site, pre-opening supervision and assistance.
- c. Work with store designer(s) to develop the floor plan customized for the Location, subject to the Franchisee's approval.
- d. Assistance with in locating a qualified architect in the event a registered architect or engineer is required by either the landlord or a government authority to review and approve the building plans, and coordinate with the architect or engineer.
- e. Solicitation of construction bids from one or more general contractors. The Company shall compare and analyze the bids and submit the bids to the Franchisee for final approval and selection of a General Contractor (the "GC").
- f. Coordination of signage for the Location's storefront upon being provided by the Franchisee of sign specifications for the Location, including the required colors (if any). The Company shall submit the sign specifications to one or more sign contractors and analyze and compare the bids. The Franchisee shall have final approval of the sign contractor.
- g. Coordination with the GC prior to and at the commencement of the construction of the Location. The Franchisee shall remain responsible for obtaining from the GC a certificate of insurance as required by the Franchise Agreement.
- h. Schedule and coordinate an analysis of the first location only using the Prediction Analytics, Inc. ("PAI") system developed for Sport Clips.

3. The Company shall visit the Location at least once during the construction phase to monitor progress and to verify workmanship and compliance with the plans. Upon completion of work by the GC, the Company shall inspect the Location and prepare an itemized project list of completed and uncompleted tasks and forward a copy of the list to the Franchisee and to the GC.

4. The Company shall arrange for delivery of the Sport Clips interior sign package and supervise installation.

5. The Company shall assist the Franchisee with ordering and stocking initial inventory.
6. For the services provided under this Supplemental Pre-Opening Services Agreement, the Franchisee shall pay the Company, in addition to the initial franchisee fee, the sum of \$5,000 for Franchisee's first store to open; \$4,000 for Franchisee's second store to open; and, \$3,000 each for Franchisee's third and subsequent stores to open.
7. In the Company's sole discretion, the Company may assign its obligations under this Supplemental Pre-Opening Services Agreement to an Area Developer.

Sport Clips, Inc.

By _____
Title _____
Date _____

Franchisee
Date _____

Franchisee
Date _____

Area Developer (If Applicable)

By _____
Title _____
Date _____

**Multi-Unit Development Amendment
to the Sports Clips Franchise Agreement**

This Multi-Unit Development Agreement Addendum to the Sport Clips Franchise Agreement is entered into by Sport Clips, Inc. (the "Franchisor") and _____ (the Franchisee").

The Franchisor and the Franchisee have entered into a Sport Clips Franchise Agreement for the establishment of a Sport Clips franchised unit. The Franchisee wishes to obtain from the Franchisor the non-exclusive right to develop additional Sport Clips units (hereinafter referred to as "Additional Units") within the Territory described on Schedule A in accordance with the terms contained in this Addendum. The parties therefore agree as follows:

1. Section III.A.1 of the Franchise Agreement is amended to provide that the initial franchise fee for the Location shall be twenty-five thousand dollars (\$25,000.00), the initial franchise fee for the second Additional Unit on Schedule A shall be twelve thousand five hundred dollars (\$12,500.00), and the initial franchise fee for the third Additional Unit on Schedule A shall be twelve thousand dollars (12,000.00). For Additional Units above three that are part of this initial Franchise Agreement and listed on Schedule A, the initial franchise fee shall be ten thousand dollars (\$10,000.00) each.

2. Upon execution of this Amendment, the Franchisee shall pay to the Franchisor, in addition to the initial franchise fee for the Franchisee's original Sport Clips franchise unit, the initial franchise fees for each Additional Unit identified on Schedule A. No payment to the Franchisor under this paragraph is refundable under any circumstances.

3. No Additional Unit shall be opened, and no lease for any Additional Unit shall be signed by the Franchisee, until the Franchisee has executed the then-current Sport Clips Franchise Agreement for that Additional Unit.

4. The Franchisee agrees to seek site approval for each Additional Unit within the time set forth in Schedule A. Upon receiving site approval from the Franchisor for a scheduled Additional Unit, the Franchisee shall, after ten business days of receipt of the Franchisor's then-current Offering Circular, execute the then-current Sport Clips Franchise Agreement for that Additional Unit.

5. In the event the Franchisee fails to open a scheduled Additional Unit within the time set forth on Schedule A, and upon thirty (30) days written notice and opportunity to cure, the Franchisee shall forfeit the initial franchise fees paid upon the execution of this Addendum for any other Additional Units.

6. A default under any Sport Clips Franchise Agreement that is not cured by the Franchisee upon receipt of notice from the Franchisor shall be a default under this Agreement. Termination of any Sport Clips Franchise Agreement between the Franchisor and the Franchisee shall result in termination of this Agreement.

7. Each Additional Store opened by the Franchisee shall conform to the store design and trade dress of the Franchisor in existence at the time the Additional store is opened.

Sport Clips, Inc.

By _____
Title _____
Date _____

Franchisee
Date _____

Franchisee
Date _____

SCHEDULE A

SPORT CLIPS MULTI-UNIT DEVELOPMENT AMENDMENT

The Territory under this Sport Clips Multi-Unit Development Amendment shall consist of the following boundaries: _____

In addition to Sport Clips franchise described in the Franchise Agreement, the Franchisee agrees to open and operate within the Territory Additional Units as set forth below.

<u>Territory</u>	<u>Date for Store to Open</u>	<u>Fee</u>
Second Unit		\$12,500.00
Third Unit		\$12,000.00
(Additional if necessary)		

Franchisee
Date _____

Franchisee
Date _____

General Release for Renewal or Transfer

_____ (the "Franchisee") hereby absolutely and unconditionally releases and forever discharges Sport Clips, Inc., its subsidiaries, affiliates, successors, assigns and associated companies, their respective officers, employees and directors, and their respective heirs, successors, assigns (collectively, "SCI"), jointly and severally, of and from any and all manner of claims, actions, causes of action, contracts, agreements and demands whatsoever ("Actions"), from the beginning of time to the effective date of this Release, which arise out of or under the Sport Clips Franchise Agreement, or are otherwise incidental to or arise out of any transaction or course of dealing between or among the Franchisee and SCI with respect to the franchise relationship. The Franchisee further agrees to indemnify and hold SCI harmless from and against any Actions by officers, directors or employees of the Franchisee and from and against any and all Actions asserted or instituted by any party against SCI and related to Franchisee's operation of a Sport Clips franchise at any time through the effective date of this Release.

2. This Release shall be effective as of _____.

FRANCHISEE

_____ Date _____ Witness _____

FRANCHISEE

_____ Date _____ Witness _____

SPORT CLIPS, INC.

By _____
Title _____
Date _____