SportClips
HAIRCUTS

110 Briarwood • Georgetown, Texas 78628
Telephone (512) 869-1201 • Toll Free (800) 872-4247

April 1, 2006

INFORMATION FOR PROSPECTIVE FRANCHISEES REQUIRED BY THE FEDERAL TRADE COMMISSION

To protect you, we've required your Franchisor to give you this information. We haven't checked it, and do not know if it is correct. It should help you make up your mind. Study it carefully, don't rely on it alone to understand your contract. Read all of your contract carefully. Buying a Franchise is a complicated investment. Take your time to decide. If possible, show your contract and this information to an advisor, like a lawyer or an accountant. If you find anything you think may be wrong or anything important that has been left out, you should let us know about it. It may be against the law.

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

Federal Trade Commission
Washington, D.C. 20580

FRANCHISE OFFERING CIRCULAR
State of California

SPORT CLIPS, INC.
(a Texas Corporation)
110 Briarwood
Georgetown, Texas 78628
(512) 869-1201
(800) 872-4247
www.SportClips.com

The Franchisee will sell, primarily to men and boys, hair cutting services, hair care products, sport memorabilia, and sports accessories, in an environment with a sports theme and multiple televisions featuring sports programming.

The initial Franchise Fee is $25,000 for one store, or $49,500 if you sign a Multi-Unit Development Addendum ("MUDA") for 3 stores. Under a MUDA, the initial Franchise Fee is $25,000 for the first Franchise Agreement, $12,500 for the second Franchise Agreement, and $12,000 for the third Franchise Agreement, and $10,000 for each additional Franchise Agreement. The estimated initial investment required ranges from $127,200 to $245,000 for each store, and $359,100 to $712,200 for 3 stores. This sum does not include rent for the business location.

Risk Factors:

1. THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE SPORT CLIPS, INC. ONLY IN TEXAS. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE SPORT CLIPS, INC. IN TEXAS THAN IN YOUR HOME STATE.

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

Information about comparisons of franchisors is available. Call the state administrators listed in Exhibit A or your public library for sources of information.

Registration of this franchise with the state does not mean that the state recommends it or has verified the information in this Offering Circular. If you learn that anything in this Offering Circular is untrue, contact the Federal Trade Commission and your state authority listed in Exhibit A of this Offering Circular.

Effective Date: June 24, 2005, as amended __________

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EXHIBITS

ITEM 1

THE FRANCHISOR, ITS PREDECESSOR AND AFFILIATES

To simplify the language in this Offering Circular, "the Company," "SCI," or "we" means Sport Clips, Inc., the franchisor. "You" means the person who buys this franchise and your spouse, and may include a corporation or a partnership. If a corporation or a partnership is the franchisee, "you" will also include the franchisee's owners.

The Company does business as Sport Clips, Inc. and we do not do business under any other name. Our principal address is 110 Briarwood, Georgetown, Texas 78628.The Company is a Texas corporation which was incorporated on July 13, 1995.

The Company's agents for service of process are disclosed in Exhibit A.

The Company has sold franchises for the operation of retail stores known as "Sport Clips" since November 1995. As of December 31, 2005, the Company had 301 franchised stores and 9 Company-owned stores operating under the name "Sport Clips." The Company has never offered franchises under any other name or in any other line of business. We have operated Sport Clips stores of the type described in this Offering Circular since 1993.

A Sport Clips business offers hair cutting and hair styling services to primarily men and boys, and sells related hair care products and sports accessories and memorabilia, within a sports themed environment. Sport Clips franchisees operate the franchise pursuant to our System, which includes our standards, specifications, approved products, methods and procedures. The System also includes the use of the trademark and trade name "Sport Clips." The services and products of Sport Clips stores are offered to all segments of the public, and the businesses are generally located in strip center locations. In addition to laws or regulations that apply to retail businesses generally, you will need to comply with local and state laws that regulate the operation of a hair care or cosmetology business, and your employees may be required to have a license issued by the state or other local government in order to provide hair cutting and related services.

Our Mission Statement is "To create a Championship Haircut Experience for men and boys in an exciting sports environment." As a Sports Clips franchisee, you will provide your customers with a relaxing atmosphere, surrounded by an exciting sports-themed environment, and be able to watch current and classic sporting events while they receive a consistently well-executed haircut. Some of the specific components of the Sport Clips environment include a big-screen television in the front of the store, and television monitors at each haircutting station. The televisions are turned to live or recorded sports programming approved by the Company. You will also see in your Sport Clips store sports collectibles and merchandise. Your store will also include specific signage and decorating items to create the "Sport Clips" look and atmosphere.

The Company offers a Multi-Unit Development Addendum ("MUDA"). It is not our policy to award a single-store Franchise Agreement except in unusual circumstances, such as a store manager who is approved to become a franchisee. We have not awarded a single-store Franchise Agreement since 2002. Under a MUDA, you will open 3 or more Sport Clips stores within a specified time period and you pay a reduced initial franchise fee for each store. All information in this Offering Circular is applied to the MUDA unless specifically and otherwise stated.

The Company also offers Area Development Agreements. An Area Developer purchases a larger territory, and has the right to sell franchises in the territory on behalf of the Company, and an Area Developer provides certain support services to franchisees in the area. As of December 31, 2005, SCI had 30 Area Developers in 28 states (3 of these states – California, Maryland and New Mexico – did not have a store open as of December 31, 2005). This Offering Circular is not an offer for an Area Development Agreement. Depending upon your location, however, an Area Developer may provide certain services offered by the Company under the Franchise Agreement.

You will compete with other businesses that offer a wide range of hair cutting and hair care services and that sell hair care products, similar to those offered by a Sport Clips business, including businesses which may be located in the same strip center as your Sport Clips franchise. Existing or new competitors in the market may offer similar goods and engage in aggressive promotion which may include discounting.

Affiliates

Sport Clips, IP, Inc. ("SCIP") and Sport Clips I Prop., Ltd. (SCLTD) own several trademarks that are licensed to you by the Company under the Franchise Agreement. SCIP and SCLTD license the trademarks exclusively to the Company. The principle address of SCIP and SCLTD is 110 Briarwood, Georgetown, Texas 78628. SCIP is a Texas corporation that was formed on August 22, 1995 and SCLTD is a Texas limited liability partnership that was formed on July 6, 2004. Neither SCIP nor SCLTD has ever offered franchises under any name.

Sport Clips Realty, Inc. ("SCR") may guarantee your lease under certain circumstances (see Item 10). The principle address of SCR is 110 Briarwood, Georgetown, Texas 78628. SCR is a Texas corporation that was formed on August 15, 2005. SCR has ever offered franchises under any name.

Predecessors

There are no predecessors known to the Company that need to be disclosed in this Offering Circular.

All information contained in this Offering Circular regarding the offer and sale of franchises applies only to such activity within the United States.

ITEM 2

BUSINESS EXPERIENCE

1. Chief Executive Officer: Gordon B. Logan

Gordon B. Logan has served as Chief Executive Officer of the Company and SCIP since 1995, and President of the Company from 1995 until February 2006. Mr. Logan has served as President of SCR since August 2005.

2. President: Clete Brewer

Clete Brewer has served as President of the Company since February 2006. From November 2002 until January 2006, Mr. Brewer was President of Horizant Sports, LLC, a Sport Clips Area Developer for the states of Arkansas, Oklahoma, Kansas, SW Missouri and West Texas. From March 1996 until January 2002, Mr. Brewer served in Fayetteville, Alabama as President and CEO of Edgewater Technology (EDGW:NASDAQ, formerly StaffMark, Inc.) and Non-Executive Chairman until May 2002. From January 2002 until the present, Mr. Brewer has been a member of the Boards of Edgewater Technology, and the Executive Advisory Board of the Sam Walton College of Business at the University of Arkansas.

3. Vice President of Business Development: Paul Mangiamele

Paul Mangiamele has served as Vice President of Business Development since April 2006. He acted as a consultant to the Company from January 2006 until March 2006. From August 2004 until December 2005, Mr. Mangiamele was Chief Operating Officer of the Company. He served as Vice President of Business Development with Regis Corporation in Minneapolis, Minnesota from February 2003 until February 2004, where he focused on global new market development. From August 2000 to February 2003 he was the Vice President of International Operations for Sylvan Learning Systems in Baltimore, Maryland, with responsibilities in both market expansion and operational leadership.

4. Vice President of Market Development: Jean Booth

Jean Booth has served as Vice President of Market Development since March 1996. From January 1996 until March 1996, Ms. Booth was the Company's Director of Market Development.

5. Vice President of Operations and Senior Regional Coach: Kerin Haney

Kerin Haney has served as Vice President of Operations since November 1995. Ms. Haney is closely involved in the development of all the Sport Clips systems, including our proprietary "All-Star Cutting System," and is responsible for developing our Area and Regional Coaches and Technical Coaches.

6. Vice President of Team Development: Nancy Vandiver

Nancy Vandiver has served as Vice President of Team Development since November 1995 and is responsible for the development and coordination of our educational programs. Ms. Vandiver has owned and operated a Sport Clips franchise in Salt Lake City, Utah since April 2000.

7. Vice President of Finance, Chief Financial Officer, and Secretary: Rhonda Belam

Rhonda Belam has served as the Company's Vice President, Chief Financial Officer and Secretary since January 2000. From March 1998 until January 2000, Ms. Belam was the Company's Controller.

8. Vice President of Franchise Sales: Richard (Dick) Mueller

Richard Mueller has served as Vice President of Franchise Sales since October 2003. From August 2001 until October 2003, Mr. Mueller was employed by the Company as a Franchise Sales Representative. From January 1998 until August 2001, Mr. Mueller was a Franchise Sales Representative for Opal Concepts, Inc. in Anaheim, California, the franchisor of Fantastic Sams and Pro-Cuts.

9. Director of Marketing: Beth Boecker

Beth Boecker has served as Director of Marketing since January 2005. From January 2004 until January 2005, Beth served as Director of Franchise Licensing Support. From March 1997 until January 2004, Ms. Boecker served as the Company's Franchise Licensing Support Coordinator and assisted Franchisees in the implementation of Local Store Marketing Programs.

10. Director of Business Coaching: Larsen Sharp

Larsen Sharp has served as Director of Business Coaching since May 2005. From January 2004 until May 2005, Mr. Sharp was a Business Coach for the Company, and provided support to several Area Developers. From July 1986 until January 2004, Mr. Sharp was employed by Pizza Hut, a division of Yum!, Inc. in Dallas, Texas, as a Field Consultant.

11. Director of Real Estate: Greg Smith

Greg Smith has served as Director of Real Estate since July 2003. From November 2000 until July 2003 Mr. Smith was a Senior Real Estate Manager for Sally Beauty Company of Denton, Texas.

12. Director of Franchise Administration: Donna Lipsey

Donna Lipsey has served as Manager of Franchise Administration since March 2005. From September 2000 until March 2005, Ms. Lipsey served as an Intellectual Property Litigation Paralegal for a law firm in Austin, Texas.

13. Director of Training: Sandra Craven

Sandra Craven has served as Director of Training since April 2004. From January 1998 until January 2004, Ms. Craven served as Instructional Designer, Communications and Training Manager and National Manager for AT&T Wireless in Austin, Texas.

14. Director of Information Technology: Josh Wilmoth

Josh Wilmoth has served as Director of Information Technology for the Company since December 2004. From May 2003 until December 2004, Mr. Wilmoth served as the Company's Manager of Information Technology Development. Mr. Wilmoth has been President of Central Texas Technology Solutions in Georgetown, Texas, since September 2001.

15. Creative Director: Neal Geiger

Neal Geiger has served as the Company's Creative Director since February 2006. Mr. Geiger was Creative Director for Egg Design Group in Austin, Texas, from January 2001 until February 2006. Mr. Geiger was Creative Director for Stanhope & Geiger Advertising in Austin, Texas from June 1987 until January 2001.

16. Director: Jay Novacek

Jay Novacek was elected to the Company's Board of Directors in July 2002. Mr. Novacek has owned and operated Upper 84 Ranch in Brady, Nebraska since March 1992. From July 2002, Mr. Novacek has been a partner with the Company in a Sport Clips store in the Dallas, Texas.

17. Director: Louis Mancini

Louis Mancini was elected to the Company's Board of Directors in 1995. Mr. Mancini has served as President and CEO of Murray's Discount Auto, Belleville, Michigan since January 2005. From December 2003 to November 2004, he was President and CEO of General Nutrition Centers, Inc. (GNC) in Pittsburgh, Pennsylvania. From February 2003 to December 2003 he served as Executive Vice President and Chief Marketing Officer of GNC. From March 2000 until February 2003, Mr. Mancini served as President and CEO of Nutraceutical Enterprises, LLC in Las Vegas, Nevada. From April 1999 until March 2000, Mr. Mancini served as Chief Executive Officer of Omni Nutraceuticals, Inc. of Culver City, California.

18. Director: Rick Herrman

Rick Herrman was elected to the Company's Board of Directors in December 1997. From January 1990 until the present, Mr. Herrman has acted as an officer of various investment funds in Houston, Texas, including Catalyst Capital Partners I, Ltd., Catalyst Partners II, Ltd., Catalyst Ventures, Ltd., and Catalyst/Hall Growth Capital, Ltd.

19. Director: C. William Devaney

C. William Devaney was elected to the Company's Board of Directors in July 1995. Mr. Devaney has been retired in Houston, Texas since June 1986 after serving for 20 years in the Management Consulting Services division of Price Waterhouse, LLP, in Houston, Texas.

SEE EXHIBIT "F" FOR A LIST OF FRANCHISE BROKERS

ITEM 3

LITIGATION

Other than the 1 action below, no litigation or arbitration is required to be disclosed in this Offering Circular.

PENDING LITIGATION

MAG Sunshine Investments, Inc., Karen H. Gugino and Mel Gugino v. Davis Holdings, LP, Lance Davis, Royalty Oaks Plaza, Ltd., Sport Clips, Inc. and Gordon Logan. District Court of Harris County, Texas, 125th Judicial District, case no. 2005-08477. In April 2005, Sport Clips franchisees Karen H. Gugino and Mel Gugino and their corporate entity (the "Franchisee") served a lawsuit seeking unspecified damages on several parties, including the Company and its CEO, Gordon Logan. In the lawsuit, the Franchisee alleges fraud and negligent misrepresentation in the approval of the site of a franchise location. The Company and Mr. Logan each filed an Answer denying all allegations and the Company filed a counterclaim for amounts due. The parties are currently conducting discovery, and the Company and Mr. Logan intend to defend against the lawsuit vigorously.

ITEM 4

BANKRUPTCY

No person identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceeding under the United States Bankruptcy Code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

Except as described in this Item, all new franchisees pay a $49,500 lump sum franchise fee when they sign a MUDA ($25,000 for the first Franchise Agreement, $12,500 for the second Franchise Agreement, and $12,000 for the third Franchise Agreement), and have the right to open 3 Sport Clips stores within a specified area and during a specified time period. In very rare circumstances, and if we agree to award a single store Franchise Agreement or a 2 store MUDA, the franchisee will pay a $25,000 lump sum franchisee fee when the franchisee signs a Franchise Agreement for a single store, or a $37,500 lump sum franchisee fee when the franchisee signs a Franchise Agreement with a 2 store MUDA. We will only grant a 2 store MUDA if your store is in a city of less than 100,000 people and is at least 75 miles from any city that has more than 100,000 people. If we grant you a single store Franchise Agreement or a 2 store MUDA, you have no rights to buy additional franchises at a reduced price. There are no refunds under any circumstances.

Under the MUDA, you must sign a separate Franchise Agreement before you open each store. There are no refunds if you do not open the additional stores on time, or under any other circumstances. If you agree to open more than 3 stores under a MUDA, the initial franchise fee for each store after the third store, is $10,000 per store if these licenses are purchased at the time the MUDA is executed. If you purchase the right to open an additional Sport Clips store after you sign the MUDA, the initial franchise fee for each additional store is $15,000. The price of $15,000 for an additional store, after you sign a MUDA, is guaranteed for 3 years. After 3 years, the initial franchise fee for each store will be the then-current fee as stated in the then-current Offering Circular.

SCI participates in the International Franchise Association's VetFran program. Under this program, a veteran of the U.S. Armed Services who has been honorably discharged, and who has had at least one year of active service, may sign a MUDA, granting licenses to open 3 Sport Clips businesses, for a reduced initial franchise fee of $44,500.

If we offer Supplemental Services in your area, you will sign the Supplemental Services Agreement that is Attachment E to the Franchise Agreement and pay a Supplemental Services Fee of $5,000 for your first store, $4,000 for your second store, and $3,000 for your third store and any additional stores in one lump sum. See Item Item 7, Note 7, for more information regarding the Supplemental Services Agreement. Before you open your Sport Clips store, you pay a Grand Opening Advertising Fee of $15,000 in one lump sum. Neither the Supplemental Services Fee nor the Grand Opening Advertising Fee is refundable under any circumstances.

ITEM 6

OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty	6% of net sales	Payable on Monday of each week by ACH transfer	Gross sales include all revenue from the franchise location. Gross sales do not include sales tax.
Advertising	$250 per week	Same as royalty fee	See Note 2
Local Advertising Coop Fee	Up to $250 per week	Same as royalty fee	See Note 3
Training Fee	$50 per week	Same as royalty fee	See Note 4
Computer Software Monthly Maintenance Fee	$30 per month	On the first Monday of each month	The fee includes all updates to your required POS computer software. See Item 11
Renewal Fee	$5,000 if you own fewer than 3 open franchised Sport Clips; $3,500 if you own 3 or more open franchised Sport Clips	Upon renewal	
Interest	Maximum permitted by law, on late royalties and advertising fees	Upon payment of late royalties and advertising fees	
Fee for Failure to Maintain POS Computer System Communication	$25 per week for each week, or portion of a week, that your POS Computer System is not maintained so that we can access your sales data	Within 10 days of the end of the week that we cannot access your Computer System	
Supplemental Services Fee	$5,000 for your first store, $4,000 for your second store, and $3,000 for the third store and any additional stores.	Before you open your Sport Clips Store	See Item 7, Note 7
Transfer Fee	$5,000 for the first store transferred, and $1,000 for each additional store or license transferred if the transfers are in one transaction	Prior to consummation of transfer	Payable when you sell your franchise. No charge if franchise transferred to a corporation that you control. See Note 5
Audit	Cost of audit plus 10% interest on underpayment.	30 days after billing	Payable only if audit shows an understatement of at least 2% of gross sales for any month.
Meeting Registration Fees	$500 per Meeting	Upon registration for national and area meetings	

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Indemnification	All losses and expenses incurred	Upon being incurred by SCI	Payable only if SCI incurs liability because of your actions
Product Review Fee	SCI's out-of-pocket cost	Upon your request that SCI approve product	
Confidential Operating Manual Replacement Fee	$250 per volume, or $1,000 per set of volumes	Upon reissue of Confidential Operating Manual	Payable only if your Confidential Operating Manual is lost or destroyed
Extension Fee	$5,000 per Franchise Agreement to extend the time by 1 year to open your stores as stated in the Development Schedule attached to your Franchise Agreement	Within 30 days of the date that your store should be open, but is not	This extension is at your option See Note 6

Note 1

All fees are imposed by and are payable to the Company. All fees are non-refundable unless it is otherwise stated in these Notes.

Note 2

The Company has established and administers an Advertising Fund. There may be additional advertising requirements contained in your premises lease. The extent of such advertising requirements in your lease may or may not be subject to negotiation; consequently, the extent of any such advertising obligation, if any, may be unknown to the Company.

Note 3

Under the Franchise Agreement, if you are in a Metropolitan Statistical Area ("MSA") that has 2 or more Sport Clips franchisees operating 4 or more Sport Clips businesses, the Company has the right to require you to join a local advertising cooperative. The local advertising cooperative can assess each member a fee of up to $250 per week. The amount of the fee is decided by a vote of the cooperative's members. See Item 11 for more information on the local advertising cooperation.

Note 4

Under the Franchise Agreement, we can require your employees and stylists to attend periodic training programs sponsored by the Company. Other than the weekly training fee, there is no additional charge for this training although you or your employees may incur expenses to travel to the training programs held in your local area.

Note 5

If you sell your business to an existing Sport Clips franchisee, you pay a reduced fee of $2,500 for the first store or license that is transferred to the existing franchisee.

Note 6

You are required to open your stores as stated on a Development Schedule that is Schedule A of your Franchise Agreement. If you do open a store by the due date, the Company's current policy is to grant you, on your request, a one-time, one-year extension to open the store if you pay a fee of $5,000 for each store that does not open according to the date stated on Schedule A.

ITEM 7
INITIAL INVESTMENT

	AMOUNT (Single Store)	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE	MUDA AMOUNT (3 stores)
Initial Franchise Fee	$25,000 (Note 2)	Lump sum	Prior to Execution of Franchise Agreement	The Company	$49,500 (Note 2)
Travel and living expenses while attending initial training	$1,000-$2,000	As Incurred	During Initial Training	Airlines, Hotels and Restaurants	$3,000-$6,000
Real Estate	(Note 3)				(Note 3)
Opening Inventory	$3,000-$5,000 (Note 4)	Lump Sum	Prior to Opening	Vendors	$9,000-$15,000 (Note 4)
Fixtures and Equipment	$30,000-$40,000 (Note 5)	Lump Sum	Prior to Opening	Contractors and/or Suppliers	$90,000-$120,000 (Note 5)
Leasehold Improvements	$25,000-$100,000 (Note 6)	Lump Sum	Prior to Opening	Contractors and/or Suppliers	$75,000-$300,000 (Note 6)
Supplemental Services Fee	$3,000-$5,000 (Note 7)	Lump Sum	Prior to Opening	The Company	$12,000 (Note 7)
Professional Fees	$1,000-$5,000 (Note 8)		Prior to Opening	Suppliers	$3,000-$15,000 (Note 8)
Permits and Licenses	$1,000-$3,500	As Incurred	Prior to Opening	Local and State Agencies	$3,000-$10,500
Lease Deposit	$0-$5,000	Lump Sum	Prior to Opening	Landlord	$0-$15,000
Signage	$4,000-$8,000 (Note 9)	Lump Sum	Prior to Opening	Suppliers	$12,000-$24,000 (Note 9)
Miscellaneous Opening Costs	$3,000-$5,000 (Note 10)	As Incurred	As Incurred	Suppliers, Utilities, etc.	$9,000-$15,000 (Note 10)
Insurance	$1,200-$2,400 (Note 11)	Lump Sum	Prior to Opening	Insurance Company	$3,600-$7,200 (Note 11)
Grand Opening Advertising	$15,000 (Note 12)	Lump Sum	Prior to Opening	The Company	$45,000 (Note 12)
Additional Funds-3 Months	$15,000-$25,000 (Note 13)	As Incurred	As Needed	Employees, Creditors and/or Suppliers	$45,000-$75,000 (Note 13)
*TOTAL	**$127,200-$245,900**				**$359,100-$712,200**

***Does not include Real Estate Costs, Royalties, or Marketing Fund Contribution.**

Note 1

Except as stated in these Notes, none of the fees listed above are refundable once it is incurred by you. The Company does not offer financing for any of the fees listed above.

Note 2

If you sign a MUDA Agreement, the initial franchise fee is $15,000 for the first store and $12,500 for the second store, and $12,000 for the third store. If you purchase more than 3 franchises under a MUDA, the initial franchise fee is $10,000 for each franchise that is in addition to 3 Sport Clips stores if these licenses are purchased at the time the MUDA is executed. If purchased within three years of the date of the MUDA, the cost is $15,000 per license. The cost could be higher if purchased more than three years after the MUDA is executed.

Note 3

Lease payments will vary significantly depending upon the geographic location, terms of the lease, the total area of your store, and various other fees for occupancy charged by the lessor. The typical space that the Company will approve will range from 1,000 to 1,500 square feet, although smaller or larger spaces may be approved in special situations. The rent for one month may range from $10.00 to $50.00 per square foot per year, depending on a number of factors.

Note 4

The cost of initial inventory will vary depending on your store size. The estimated amount is based on our previous experience with franchisees. You are required to purchase an initial inventory of Paul Mitchell and other approved hair products for retail sale, as well as a representative sampling of sports collectables and apparel for retail sale.

Note 5

The cost of the fixtures and equipment will vary depending on the size, configuration, and location of your store. This amount includes such items as hair cutting furniture and equipment, television sets, merchandise displays, and computer equipment. See Item 11 for a detailed description of computer equipment you are required to purchase for your store.

Note 6

The estimated amount for leasehold improvements is based on the Company's experience with existing franchisees. Your cost of construction will depend upon the size of the space, whether the space is new construction or previously occupied, if there is a landlord allowance in the form of either cash or free rent, and your geographical area of the country.

Note 7

If we or an Area Developer in your geographical area offer Supplemental Services, you are required to participate in this service plan. If you sign a MUDA, we will charge you a Supplemental Services fee of $5,000 for the first store, $4,000 for the second store, and $3,000 for the third store and any additional stores.

Note 8

This estimate includes the cost of initial legal, accounting and architectural services. Some cities and/or landlords may require that you use a professional architect or engineer to complete the plans beyond that which is provided by our store designer.

Note 9

The estimated amount for signage includes both store front and in-store signs. Pricing will vary depending on your landlord's sign criteria.

Note 10

This amount includes utility deposits, miscellaneous business licenses and permits. Some states require a tax deposit, which can be covered by a bond or interest bearing deposit with a bank or with the state.

Note 11

Insurance requirements under the Franchise Agreement are summarized as follows:

Comprehensive General Liability	$ 1,000,000
Worker's Compensation	Per state requirements
Commercial General Liability	$ 1,000,000
Professional Liability	$ 1,000,000
Business Interruption Insurance	$ 100,000
Umbrella Coverage	$ 1,000,000
Key Man Life Insurance	$ 1,000,000

Insurance costs may not be uniform since premiums differ depending upon location, amounts of insurance acquired, the insurance company's assessment of risk, the location of the insured business and business premises, insurance requirements of the landlord as set forth in the business premises lease, and applicable law.

Note 12

The amount of $15,000 is paid to the Sport Clips Ad Fund and is spent by the Ad Fund to promote your store in its local market area using a mix of public relations, promotions, advertisements, direct mail, coupons, and other marketing strategies determined by us and in our sole discretion. You may spend additional amounts on other promotional activities that are arranged by or approved by us. Any part of the grand opening advertising deposit that is not spent promoting your store during the first 120 days after you open your store will be returned to you.

Note 13

This estimates your initial start up expenses. These expenses include payroll costs. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: How well you execute and how thoroughly you implement our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for our product and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICE

You must purchase all equipment, supplies and inventory in accordance with specifications issued by the Company. These specifications include design, appearance and quality. You must also purchase inventory and equipment from our approved vendors. Our specifications for vendor approval include warranty, reliability and delivery. All specifications for inventory and vendors will be given to you upon your request.

In order to maintain a consistent image, store design and quality throughout the System, you are required to purchase for resale, and maintain a minimum inventory level of Paul Mitchell and other brands of hair care products as specified by Sport Clips from time to time. If you wish to purchase inventory or equipment not previously approved by the Company, or from an unapproved vendor, you must submit to us a written request. We will investigate the vendor and examine the product, and assess whether or not the product will enhance the System's integrity and uniformity. We may charge you a fee that will not exceed the cost of our examination. Typically, we will give you a written response within 30 days.

The Company maintains a National Vendor Program list. The vendors on the list are approved by us, and in many cases we have negotiated purchase arrangements with these vendors, including price and credit terms. However, you are not prohibited from negotiating your own terms with these or other vendors.

We may purchase some supplies in large quantities to reduce the unit cost to you. These items are sold to you at our cost plus approximately 25% to cover overhead and handling costs. You are not required to purchase these items from us, and these supplies will constitute less than 5% of your initial and on-going expenses. In the calendar year of 2005, our total revenue from sale of supplies to franchisees was $314, 640, which was less than 3% of our total revenue for the year 2005. Our cost to purchase these supplies was approximately $247,066.

Your purchases from SCI or our designated or approved sources or under our specifications will be approximately 75% of your total initial investment (not including the initial franchise fee) and approximately 5% of your ongoing expenses (not including royalties and advertising fees) in the operation of the Franchised Business.

Shortcuts USA, in Long Beach, California, is the only approved supplier of certain computer hardware you are required to purchase. Shortcuts USA loads the software onto the CPU and tests it before selling it to you. Except for its agreement to supply Sport Clips franchisees and Area Developers with computer hardware, we are not affiliated with Shortcuts USA and we do not derive any income from your purchase of computer hardware from Shortcuts USA. The cost of the computer hardware that you are required to purchase from Shortcuts USA is less than 3% of your total purchases in connection with establishment of your store. See Item 11 for more information on the computer you are required to purchase.

You must purchase Sport Clips point-of-sales computer software system for your Pilot Store from the Company, because we are the only supplier of this system. We purchase the point-of-sales programs in bulk, and mark up the price by 25% when we sell it to you in order to cover our costs, including the cost of maintaining an off-site host computer system with multiple safeguards against loss of data and down time. In the year ending December 31, 2005, SCI's had no revenues from the sale of the point-of-sales system to franchisees, because we started this program in 2006. The cost of the point-of-sales software system from SCI is less than 5% of your total purchases in connection with establishment of your store. See Item 11 for more information on the computer software you are required to purchase.

We do not seek or accept commissions or any other payments or consideration from approved vendors. Some vendors may contribute to the cost of hosting an annual or area meeting for franchisees. In this case, we may accept the contribution and, if the contribution is in cash, we will deposit the contribution into our general operating account.

If you are in an area that we or an Area Developer offers certain Supplemental Services, then the Company or the Area Developer is the only approved vendor for these services. These services include assistance with site review, working with the store designer or architect, soliciting and comparing construction bids, assistance with ordering signs, and coordination with your general contractor. The charge for Supplemental Services is less than 5% of your initial startup costs. During the calendar year of 2005, our total revenue for supplemental services provided to franchisees was $213,500, and $108,000 of this amount was paid to Area Developers for the services they provided. The remaining amount of $105,500 from these fees was less than 1% of our total revenue for the year 2004.

Your premises lease is subject to the Company's approval. In order to obtain our approval, the lease must include the following provisions:

1) The premises are used for the business licensed under the Franchise Agreement.
2) The Company will have the right to enter the premises to make any modifications necessary to protect our Proprietary Marks.
3) Upon the written request of the Company, the landlord will supply us with a written copy of the lease, your account information, sales reports, and any other related information.
4) The Company will have the option, but not the obligation, to assume the lease and occupy the business premises, with the right to sublease to another franchisee, upon the default, termination or expiration of the Franchise Agreement or the lease. The landlord will give the Company 30 days upon termination of your rights under the lease to exercise its option.
5) The lease may not be amended, assigned or sublet without the Company's prior written approval.

Other than as disclosed in this Item, neither the Company nor any affiliate of the Company, is an approved supplier or the only approved supplier for any products or services offered by you in a Sport Clips store, nor does the Company or any affiliate of the Company derive revenue or any other material consideration as a result of required purchases or leases.

As of the date of this Offering Circular, there are no purchasing and distribution cooperatives in the Sport Clips System, except as disclosed in this Item. We provide no material benefits (such as renewal or granting additional franchises) based on your use of designated or approved sources.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

OBLIGATION	ARTICLE IN AGREEMENT	ITEM IN OFFERING CIRCULAR
a. Site selection and acquisition	Articles I(B), IV(A) and V(C) of Franchise Agreement	Items 6 and 11
b. Pre-opening purchases/leases	Articles V(F) and V(K) of Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Article V of Franchise Agreement	Items 6, 7 and 11
d. Initial and on-going training	Article IV(G) of Franchise Agreement	Item 11
e. Opening	Articles IV(A), V(E), and V(F) of Franchise Agreement	Item 11
f. Fees	Article III of Franchise Agreement	Items 5 and 6
g. Compliance with standards and policies/Policies & Procedures Manual	Articles Article V(J), V(K) and VII of Franchise Agreement	Item 11
h. Trademarks and proprietary information.	Article VI of Franchise Agreement	Items 13 and 14
I. Restrictions on product/ services offered	Articles V(J), V(K) and V(L) of Franchise Agreement	Item 16
j. Warranty and customer service requirements	Article V(N) of Franchise Agreement	Item 11
k. Territorial development and sales	None	N/A
l. On-going product/service purchases	Articles V(L) of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Articles II(B)(2), V(DJ(2), V(K) of Franchise Agreement	Item 11

OBLIGATION	ARTICLE IN AGREEMENT	ITEM IN OFFERING CIRCULAR
n. Insurance	Article X of Franchise Agreement	Items 6 and 8
o. Advertising	Article IX of Franchise Agreement	Items 6 and 11
p. Indemnification	Articles X(A) and XI(F)2 of Franchise Agreement	Item 6
q. Owner's participation/ management/staffing	Articles V(G)(1) and (V)(G)(2) of Franchise Agreement	Items 11 and 15
r. Records/reports	Article VIII of Franchise Agreement	Item 6
s. Inspections/audits	Article X(G) of Franchise Agreement	Items 6 and 11
t. Transfer	Article XI of Franchise Agreement	Item 17
u. Renewal	Article II of Franchise Agreement	Item 17
v. Post-termination obligations	Article XIII of Franchise Agreement	Item 17
w. Non-competition covenants	Article XIV of Franchise Agreement	Item 17
x. Dispute resolution	Article XVII of Franchise Agreement	Item 17

ITEM 10

FINANCING

SUMMARY OF FINANCING OFFERED

Item Financed (Source)	Amount Financed	Down Pay-ment	Term (yrs)	APR (%)	Monthly Pay-ment	Prepay Penalty	Security Required	Liability Upon Default	Loss of Legal Right Upon Default
Initial Franchise Fee	None								
Financing for build-out, inventory, equipment and fixtures	None								
Lease Space (SCR) (Note 1)	Guarantee of Lease	1 or 2 months rent	5-10 years	None	None	None	Personal Guaranty, Equipment, Fixtures and Inventory	Loss of franchise, and unpaid rent and attorney fees	None

Note 1

In some cases, our affiliate SCR will guarantee your lease with a third party if you have acceptable credit and that is the only way to obtain an exceptional location. (Agreement to Guaranty Lease, Section 3). If SCR agrees to guarantee your lease, you and your corporation and all the shareholders of your corporation, or all the members of your limited liability company must execute SCR's Agreement to Guaranty Lease, a copy of which is included in Exhibit E to this Offering Circular (See Item 22). SCR will charge you a fee for this guarantee, equal to 2 months' rent (including your "Triple Net Charges" that you pay to the landlord, and that include Cam charges) if you are a new franchisee, and one month's rent (including Triple Net Charges) if you already have at least one open Sport Clips store. SCR will require your personal guaranty, and the personal guaranty of all shareholders and members if you are a corporation or a limited liability company, SCR will also require a security interest in your equipment and fixtures. (Agreement to Guaranty Lease, Section 2). Generally, leases can be prepaid without penalty at any time during the term. SCR requires that you pledge your fixtures, equipment and inventory as collateral for SCR's guaranty (Agreement to Guaranty Lease, Section 9). If you do not make a rent payment on time and the landlord seeks payment from SCR, SCR has the right to collect the unpaid rent plus an additional 2 months' rent as liquidated damages. (Agreement to Guaranty Lease, Section 7). SCR can also obtain court costs and attorney's fees if a collection action is necessary. (Agreement to Guaranty Lease, Section 14).

Except as disclosed in these Notes, the Company does not offer financing that requires you to waive notice, confess judgment or waive a defense against the Company, although you may lose your defenses against the Company and others in a collection action on a note that is sold or discounted.

The Company does not receive direct or indirect payments for placing financing. Other than SCR, the Company does not arrange financing from other sources.

Except as disclosed in Note 1, the Company does not offer financing or guarantee your obligations to third parties. We may assist you in preparing your business plan for presentation to potential sources of financing, such as banks offering Small Business Administration guaranteed loans. Many of our franchisees have obtained SBA loans for their businesses through banks or finance companies, and we can refer you to these lending institutions.

ITEM 11

FRANCHISOR'S OBLIGATIONS

Except as listed below, the Company need not provide any assistance to you.

Before you open your business, the Company or the Area Developer will:

1) Review and approve your location within 60 days of your request, but this review and approval is not a warranty or guaranty of the likelihood of success of your Sport Clips business (Article IV.A.1).

2) Within 30 days of signing the Franchise Agreement, provide written specifications for store construction or remodeling and for all required and replacement equipment, inventory and supplies (Franchise Agreement, Article IV.A.2). See Item 8 of this Offering Circular.

3) Upon registration in the initial training program, we will lend to you one copy of Sport Clips Operating Manuals that contain mandatory and suggested standards and procedures. The Manuals are confidential and remain the Company's property. The Company may modify this Manual, but the modifications will not alter your status and rights under the Franchise Agreement. (Franchise Agreement, Articles IV.A.6 and VII). The table of contents of the Manual is as follows:

Subject	***Number of Pages***
Operations Standards	209
Reception and Desk Procedures	135
Personnel	201
Franchise Operations	221
Team Member Handbook (sample)	51
Pre-Opening Workbook	107
OSHA/MSDS	78
Software Point-of-Sale System	376
Management Development	33
Team Member Recruitment & Resource Workbook	83
Guide to Successful Neighborhood Marketing	13
Total Number of Pages	**1507**

Upon request, we will permit you to view the Manual before you sign a Franchise Agreement. To protect the confidentiality of the Manual, we may require you to sign a confidentiality agreement.

4) Within 12 months of your signing of the Franchise Agreement, train and instruct you and one other person (Franchise Agreement, Article IV.A.4). A table summarizing the initial training program in Georgetown, Texas, is included at the end of this Item in the Offering Circular.

The Company does not charge for the initial training program, but you must pay the travel and living expenses for you and one other person. The initial training program is 5 days in duration, and is held at our training center in Georgetown, Texas. Gordon Logan, Clete Brewer, Nancy Vandiver, Kerin Haney, Beth Boecker, and Larsen Sharp are responsible for the initial training program. See Item 2 for these individuals' experience with the Company.

The initial training program is generally offered each month, except December. This training program is mandatory for all new franchisees, and you must complete the initial training program to our satisfaction before you may open your business.

5) Within 12 months of signing your Franchise Agreement, and before you open your store, train your store manager (Franchise Agreement, Article IV.A.4). We may provide this training in your local market area if there is a training facility in the area. If there is no training facility, your manager will travel to another market area to receive this training. We do not charge a fee for this training, but you will need to pay the travel and living expenses for your store manager during the training, which is usually 1 or 2 weeks in duration, depending on the skill level and experience of your manager.

6) Within 12 months of signing your Franchise Agreement, and during the week before your first store opens and for three to five days after your store opens, provide on-site assistance to you at your store location (Franchise Agreement, Article IV.A.5). The time that we or an Area Developer spends at your location will vary at our discretion, but will typically decrease as you gain experience in opening stores. This on-site assistance includes training of your stylists and receptionist. We may provide some of this training at a central training center in your market area.

During the operation of your franchised business, the Company or the Area Developer will:

1) Provide to you the Company's updated standards and specifications (Franchise Agreement, Article IV.B.3).

2) Provide periodic inspections of your business and evaluate the products and services which you sell (Franchise Agreement, Article IV.B.5).

The Company holds an annual national meeting and area meetings to discuss sales techniques, merchandising, and advertising programs. Currently, we charge a registration fee of $500 for these meetings. You and your manager are required to attend the national meeting. You must pay all your travel and living expenses when you attend the annual or area meetings. These meetings are held at locations chosen by the Company.

In addition to the initial training program, the Company may require you, your manager, and your employees, including Stylists, to attend other training programs during the term of the Franchise Agreement. If you are required to attend additional training, you must bear the cost of transportation, lodging and meals. The Company will bear the cost of instruction and training materials for your Manager, Receptionists and Stylists for most training, not including the annual meeting. For that meeting, the registration fee for only the Manager is paid by the weekly Training Fee.

The Company provides advertising materials and services to you through the Advertising Fund. Materials provided by the Advertising Fund to all franchisees include radio commercials and camera-ready newspaper and magazine advertisements. You will receive these materials at no charge. The Advertising Fund also uses at least 80% of the weekly Ad Fund Contribution for consumer advertising, most of which is spent in the markets where the funds were contributed. However, if you wish additional advertising over and above what is placed by the Company for you through the Advertising Fund, you must place these advertisements at your own cost.

You may develop advertising materials for your own use, at your own cost. The Company must approve the advertising materials in advance and in writing. If you do not receive written disapproval from the Company within 30 days from the date we receive the materials, you may use the advertising materials.

In the past, the Company has negotiated fees paid to the Sport Clips' celebrity spokesman, Jay Novacek. It is not anticipated that any fees will be payable to Mr. Novacek from the Advertising Fund in 2006 or subsequent years. NASCAR and other racing sponsorships may be paid out of the Advertising Fund to build the brand at a national as well as the local level. The Company is reimbursed by the Advertising Fund to cover the cost of administering the Fund. The Advertising Fund is used to promote the products and services sold by franchisees and is not used to sell additional franchises.

The Advertising Fund collects advertising fees from all franchisees, including Company-owned stores which contribute to the Advertising Fund on the same basis as franchisees. All payments to the Advertising Fund must be used for administration expenses, market research, cost of producing advertising materials, celebrity spokesperson fees, NASCAR or other sports sponsorships, and charges for placing consumer advertising in a variety of media selected by the Company. You must contribute the amounts described in Item 6, under Note 2.

The Advertising Fund is administered by the Company's Director of Marketing (See Item 2). We administer the Fund to ensure uniformity of the marketing message, and to ensure the most cost-effective media mix. Sums that you contribute to the Advertising Fund are maintained in a separate account, and we allocate the funds as we deem appropriate in our sole discretion. Company-owned stores contribute to the Advertising Fund on the same basis as franchisees. We may make a reasonable allocation for overhead expenses we incur in administrating and managing the Fund, including all or part of some employee salaries and their fringe benefits. During the last fiscal year of the Advertising Fund (ending on December 31, 2005), the Advertising Fund spent 17% of its total disbursements on the production of advertisements, market research, celebrity fees, NASCAR sponsorships, and administrative expenses, and spent 83% of its disbursements on consumer advertising. Advertising fees not spent in the year they are collected remain part of the Advertising Fund and are carried forward to the next year. No part of the Advertising Fund is used exclusively to solicit franchisees.

An annual unaudited accounting of the Advertising Fund expenditures is provided to all Franchisees, usually in the first quarter of each year. The Company provides additional accountings and quarterly and/or annual plans to Franchisees as it deems necessary in its sole discretion.

The Company does not represent or warrant that contributions to the Advertising Fund will be spent in any local market in proportion to contributions made by franchisees in that market. The Company's right and discretion to place advertising and spend funds is not required to be proportionate to the Advertising Fund income received from any local market or from any particular franchisee.

The Company may initiate marketing programs intended to enhance sales. These may include, by way of illustration and not of limitation, gift certificates, advertising in the yellow pages, combination or interchange programs with other companies, catalogue, direct mail, and telemarketing. You are obligated to participate fully in all such programs according to their terms as prescribed by the Company.

Currently, there is no committee or council of franchisees that has the primary purpose of advising the Company on, or participating in, the administration of the Advertising Fund. The Company does consult with the Team Leader Advisory Council (4 members elected by the franchisees and one member appointed by the Company) and the Area Developer Advisory Council (3 members elected by the Area Developers) periodically to obtain input on marketing programs. However, we have the final authority to direct expenditures from, and administer, the Advertising Fund.

Under the Franchise Agreement the Company does not have the power to require advertising cooperatives to be formed, charged, dissolved or merged. However, under the Franchise Agreement, when there are at least 2 franchisees operating in your market area, and 75% or more of the franchisees in that area vote to establish a local advertising cooperative, you are required to participate in the local advertising cooperative membership. The rules of the local cooperative are established by the adoption of by-laws drafted by the participating stores and are subject to our approval. Contributions to the cooperatives are determined by a majority vote of the franchisees within the respective areas, but cannot be more than $250 per week. If we own a store in the market area, our store will not vote to establish the local advertising cooperative, but our store will belong to the cooperative if it is formed. The Company-owned store will also pay the same contribution to the cooperative as franchised stores, and will have the same voting rights within the cooperative as franchised stores.

Currently, no advertising cooperatives exist. These cooperatives can include yellow page advertising and collective advertising for employee recruitment.

You must have at least one computer and the necessary software in your store to allow for electronic communications and point-of-sale recordings (POS). This equipment may be leased or purchased. We have independent access to the sales, information and reports generated by you on this computer system, and we will poll your computer system on a daily basis in order to collect this information.

We have a proprietary interest in the Sport Clips Point-of-Sale software system ("POS software"). Neither we nor any of our affiliates have a proprietary interest in any of the other required or recommended computer software or the hardware. You have an obligation under the Franchise Agreement to update or upgrade the hardware or the software when it is necessary and when updates become available. Currently, the software supplier (not SCI) charges you a monthly fee of $30 to maintain the POS software system, and this fee includes all upgrades to the POS software system. Except for upgrades to the POS software, we cannot predict the cost of future upgrades for other software or hardware, because these costs are set by the manufacturers. The required POS software has been used by the Company since January 2006.

The Company will only approve the following computer equipment for your store which you must purchase from Shortcuts USA:

1. Pentium 4 processor 1.6 GHz; 256 MB RAM; 40 GB Hard Drive. With 4 USB ports and 1 CD-ROM drive
2. Microsoft Windows XP with Service Pack 2
3. 10/100+ Ethernet adapter; High speed internet service (DSL or better)
4. Current version of Antivirus software with updated definitions
5. Scoreboard powered by Shortcuts POS Software
6. Microsoft CRM software program

The Company will approve the following computer equipment, which you may purchase from any source:

1. One 15 inch or 17 inch monitor with 1024 x 768 pixel resolution.
2. PCL Compatible Laser printer
3. Electronic Cash Drawer that opens by a connection with the receipt printer
4. Epson TM-T88III Receipt Printer
5. USB Backup Devices (3)

The following are recommended by the Company, but not required:

1. Magtek USB Card Swipe
2. Elo 1515L or 1715L Touch Screen Monitor
3. Metrologic Barcode Scanner
4. Sport Clips Employee Swipe Cards
5. Remote Access Software (Symantec pcAnywhere v10.5 or better, Microsoft Windows Remote Desktop, or VNC)

You must buy the POS software from the Company. You must buy the computer CPU equipment (listed above) from Shortcuts USA, in Long Breach, California. You may obtain the other computer hardware and the other software from any source.

Training on the use of the software is conducted during the initial training course.

You select your business site subject to our review. The Company generally approves sites in shopping centers that have adequate parking, are in a market that serves at least 30,000 households, and are highly visible. Our approval of your site is not a guarantee of success, and we only verify that the site meets our minimum requirements. We do not verify the strength of co-tenants or the likelihood that the co-tenants may vacate the center in the future. We do not research highway department plans for roads in the area, and highway construction may affect the accessibility of your location. We do not research city, county, state or federal plans for future development in your area.

The Company may review a site before you sign the Franchise Agreement. However, you usually sign your Franchise Agreement before you have selected a site and before we have approved your site. You have one year, from the date you sign a Franchise Agreement, to obtain our approval for a location. If you do not obtain our approval of a location within this one year period, your Franchise Agreement and development rights will be terminated and you will lose your initial franchise fee unless you pay the Extension Fee. See Item 6 for more information about the Extension Fee.

If you sign a MUDA, and we become aware of a potential site in your area, we may refer you to the site for your appraisal. However, by referring the site to you for your appraisal, we are not recommending or endorsing the site. Franchisees typically open their stores from 6 to 12 months after signing the Franchise Agreement. The factors which affect this time include identification of and agreement on a site, lease negotiations with the landlord, permitting with the city or county, store construction, and merchandising.

SPORT CLIPS TRAINING SCHEDULE

Subject	Time Began	Instructional Material	Hours Of Classroom Training	Hours Of On The Job Training	Instructor
Overview of Sport Clips	Day 1	Training Workbook	1 hr.	N/A	Nancy Vandiver or Kerin Haney
Business Fundamentals	Day 1	Training Workbook	3 hrs.	N/A	Larsen Sharp or Clete Brewer
Client Service Systems	Day 1	Training Workbook and Operations Manual	3 hrs.	N/A	Nancy Vandiver or Kerin Haney
Compensation Plans	Day 1	Training Workbook and Personnel Manual	2 hrs.	N/A	Nancy Vandiver or Kerin Haney
Homework Review	Day 2	Training Workbook	1/2 hr.	N/A	Nancy Vandiver or Kerin Haney
Scheduling and Productivity	Day 2	Training Workbook and Operations Manual	3 hrs.	N/A	Nancy Vandiver or Kerin Haney
Team Recruitment, Interviewing and Hiring	Day 2	Recruitment Resource Workbook and Personnel Manual	4 hrs.	N/A	Nancy Vandiver or Kerin Haney
State of the System	Day 2	Workbook and Handbook	1 hr.	N/A	Gordon Logan or Clete Brewer
Marketing	Day 3	Marketing Workbook and Handouts	8 hrs.	N/A	Beth Boecker, Nancy Vandiver or Kerin Haney
Team Development	Day 4	Training Workbook and Personnel Manual	4 hrs.	N/A	Nancy Vandiver or Kerin Haney
Setting and Tracking Goals	Day 4	Training Workbook and Personnel Manual	2 hrs.	N/A	Nancy Vandiver or Kerin Haney
Coaching and Counseling	Day 4	Training Workbook and Personnel Manual	2 hrs.	N/A	Nancy Vandiver or Kerin Haney
Business Fundamentals Recap, and Client Feedback System	Day 5	Training Workbook	4 hrs.	N/A	Larsen Sharp or Clete Brewer

ITEM 12

TERRITORY

You will receive an exclusive territory during the initial 5 year term of your Franchise Agreement. The territory is the lesser of a 1 mile radius around your location or a radius around your location that encompasses a population of 25,000 people. During the initial term, we may not sell any franchises nor open any Company-owned Sport Clips stores in your territory. After for the initial 5 year term, you do not have an exclusive territory, but we will give you the first right of refusal to open a location with the territory as long as you are not in default of the Franchise Agreement. To exercise your first right of refusal, you must sign a Franchise Agreement for the additional location within 30 days of receiving written notice from the Company. If you do not sign a Franchise Agreement, we are free to sell a franchise or open a Company-owned store within your territory.

You will operate from one location and must receive the Company's permission before relocating.

There are no restrictions on franchisees from soliciting or accepting orders outside of their defined territories, except that you may not sell hair care products, sports accessories or memorabilia by mail order or over the Internet except in accordance with the Company's Confidential Manual. Currently, under the Confidential Manual, the sale of hair care products, sport accessories or memorabilia by mail order or over the Internet is not permitted. There are also no restrictions on the Company from soliciting or accepting orders within your defined territory through either mail order or the Internet. We currently do not solicit or accept orders except through its Company-owned stores. However, we may solicit or accept orders through the Internet or through mail order in the future. You do not receive the right to acquire additional franchises within your territory under the Franchise Agreement except as expressly provided for in this Agreement.

If you sign a MUDA, we will define for you a non-exclusive territory (the AMUDA Territory@) for you to open your stores. We may sell franchises and open Company-owned stores within the MUDA territory until you open a store and obtain a territory under a Franchise Agreement for that location as defined in this Agreement. After you sign a lease for a location, your territory will be a 1 mile radius around your location as defined in this Agreement.

Neither the Company nor its affiliates are restricted by the Franchise Agreement from establishing other franchises or Company-owned outlets or other channels of distribution selling or leasing similar products or services under a different trademark. We, or our Affiliates, may acquire companies with stores that offer hair cutting services and sell hair care supplies and sports memorabilia under a different trademark, including stores in your area. In this case, we or our Affiliates may operate and franchise these stores.

There is no minimum sales quota. You maintain rights to your territory even though the population increases. Your territory cannot be altered except as stated in this Item.

ITEM 13

TRADEMARKS

The Company grants you the right to operate a store under the name "Sport Clips." By trademark, the Company means trade names, trademarks, service marks and logos used to identify your store. The Company and/or its Affiliates registered the below trademarks on the United States Patent and Trademark Office principal register:

Sport Clips (S/M):	Registration No.: 1879349	Date: 02/14/95
Sport Clips (Design) (S/M):	Registration No.: 2025462	Date: 12/24/96
Guys Win (S/M):	Registration No.: 2898302	Date: 10/26/04
Sport Clips Haircuts (Design) (S/M):	Registration No.: 3023412	Date: 08/19/04
Sport Clips Haircuts (S/M):	Serial No.: 78469844	Date: 01/03/06

These trademarks are licensed exclusively to the Company by SCIP and SCLTD (see Item 1) through a Licensing Agreement between the Company, SCIP and SCLTD that is dated October 1, 1995. Under the Licensing Agreement, the Company has the exclusive and worldwide right to grant a license to use the trademarks. The Licensing Agreement's duration is perpetual, and can only be terminated if the Company ceases to do business, becomes insolvent, or fails to enforce quality control standards throughout the System. The Licensing Agreement may be modified only with the consent of all parties to the Licensing Agreement.

The Company, SCIP, and SCLTD intend to file all required affidavits in order to maintain and renew its trademark in the United States.

You must follow our rules when you use this trademark. You cannot use a name or mark as part of a corporate name or with modifying words, designs or symbols except for those which the Company licenses to you. You may not use the Company's registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by the Company. You may not use the Company's registered name or marks in connection with any internet web site or Email address unless specifically authorized in writing by the Company.

No agreements limit the Company's right to use or license the use of the Company's trademarks.

You must notify the Company immediately when you learn about an infringement of or challenge to your use of our trademark. The Company will take the action we think appropriate. Under the Franchise Agreement, the Company is required to defend you against a claim against your use of our trademark, if you have used the trademark in an authorized manner.

There are currently no effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the Trademark Administrator of any state or any court, involving the Sport Clips trademarks, nor are there any pending infringement, opposition or cancellation proceedings, or material litigation involving the trademarks. The Company does not know of any infringing uses which could materially affect your use of the trademarks, except in the Cleveland, Ohio area. The Franchise Agreement provides you with no rights if you must discontinue the use of the trademark as a result of a proceeding or settlement.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in the Company's Operating Manual. The Manual is described in Item 11.

Although the Company has not filed an application for a copyright registration for the Policy & Procedures Manual, we claim a common law copyright and the information is proprietary. The Company is not obligated to defend you against a claim against your use of the Operating Manual, but it is our policy to do so.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Company does not require that you personally supervise the franchised business. The business must be directly supervised "on-premises" by a manager who has successfully completed the Company's training program. The manager need not have an ownership interest in a corporate or partnership franchise, but the Company does require that the manager sign a confidentiality agreement.

Each individual who owns a 5% and greater interest in the franchisee entity, and his or her spouse, must sign an agreement assuming and agreeing to personally discharge all obligations of the "Franchisee" under the Franchise Agreement. This agreement is included as Attachment D to the Franchise Agreement, which is Exhibit D to this Offering Circular.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those goods and services that the Company has approved (See Item 8).

You must offer products and services that the Company designates as required for all franchisees. The required products and services are hair cuts, hair care services, hair care products, hair care accessories, and sports memorabilia, and sports accessories. All hair care products and sports accessories sold in your store must be approved by the Company (See Item 8).

The Company has the right to change the brands and type of hair care products and sport accessories you sell in your store. However, the Company cannot change the nature of your store in that your store will always offer haircuts, hair care services, hair care products and sports merchandise. The Company does not restrict you from soliciting any customers, no matter whom they are or where they are located. However, you may not sell goods or services over the Internet or by mail except in accordance with the Company's Operating Manual. These sales are not currently authorized.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

	PROVISION	ARTICLE IN FRANCHISE AGREEMENT	SUMMARY
a.	Term of the franchise	Article II	5 Years
b.	Renewal or extension of the term	Article II	Every 5 years if you are in good standing you can add an additional term of 5 years.
c.	Requirements for you to renew or extend	Article II	Notify the Company, sign then-current agreement, participate in any required training courses, pay renewal fee, remodel if required, sign release and not be in default with the landlord or the Company
d.	Termination by you	None	N/A
e.	Termination by the Company without cause	None	N/A
f.	Termination by the Company with cause	Article XII	The Company can terminate only if you default
g.	"Cause" defined - defaults which can be cured	Article XII.B	You have 30 days to cure: non-payment of fees, non-submission of reports, failure to obtain the Company's approval of any matter required by Franchise Agreement, failure to complete training programs, failure to operate your franchise in accordance with the Operating Manual or in an unclean or unsafe manner, and sale of unauthorized product or services
h.	"Cause" defined - defaults which cannot be cured	Article XII.A	Non-curable defaults: conviction of felony, abandonment, trademark misuse, false sales reports, unauthorized use of the premises, and unapproved transfers
I.	Your obligations on termination/non-renewal	Article XIII	Obligations include complete de-identification, payment of amounts due, and return of all store records, telephone numbers, Manuals and training materials (also see "r" below)
j.	Assignment of contract by the Company	None	There is no restriction on the Company's right to assign
k.	"Transfer" by you - definition	Article XI	Includes transfer of contract or assets or ownership change

l.	The Company's approval of transfer by franchisee	Articles XI.D	The Company has the right to approve all transfers but will not unreasonably withhold approval
m.	Conditions for the Company's approval of transfer	Article XI.D	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you and current agreement signed by new franchisee, new franchisee renovates premises to then-current specifications 10 days before the transfer (also see r below),
n.	The Company's right of first refusal to acquire your business	Article XI.C	The Company can match any offer for your business
o.	The Company's option to purchase your business	Article XIII.D	Upon termination, the Company may purchase your inventory and assume your store lease
p.	Your death or disability	Article XI.G	Franchise must be assigned by estate to approved buyer within 6 months
q.	Non-competition covenants during the term of the franchise	Article XIV.B	No involvement in competing business anywhere in U.S.
r.	Non-competition covenants after the franchise is terminated or expires	Article XIV.C	No competing business for 2 years within 10 miles of your Location or any other Sport Clips franchise (including after assignment)
s.	Modification of the agreement	Article XX	No modifications generally but Operating Manual subject to change
t.	Integration/merger clause	Article XX	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises may not be enforceable
u.	Dispute resolution by arbitration or mediation	Article SVII.B	Non-binding mediation for all disputes for at least 8 hours before any legal action in a court
v.	Choice of forum	Article XVII.C	Litigation must be in Williamson County, Texas, or the U.S. Central District Court of Texas
w.	Choice of law	Article XVII.A	Texas law applies

These states have statutes which may supersede the franchise agreement in your relationship with the Company including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS 815 ILCS 705/19 and 705/20, INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-Section 56:10-1], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the franchise agreement in your relationship with the Company including the areas of termination and renewal of your franchise.

A provision in the Franchise Agreement that terminates the franchise upon the bankruptcy of the franchise may not be enforceable under Title 11, United States Code Section 101.

ITEM 18

PUBLIC FIGURES

We have in the past produced newspaper ads and brochures that featured Jay Novacek, former Dallas Cowboy All-Pro tight-end. Mr. Novacek occasionally appears at franchised stores or national meetings. He is a member of the Company's Board of Directors, is part owner of a Sport Clips franchise in the Dallas, Texas area, and is a shareholder in SCI. In the year ending December 31, 2005, we did not pay Mr. Novacek any fees for the use of his name in promoting the sale of our franchises or in promoting the products and services of our franchisees.

The Company sponsors certain race cars in the NASCAR Busch Series. In 2005, we sponsored the car driven by Joe Nemecheck, who also served as a spokesman for the Company. No fees were paid to Mr. Nemecheck for these services, other than the cost of the sponsorship. In 2006, the Company plans to sponsor a race car driven by Paul Tracy, who will also serve as a spokesperson for the Company.

ITEM 19

EARNINGS CLAIMS

Except as described below, the Company does not furnish or authorize its representatives to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of Sport Clips stores. Actual results vary from store to store and we cannot estimate the results of any particular franchise.

At the end of calendar year 2005, there were 301 franchised Sport Clips stores. The 2 Statements of Gross Sales below do not include 5 stores in Rochester, New York, which are not typical Sport Clips stores and operate under a special limited services license agreement that is not offered to new franchisees. Although we do not have complete sales data for the stores in Rochester, New York, we know that their gross sales are less than other stores in the System.

Except for the stores in Rochester, New York, all stores included in the Statements of Gross Sales did not receive any services that were not generally available to other Sport Clips stores, and each store offered similar products and services as would generally be offered by a typical Sport Clips store.

The gross sales figures included in the first Statement of Gross Sales below are based upon all 76 Sport Clips franchise stores and Company-owned stores that were in continual operation for the entire calendar years of 2003, 2004 and 2005. The gross sales figures are taken directly from gross sales reports made by the stores to the Company.

STATEMENT OF GROSS SALES YEAR 2005 GROSS SALES AS REPORTED TO THE COMPANY (76 Stores In Continual Operation During 2003, 2004 and 2005)		
Gross Sales	Number of Stores	Percentage of Stores
Over $450,000	4	5%
$400,001-$450,000	7	9%
$350,001-$400,000	6	9%
$300,001-$350,00	16	21%
$250,001-$300,000	25	33%
$200,001-$250,000	12	16%
$150,001-$200,000	6	8%
Less than $150,000	0	0%
Total	**76**	**100%**

The gross sales figures included in the second Statement of Gross Sales below are based upon all 103 Sport Clips franchise stores and Company-owned stores that were in continual operation for the entire calendar years of 2004 and 2005. The gross sales figures are taken directly from gross sales reports made by the stores to the Company.

STATEMENT OF GROSS SALES YEAR 2004 GROSS SALES AS REPORTED TO THE COMPANY (130 Stores In Continual Operation During 2004 and 2005)		
Gross Sales	Number of Stores	Percentage of Stores
Over $450,000	4	3%
$400,001-$450,000	10	8%
$350,001-$400,000	10	8%
$300,001-$350,000	28	22%
$250,001-$300,000	35	27%
$200,001-$250,000	28	22%
$150,001-$200,000	11	8%
Less than $150,000	4	3%
Total	**130**	**100%**

The Expense Report below is based on stores owned and operated by the Company during the years 2001 through and including 2005. The managers of the Company-owned stores included in the Expense Report did not receive any services that were not generally available to other Sport Clips stores. Each store offered similar products and services as would generally be offered by a typical Sport Clips store.

A description of the number of stores owned and operated by the Company, and included in the Expense Report, follows:

2001 (7 Stores): We owned and operated 2 stores in San Antonio, 4 stores in Austin; and 1 store in Houston for the entire year 2001. Three of the stores are training stores with training centers incorporated into the store design, which increases occupancy costs.

2002 (7 Stores): We owned operated 4 stores in Austin and 1 store in Houston for the entire year 2002. We operated 2 stores in San Antonio for 10 months in 2002. The sales and expenses for the 2 stores in San Antonio are included and annualized based on nine months of operation. Three of the 7 stores are training stores with training centers incorporated into the store design, which increases occupancy costs.

2003 (8 Stores): We owned and operated 4 stores in Austin, 1 store in Houston and 3 stores in the Dallas-Fort Worth area for the entire year 2003. Three of the 8 stores are training stores with training centers incorporated into the store design, which increases occupancy costs.

2004 (8 Stores): We owned and operated 6 stores in Austin and one store in the Dallas-Fort Worth area for the entire year 2004. We owned and operated 1 store in the Dallas-Fort Worth area for 8 months in 2004, and the sales and expenses for this store are annualized and included in the chart. We also owned and opened 3 other stores for a short time in 2004, but the data for these stores is not included in the chart because of the short time during 2004 that we operated these stores.

2005 (8 Stores): We owned and operated 7 stores in Austin and one store in the Dallas-Fort Worth area for the entire year 2005. We are including only stores that we owned and operated for the full 12 months during 2005. Although the number of stores is the same for 2004 and 2005, the store mix is different in 2005 because we sold a store in the Dallas-Fort Worth area that was included in the 2004 data and is not included in the 2005 data, and we added a store in the Austin, Texas area that we opened in 2004.

	Average for 7 Stores 2001	Average for 7 Stores 2002	Average for 8 Stores 2003	Average for 8 Stores 2004	Average for 8 Stores 2005
Gross Sales	$277,992 100%	$297,913 100%	$331,565 100%	$343,048 100%	$339,525 100%
Variable Costs (Note 1)	$20,177 7%	$21,497 7%	$24,491 7%	$26,681 8%	$27,266 8%
Payroll (Note 2)	$158,001 57%	$167,907 56%	$186,502 56%	$190,363 56%	$177,841 52%
Occupancy (Note 3)	$43,752 16%	$43,454 15%	$48,885 15%	$50,413 15%	$52,703 16%
Advertising (Note 4)	$13,420 5%	$16,558 6%	$17,805 5%	$16,717 5%	$16,798 5%
Miscellaneous (Note 5)	$1,884 less than 1%	$1,534 less than 1%	$3,013 less than 1%	$3,094 less than 1%	$2,951 less than 1%
Operating Profit (Note 6)	$40,758 15%	$46,962 16%	$51,581 16%	$55,778 16%	$61,966 18%

Note 1. Variable Costs include operating supplies, cost of goods sold, bank service charges, credit card discounts, and classified ads to recruit Stylists.

Note 2. Payroll includes direct payroll, including payroll for an on-site full time manager, payroll taxes and fringe benefits except for 401K and medical insurance costs.

Note 3. Occupancy includes rent, pass-through expenses from the landlord, utilities, phone charges, repairs and maintenance.

Note 4. Advertising includes the weekly payments to the Ad Fund plus other advertising and marketing expenses for the store.

Note 5. Miscellaneous expense includes magazine subscriptions, store insurance and overages and/or shortages from the cash drawer.

Note 6. Operating Profit does not include an amount paid for royalties or weekly training fees. The numbers in the Expense Report are unaudited, but we believe that these numbers are substantially correct.

A NEW FRANCHISEE'S INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS STATED IN THE STATEMENT OF GROSS SALES AND THE EXPENSE REPORT.

THESE SALES ARE AVERAGES OF SPECIFIC STORES OWNED AND OPERATED BY THE COMPANY, AND BY SPECIFIC FRANCHISEES, AND SHOULD NOT BE CONSIDERED AS THE ACTUAL OR POTENTIAL SALES OR EXPENSES THAT WILL BE REALIZED BY A FRANCHISEE. THE COMPANY DOES NOT REPRESENT THAT ANY FRANCHISEE CAN EXPECT TO ATTAIN THESE SALES, PROFITS, OR EARNINGS.

Substantiation of the information contained in this Item is made available to prospective franchisees at the Company's office at 110 Briarwood, Georgetown, Texas 78628.

ITEM 20

LIST OF OUTLETS

FRANCHISED STORE STATUS SUMMARY FOR YEARS 2005/2004/2003

State	Transfers	Canceled Or Terminated	Not Renewed	Re-acquired By Franchisor	Left The System Other	Total From Left Columns	Franchises Operating At Year End
Alabama	2/1/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0	9/6/3
Arizona	2/0/1	0/0/0	0/0/0	0/1/0	0/3/0	2/4/1	10/8/8
Arkansas	0/0/2	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	8/6/3
Colorado	3/4/1	0/0/0	0/0/0	0/0/0	0/0/0	3/4/1	18/15/14
Florida	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	22/15/4
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	9/5/4
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	17/6/0
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	8/2/0
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	6/3/2
Kansas	0/0/2	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	7/4/3
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/1/0
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Michigan	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Missouri	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	19/13/7
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Nebraska	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	3/3/3
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/2/1
New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
New York	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/5/5
North Carolina	2/0/3	0/0/0	0/0/0	0/0/0	0/1/0	2/1/3	17/14/9
Ohio	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	9/4/0
Oklahoma	0/0/2	0/0/0	0/0/0	0/0/0	2/0/0	2/0/2	6/7/5

State	Transfers	Canceled Or Terminated	Not Renewed	Re-acquired By Franchisor	Left The System Other	Total From Left Columns	Franchises Operating At Year End
South Carolina	0/0/1	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	10/6/3
Tennessee	2/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0	15/10/3
Texas	6/10/2	0/0/0	0/0/0	1/0/1	1/0/0	7/10/3	87/75/63
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/1/1
Virginia	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	2/0/0
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Total	**21/16/12**	**0/0/0**	**0/0/0**	**1/1/1**	**5/4/1**	**26/21/14**	**301/211/141**

AREA DEVELOPERS STATUS SUMMARY FOR YEARS 2005/2004/2003

Territory	Transfers	Canceled Or Terminated	Not Renewed	Re-acquired By Franchisor	Left The System Other	Total From Left Columns	Area Developers Operating At Year End
Alabama	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Arizona	0/0/0	0/0/0	0/0/0	0/1/0	0/0/0	0/1/0	0/0/1
Arkansas & Oklahoma*	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
California	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Colorado & New Mexico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Florida	0/0/0	0/0/0	0/0/0	0/1/0	0/0/0	0/1/0	5/4/4
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Illinois (Northern)	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Illinois (Southern) & Missouri	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Indiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Kansas	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1//0/0	1/1/1
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Louisiana & Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0

Territory	Transfers	Canceled Or Terminated	Not Renewed	Re-acquired By Franchisor	Left The System Other	Total From Left Columns	Area Developers Operating At Year End
Maryland	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Nebraska & Iowa & South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Nevada	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
North Carolina	1/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	2/2/2
Ohio	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Pennsylvania	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
South Carolina	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Texas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/1
Utah & Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Virginia	0/0/0	0/0/0	0/0/0	1/0/0	0/0/0	0/0/0	1/2/2
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
Total	2/0/0	0/0/0	0/0/0	1/2/0	0/0/0	3/2/0	31/26/22

1) All numbers are as of December 31 for each year.

2) The numbers in the "Left The System Other" column include Franchisees or Area Developers who chose not to renew expired Franchise Agreements or closed their stores.

3) The numbers in the "Total" column may exceed the number of stores affected because several events may have affected the same store. For example, the same store may have had multiple owners.

STATUS OF COMPANY OWNED STORES
FOR YEARS 2005/2004/2003

State	Stores Closed During Year	Stores Opened During Year	Total Stores Operating At Year End
Texas	0/0/0	1/1/1	9/7/7
TOTAL	**0/0/0**	**1/1/1**	**9/7/7**

PROJECTED SINGLE UNIT FRANCHISE OPENINGS
AS OF DECEMBER 31, 2005

State	Franchise Agreements Signed But Store Not Open	Projected Franchised New Stores In The Next Fiscal Year	Projected Company Owned Openings In Next Fiscal Year
Alabama	4	2	0
Arizona	10	6	0
Arkansas	5	2	0
California	30	8	0
Colorado	18	5	0
Florida	98	20	0
Georgia	26	5	0
Idaho	7	2	0
Illinois	45	16	0
Indiana	17	4	0
Iowa	7	2	0
Kansas	15	5	0
Kentucky	1	2	0
Louisiana	30	6	0
Maryland	4	2	0
Michigan	5	4	0
Missouri	21	5	0
Mississippi	10	0	0
Nebraska	0	1	0
Nevada	13	4	0
New Mexico	6	1	0
N. Carolina	21	6	0
Ohio	26	6	0

State	Franchise Agreements Signed But Store Not Open	Projected Franchised New Stores In The Next Fiscal Year	Projected Company Owned Openings In Next Fiscal Year
Oklahoma	7	2	0
Pennsylvania	10	2	0
S. Carolina	9	4	0
South Dakota	2	0	0
Tennessee	26	4	0
Texas	52	16	4
Utah	6	2	0
Virginia	25	4	0
Washington	0	2	0
Wisconsin	7	4	0
TOTALS	558	150	4

PROJECTED AREA DEVELOPER OPENINGS
AS OF DECEMBER 31, 2005

State	Area Developer Agreements Signed But Pilot Store Not Open	Projected Area Developers In The Next Fiscal Year	Projected Company Owned Openings In Next Fiscal Year
Arizona	0	1	0
California	1	4	0
Florida	2	0	0
Maryland	1	0	0
Louisiana/ Missippi	1	0	0
Michigan	0	1	0
Oregon	0	1	0
Washington	0	1	0
Wisconsin	1	0	0
TOTALS	6	7	0

The name and last known home address and telephone number of every franchisee who has had an outlet terminated, canceled, not renewed, sold their franchise or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with the Franchisor within 10 weeks of the application date are as follows:

Name	Address	Telephone
Larry Salsman*	747 Dayton Drive Carmel, IN 46033	317-989-0944
Chuck Matheny *	1515 E. Indigo St. Mesa, AZ 85203	(602) 697-7904
Yakin Patel *	14011 Yellow Wood Circle Orlando, FL 32828	(321) 663-5758
Robert Brownsher (2 Stores)	1017 Cambridge Way Chesterfield, MO 63017	(314) 304-3746
Chuck Browne	9415 Braemer Terrace Charlotte, NC 28210	(704) 239-6363
Mike Wierzba	8330 Carriage Hills Dr. Brentwood, TN 37027	(615) 491-8944
Susan White	4108 Springwillow Lane Round Rock, TX 78681	(512) 388-2588
Doug Groetken	3371 West 111th Drive Westminster, CO 80031	(303) 503-0223
Bill Clark*	914 Topaz Superior, CO 80027	(303) 717-7728
Ed Powers (2 Stores)	2008 Hunters Run Hoover, AL 35244	(205) 936-5683
Jamey Baxter (2 Stores)	2901 Jamestown Fayetteville, AR 72703	(479) 236-2820
Mel Gugino	794 Thicket Lane Houston, TX 77079	(281) 733-0183
Michael Givertz	775 Gateway Dr SE #314. Leesburg, VA 20175	(703) 627-4868
Dave Patterson (2 Stores)	2421 Jannebo Rd. Birmingham, AL 35216	(205) 222-6866
Eddie Canahuati	5401 Rampart, #606 Houston, TX 77081	(713) 774-0168
Janice Randall	1611 Orlando Avenue Longwood, FL 32750	(407) 620-3131
Ernie Hunt	10301 Kilmory Terrace Charlotte, NC 28201	(704) 361-4302
Richard Davis	7003 Wikle Rd. W. Brentwood, TN 37027	(615) 579-5827
Sean Murphy (2 Stores)	3005 Sweetgum Lane Amarillo, TX 79124	(806) 517-0728
Pete Donald	41523 N. Harbour Town Ct. Anthem, AZ 85086	(602) 989-3562
Cathy Bryant*	16139 E. Dorado Circle Aurora, CO 80015	(303) 680-0869

* These individuals remain a franchisee in the Sport Clips system.

The name and last known home address and telephone number of every Area Developer who has had an Area Development Agreement terminated, canceled, not renewed, sold their Area, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with the Franchisor within 10 weeks of the application date are as follows:

Name	Address	Telephone
Michael Giverz	775 Gateway Drive SE #314 Leesburg, VA 20175	(703) 627-4868
Ernie Hunt	10301 Kilmory Terrace Charlotte, NC 28201	(704) 361-4302

A list of names, business addresses, and business telephone numbers of all franchised stores, and of all Area Developers, as of December 31, 2005 is attached to this Offering Circular as Exhibit B.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Offering Circular as Exhibit C is a copy of our audited financial statements for the periods of January 1, 2003 to December 31, 2003, January 1, 2004 to December 31, 2004, and January 1, 2005 to December 31, 2005.

ITEM 22

CONTRACTS

Attached to this Offering Circular as Exhibit D is a copy of the Franchise Agreement, which includes the MUDA, and a copy of the Release you will sign if you are renewing or selling the Franchise Agreement. Attached to this Offering Circular as Exhibit E is a copy of the Agreement to Guaranty Lease, which you will sign only SCR agrees to guaranty your premises lease. No other agreements are proposed for use by the Company in connection with the franchise described in this Offering Circular.

ITEM 23

RECEIPT

THE LAST PAGE OF THE OFFERING CIRCULAR IS A DETACHABLE DOCUMENT ACKNOWLEDGING RECEIPT OF THE OFFERING CIRCULAR BY THE PROSPECTIVE FRANCHISEE. IT MUST CONTAIN THE FOLLOWING STATEMENT IN BOLDFACE TYPE:

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF SPORT CLIPS, INC. OFFERS YOU A FRANCHISE, SPORT CLIPS, INC. MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

(1) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR

(2) TEN (10) BUSINESS DAYS BEFORE THE SIGNING OF A BINDING AGREEMENT; OR

(3) TEN (10) BUSINESS DAYS BEFORE A PAYMENT TO SPORT CLIPS, INC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN A FRANCHISE AGREEMENT.

IF SPORT CLIPS, INC. DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPLICABLE STATE AGENCY LISTED IN EXHIBIT A OF THIS OFFERING CIRCULAR.

ADDENDUM TO SPORT CLIPS, INC.
UNIFORM FRANCHISE OFFERING CIRCULAR
STATE REGULATIONS

FOR RESIDENTS OF THE STATE OF CALIFORNIA

The California Franchise Relations Act, Business and Professions Code Sections 20000 to 20043, provides the Franchisee with certain rights on termination or non-renewal of a franchise. The Franchise Agreement provides for termination upon bankruptcy. Federal bankruptcy law may prohibit termination of a franchise on filing of a petition in bankruptcy by a Franchisee (11 U.S.C.A. '101 et seq.). 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 the franchise can be terminated and the Franchisee's rights upon non-renewal may be affected by 815 ILCS 705/1 through 705/44. For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, the Illinois Franchise Disclosure Act governs.

Item 17 is amended to provide that litigation between you and the Company may be instituted in any court of competent jurisdiction located in the State of Illinois.

FOR RESIDENTS OF THE STATE OF INDIANA

Indiana Code 23-2-2.7-1(7), makes unlawful the unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith. Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law, IC 23-2-2.5.

Item 17(w) is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law, 1C 23-2-2.5, and the Indiana Deceptive Franchise Law, will prevail.

FOR RESIDENTS OF THE STATE OF MARYLAND

Item 17 is amended to provide that, pursuant to COMAR 01.01.08.16L, the general release required as a condition of renewal and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law, and to provide that the Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. This Amendment also applies to non-residents of Maryland who will operate a Sport Clips franchise in the state of Maryland.

FOR RESIDENTS OF THE STATE OF MINNESOTA

Minnesota statute §80C14 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Offering Circular or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of jurisdiction.

Minnesota statute §80C14 provides: It shall be deemed unfair and inequitable for any person to:

(A) Terminate or cancel a franchise without first giving written notice setting forth all the reasons for the termination or cancellation to the Franchisee at least 90 days in advance of termination or cancellation, and the recipient of a notice fails to correct the reasons stated for cancellation or termination within 60 days within receipt of the notice, except that the notice shall be effective immediately upon receipt where the alleged grounds are:

1) Voluntary abandonment of the franchise relationship by the Franchisee;

2) The conviction of the Franchisee of an offense directly related to the business conducted pursuant to the franchise; or

3) Failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the Franchisor's trade name, trademark, service mark, logotype or other commercial symbol after the Franchisee has received written notice to cure of at least 24 hours in advance thereof;

(B) Terminate or cancel a franchise except for good cause. "Good cause" shall be failure by the Franchisee substantially to comply with reasonable requirements imposed upon him by the franchise including, but not limited to:

1) The bankruptcy or insolvency of the Franchisee;

2) Assignment for the benefit of creditors or similar disposition of the assets of the franchise business;

3) Voluntary abandonment of the franchise business;

4) Conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or

5) Any act by, or conduct of, the Franchisee which materially impairs the goodwill associated with the Franchisor's trademark, trade name, service mark, logotype or other commercial symbol; or

(C) Unless the failure to renew the franchise is for good cause as defined in clause (b), Franchisor may not fail to renew a franchise unless (i) the Franchisee has been given written notice of the intention not to renew at least 180 days in advance thereof 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. No franchisor may refuse to renew a franchise if the refusal is for the purpose of converting the franchisee's business premises to an operation that will be owned by the franchisor for its own account.

A franchisor may not unreasonably withhold consent to an assignment, transfer, or sale of the franchise where the assignee meets the present qualifications and standards required of other franchisees.

Item 13 is modified as follows: The Minnesota Department of commerce requires that a Franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the Franchisee's use of the trademark 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 to indemnification, the Franchisee must provide notice to the Company of any such claim within 10 days and tender the defense of the claim to the Company. If the Company accepts the tender of 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.

Item 17 is amended to provide that you shall not be required to assent to a general release.

FOR RESIDENTS OF THE STATE OF NEW YORK

Provisions of General Releases are included throughout the Offering Circular and Franchise Agreement. They are covered by the following provision:

"Provided however, that all rights enjoyed by the Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this provision that the non-waiver provisions of GBL Section 687.4 and 687.5 be satisfied."

Item 3 is amended to state that, except for the litigation listed in Item 3, neither the Company nor any person or franchise sales agent identified in Item 2 of this Offering Circular:

1) Has pending any administrative, criminal or material civil (or a significant number of civil actions irrespective or materiality) alleging a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

2) Has been convicted of a felony or pleaded *nolo contendre* to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of a

misdemeanor or pleaded *nolo contendre* to a misdemeanor charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding if such misdemeanor conviction or charge or civil action, complaint or other legal proceeding involved violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.

3) Is subject to any injunctive or restrictive order or decree relating to franchises or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency.

Item 4 is amended to state that, neither the Company, nor any predecessor, office or general partner of the franchisor has, during the 15-year period immediately preceding the date of the offering prospectus, has been adjudged bankrupt or reorganized due to insolvency, or was a principal officer of any company or a general partner in any partnership that was adjudged bankrupt or reorganized due to insolvency during or within one year after the period that such officer or general partner of the franchisor held such position in such company or partnership, and no such bankruptcy or reorganization proceeding has been commenced.

The Company represents that this Offering Circular does not knowingly omit anything or contain any untrue statements of a material fact.

FOR RESIDENTS OF THE STATE OF NORTH DAKOTA

A contractual requirement that a prospective franchisee sign a general release or be required to litigate outside the State of North Dakota is unenforceable under North Dakota Law. Post-termination covenants are generally considered unenforceable in the State of North Dakota. In the Franchise Agreement, the choice of law and choice of forum provisions are deleted.

FOR RESIDENTS OF THE STATE OF RHODE ISLAND

Item 17 is amended to state that 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 SOUTH DAKOTA

Covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of South Dakota. Any provision in a Franchise Agreement which designates jurisdiction or venue in a forum outside of South Dakota is void with respect to any cause of action which is otherwise enforceable in South Dakota.

Item 10 is amended to provide that any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages or any provision that provides that parties waive their right to a jury trial may not be enforceable under South Dakota law.

FOR RESIDENTS OF THE STATE OF WASHINGTON

The Franchise Investment Protection Act of the State of Washington makes it unlawful to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include, without limitation, the failure of the Franchisee to comply with lawful material provisions of the Franchise Agreement or other agreements between the Franchisor and the Franchisee and to cure such default after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty days, to cure such default, or if said default cannot reasonably be cured within thirty days, the failure of the Franchisee to initiate within thirty days substantial and continuing action to cure such default: PROVIDED; That after three willful and material breaches of the same term of the Franchise Agreement occurring within a twelve month period, for which the Franchisee has been given notice and an opportunity to cure as provided in Section 17, the Franchisor may terminate the agreement upon any subsequent willful and material breach of the same term within the twelve month period without providing notice or opportunity to cure: PROVIDED FURTHER; That a Franchisor may terminate a franchise without giving prior notice of opportunity to cure a default if the Franchisee: (i) is adjudicated a bankrupt or insolvent, (ii) makes an assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (iii) voluntarily abandons the franchise business; or (iv) is convicted or pleads guilty or no contest to a charge of violating any law relating to the franchise business. Upon termination for good cause, the Franchisor shall purchase from the Franchisee at a fair market value at the time of the termination, the Franchisee's inventory and supplies, exclusive of (i) personalized materials which have no value to the Franchisor, (ii) inventory and supplies not reasonably required in the conduct of the franchise business; and (iii) if the Franchisee is to retain control of the premises of the franchise business, any inventory and supplies not purchased from the Franchisor or on his express requirement: PROVIDED; that a Franchisor may offset against amounts owed to a Franchisee under Section 17 any amounts owed by such Franchisee to the Franchisor.

The Franchise Investment Protection Act of the State of Washington makes it unlawful, except in limited circumstances, to refuse to renew a franchise in Washington without fairly compensating the franchise for the fair market value, at the time of the expiration of the franchise, of the Franchisee's inventory, supplies, equipment and furnishings purchased from the franchisor and goodwill, exclusive of personalized materials which have no value to the franchisor, and exclusive of inventory, supplies, equipment and furnishings not reasonably required in the conduct of the franchised business.

In no event will the transfer fee exceed the actual out-of-pocket expenses incurred by the Company.

To the extent that the Washington Franchise Investment Act conflicts with the choice-of-law provisions contained in the Franchise Agreement, the Washington Franchise Investment Act will control.