

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee	\$25,000- \$59,500 (Note 2)	Lump sum	Prior to Execution of Franchise Agreement	The Company
Travel and living expenses while attending initial training	\$1,000- \$2,000	As Incurred	During Initial Training	Airlines, Hotels and Restaurants
Real Estate	(Note 3)			
Opening Inventory	\$4,000- \$6,000 (Note 4)	Lump Sum	Prior to Opening	Suppliers
Fixtures and Equipment (including computer equipment)	\$51,500- \$61,800 (Note 5)	Lump Sum	Prior to Opening	Contractors and/or Suppliers
Leasehold Improvements	\$69,000- \$115,000 (Note 6)	Lump Sum	Prior to Opening	Contractors and/or Suppliers
Supplemental Services Fee	\$3,000- \$5,000 (Note 7)	Lump Sum	Prior to Opening	The Company
Professional Fees	\$1,000- \$5,000 (Note 8)	As Incurred	Prior to Opening	Suppliers
Permits and Licenses	\$1,000- \$3,500	As Incurred	Prior to Opening	Local and State Agencies
Lease Deposit	\$0- \$10,000	Lump Sum	Prior to Opening	Landlord
Signage	\$4,000- \$8,000 (Note 9)	Lump Sum	Prior to Opening	Suppliers

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Miscellaneous Opening Costs	\$3,000- \$5,000 (Note 10)	As Incurred	As Incurred	Suppliers, Utilities, etc.
Insurance	\$1,300- \$2,500 (Note 11)	Lump Sum	Prior to Opening	Insurance Company
Grand Opening Advertising	\$30,000 (Note 12)	Lump Sum	Prior to Opening	The Company
Additional Funds - 6 Months	\$40,000- \$75,000 (Note 13)	As Incurred	As Needed	Employees, Creditors and/or Suppliers
*TOTAL	\$233,800 - \$388,300			

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

** Except for the initial franchise fee (which reflects the cost for up to 3 stores), the amounts in the chart above reflect the estimated cost to open one store.

Note 1

Except as stated in these Notes, none of the fees listed above are refundable once it is incurred by you. Neither the Company nor any affiliate of the Company offers financing for any of the fees listed above. See Item 10.

Note 2

When you sign a MUDA Agreement, the initial franchise fee is \$25,000 for the first store, \$19,500 for the second store, and \$15,000 for the third store. A total of \$59,500 is due in one lump sum when you sign the MUDA Agreement; therefore, there is no additional franchise fee due for the second and third stores. When you sign a 2 store MUDA Agreement, the initial franchise fee due is \$25,000 for the first store, and \$19,500 for the second store. A total of \$44,500 is due in one lump sum when you sign the MUDA Agreement; therefore, there is not additional franchise fee due for the second store. When you sign a single store Franchise Agreement, the initial franchise fee is \$25,000. If you purchase more than 3 franchises under a MUDA, the initial franchise fee is \$12,500 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 additional franchise licenses are purchased after the commencement of the MUDA, the cost is \$15,000 per license. See Item 5.

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 may range from \$10.00 to \$60.00 per square foot per year, depending on several factors. In most areas, rents typically run between \$20.00 and \$50.00 per square foot per year.

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 approved hair products for retail sale and in-store use.

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, computer equipment and point-of-sale software. 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. Depending on raw materials cost (such as steel, flooring, drywall and other construction materials), construction costs may vary significantly during the course of a year. Leasehold improvements for most stores will range from \$69,000 to \$115,000 before any allowance (if any) from the landlord. If a landlord allowance is available, it can range from \$10 to \$40 per square foot, with the average being approximately \$20 per square foot range for new construction and approximately \$10 per square foot range for existing centers.

Note 7

If we or an Area Developer in your geographical area offer Supplemental Services, you are required to participate in this service plan. Currently, we offer these services in all areas. 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	\$ 2,000,000
Worker's Compensation	Per state requirements
Commercial General Liability	\$ 2,000,000
Professional Liability	\$ 1,000,000
Business Interruption Insurance	\$ 100,000
Employment Practices Liability	\$ 500,000
Life Insurance (recommended)	\$ 1,000,000
Cyber Liability (recommended)	\$ 500,000

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 \$30,000 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 180 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.