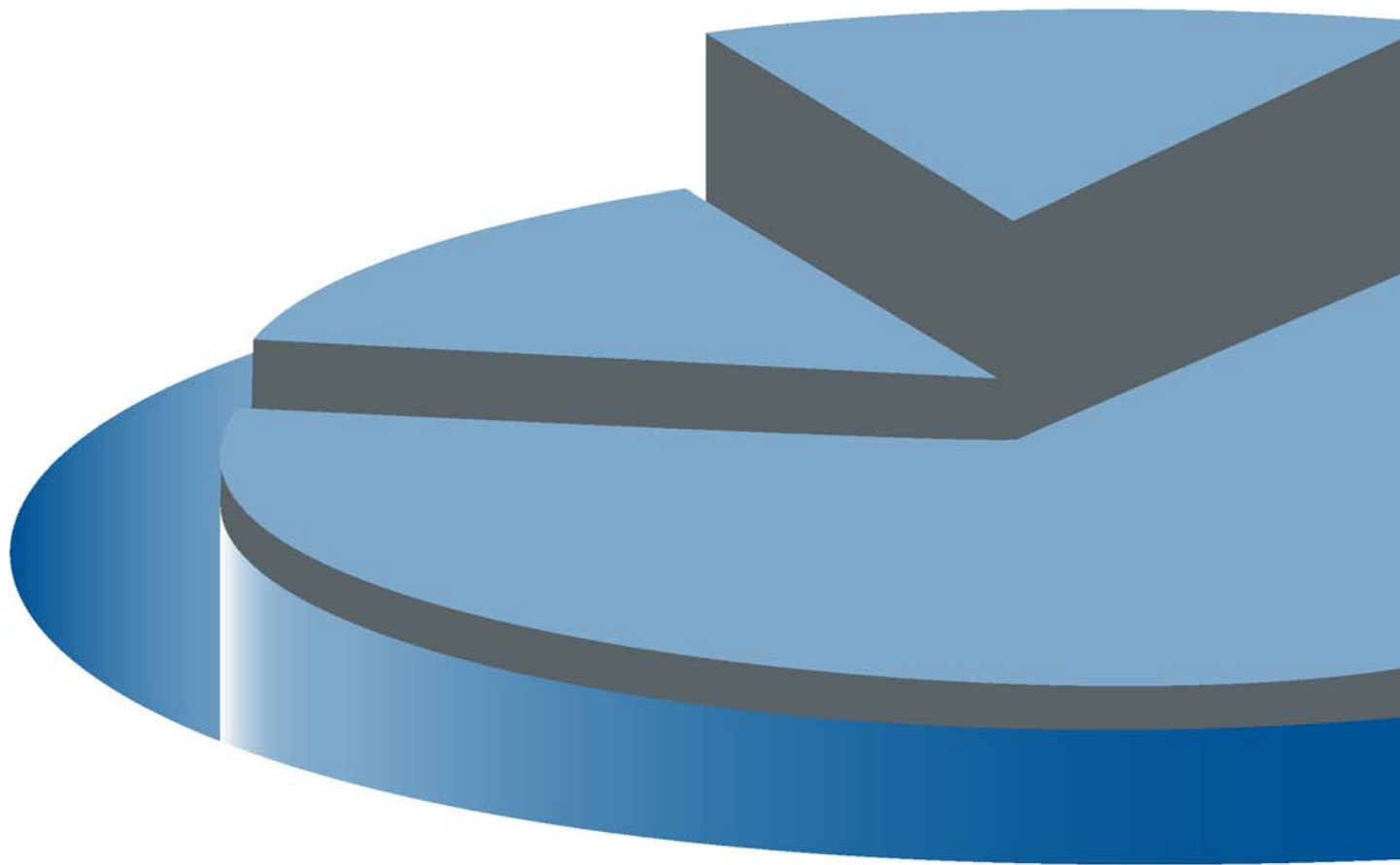


Unit Performance Report: Franchises in the Beauty Industry

**Analysis of Unit Costs, Fees and Profitability for a Selection of
Hair & Tanning Salons**

For 2007 – 2008



Unit Performance Report: Franchises in the Beauty Industry

Analysis of Unit Costs, Fees and Profitability for a Selection of Hair & Tanning Salons

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EXECUTIVE SUMMARY

This report compares ten systems in the beauty industry: five in the tanning centers sub-sector and five in the hair care sub-sector. FRANData examines the initial investment, unit financial performance and the ongoing fees of the systems.

The average initial investment for the sample is \$337,065. The two sub-sectors display a significant difference in their initial cost estimates: \$196,619 for the hair care and \$424,844 for the tanning sub-sector. The higher costs of the latter are due to large tanning equipment expenses. In fact, tanning and related equipment is the largest item comprising initial investment for the tanning sub-sector. Leasehold improvements is the largest for the hair care sub-sector.

The large initial investment for the tanning salons impacts the initial investment per square foot measures. At an average of 2,000 sq ft, the tanning sub-sector's average unit size is 58% larger than the average of the hair care units, at an average of 1,270 sq ft. The tanning sub-sector's average initial investment per square foot is 55% larger than that of the hair care sub-sector, or \$240 vs. \$155, respectively.

The average sales for the whole sample are \$425,734 per year.

The large initial investment required by the tanning centers also impacts the return on investment. The sample's average sales per dollar invested is \$1.46. At an average return on investment of \$2.10, the hair care sub-sector has a 141% higher return than the tanning sub-sector, at \$0.87.

The sample's average sales per square foot are \$253. The tanning sub-sector has average sales of \$207 per square foot. The hair sub-sector has \$327 sales per square foot, or 58% larger than the tanning sub-sector. The difference between the two sub-sectors is due to the larger size of the tanning centers.

The sample has an average EBITDA of \$123,989. At \$88,651, the hair care sub-sector's EBITDA is 45% lower than that of the tanning sub-sector, which is \$159,328. In terms of percentages, the total sample's EBITDA is 28.8% of sales. Broken down by sub-sector, EBITDA is 37.1% for the tanning and 20.6% for the hair care.

The average EBITDA as a percentage of initial investment ranges from 28.83% to 55.82% (corresponding to maximum and minimum investment). Despite the tanning sector's larger EBITDA, its large initial investment estimates result in lower return as compared to the hair sector.

The average break-even point is 33 months, or two years and nine months to cover initial costs. Due to its lower initial investment, the hair sub-sector has a smaller break-even point than that of the tanning sub-sector: two years and three months vs. three years, respectively.

The sample charges a consistent 6% royalty fee. Advertising and marketing requirements vary among the systems.

Conclusion

The examined beauty industry sample is well established in the market, with an average of ten years in franchising. Each industry sub-sector requires a different level of initial investment and a different unit size. The hair care units involve smaller initial costs and smaller unit size. All systems incur positive EBITDA. The tanning sub-sector generates larger average sales. However, compared to the hair sub-sector, due to the tanning centers' large initial costs and size, their sales per dollar invested and sales per square foot are smaller.

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TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	3
REPORT ORGANIZATION	6
INTRODUCTION	7
Ownership Structure	7
Years in Business and Years Franchising	8
BRAND INITIAL INVESTMENT ESTIMATES.....	9
Average Initial Investment.....	9
Initial Investment Ranges	11
Initial Investment Largest and Second Largest Item.....	12
Initial Investment per Store Square Foot.....	13
UNIT FINANCIAL PERFORMANCE	15
Average Sales.....	15
EBITDA.....	16
EBITDA as a Percentage of Sales	17
EBITDA as a % of Initial Investment.....	18
Break-Even Point.....	19
Sales per Dollar Invested.....	21
Sales per Store Square Foot	22
ROYALTY FEES	23
ADVERTISING/MARKETING FEES	24
TABLES.....	25
Table 1: Total Initial Investment Details.....	25
Franchise Fee.....	25
Rent Allowance for First 3 Months	26
Construction and Leasehold Improvements.....	26
Signage.....	27
Pre-Construction Costs/Professional Services	27
Furniture, Fixtures and Equipment.....	28
Initial Inventory	29
Initial Training and Organizational Costs	29
Opening Advertising and Advertising and Promotional Materials	30
Computer Hardware, Software, POS, System Installation.....	30
Additional Funds for a 3- to 6-month Period.....	31
Miscellaneous Costs, Permits, Licenses, Utility, Telephone, Accessories, Insurance	31
Table 2: Number of Outlets Sampled in the Earnings Claims	32
Table 3: Earnings Claims Breakout	33
Table 4: Earnings Claims as a Percentage of Net Sales.....	35
SOURCES.....	37

REPORT ORGANIZATION

This research report is divided into five parts:

1. Introduction
 2. Initial Investment
 3. Unit Financial Performance
 4. Ongoing Fees
 5. Tables
- The first section introduces the systems FRANdata examines in the report, their ownership structure and their business and franchising experience.
 - The initial investment analysis is broken down by average initial cost, initial investment estimate ranges, and a review of the largest categories comprising total investment for the systems.
 - The unit financial performance analysis is divided into seven parts: 1) comparison of the average total sales per brand; 2) analysis of the units' profitability taking into account their earnings before interests, taxes, depreciation and amortization (EBITDA); 3) review of EBITDA as a percentage of sales; 4) review of EBITDA as a percentage of initial investment; 5) break-even analysis; 6) comparison of sales to initial investment; and 7) comparison of sales to average unit size.
 - The fourth section provides a review of the systems' royalty and marketing and advertising fees.
 - The final section of the report contains reference tables. The first table discloses the number of units on which the systems have based their earnings claims. The second table provides a detailed breakout of the earnings claims of the unit financial metrics for each brand. The next table displays a breakout of the earnings as a percentage of sales. The last series of tables provide a breakout of total initial investment by category (e.g. franchise fee, leasehold improvements, rent, etc.).

INTRODUCTION

In this report, FRANData benchmarks the franchise unit performance of 10 franchisors in the beauty industry. The report consists of five concepts in the tanning centers sub-sector, Desert Sun Tanning Salons, Executive Tans, Palm Beach Tan, Planet Beach Tanning Salons, and THETAN COMPANY. The other five concepts are in the hair care sub-sector, Cost Cutters, Floyd's '99, Great Clips, Snip-Its, and Sport Clips. The report focuses on the estimated initial costs, earning claims, and on-going fees provided by the systems.

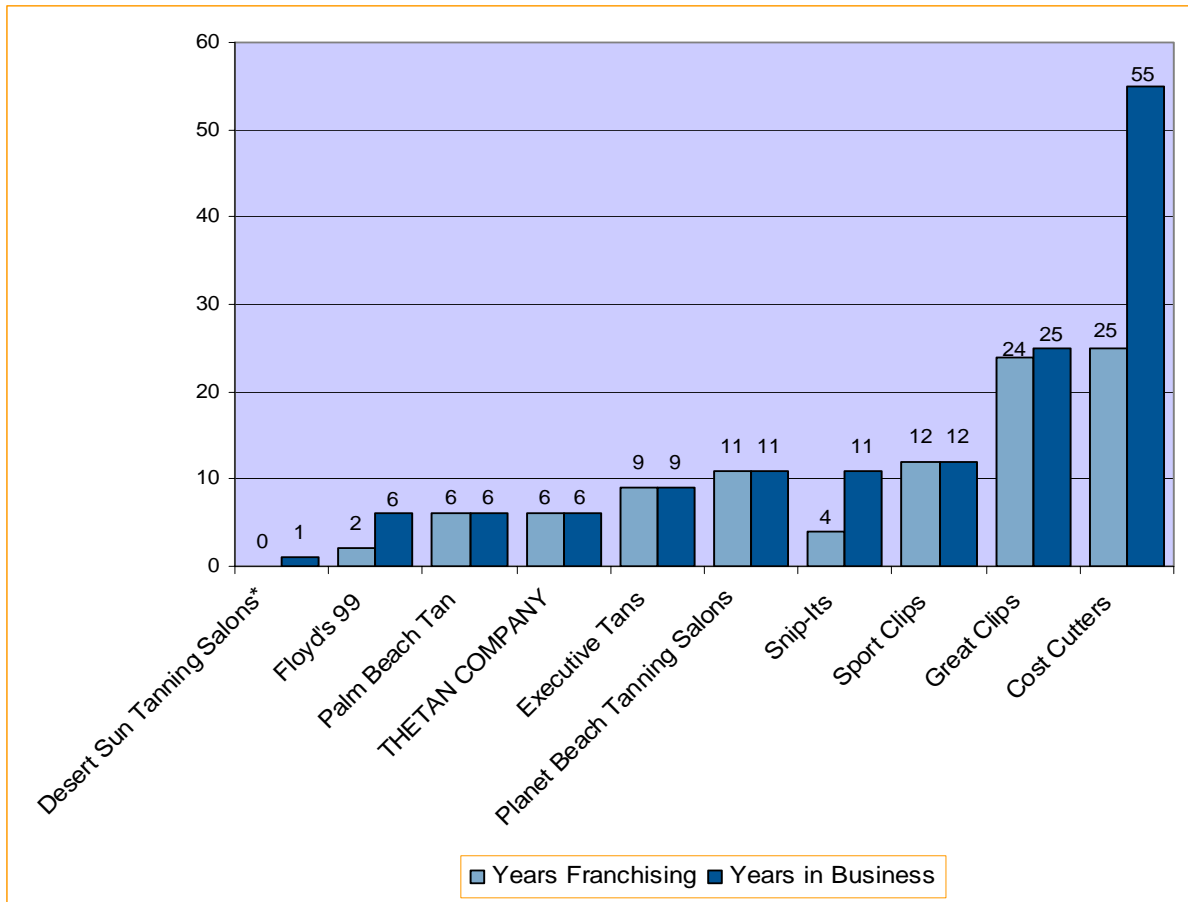
Ownership Structure

The following table presents the systems compared in the report and their ownership structures:

Brand	Franchisor	Parent	Affiliates
Cost Cutters	Barbers, Hairstyling For Men & Women, Inc.	Regis Corporation	Regis Corporation; CutCo Acquisition Corp.; RPC Acquisition Corp.; Supercuts, Inc.; Trade Secret, Inc.; First Choice Haircutters, Ltd.; Regis Cuts Acquisition Corp.; Regis Hairstylists, Ltd.
Desert Sun Tanning Salons	Desert Sun Franchising, Inc.	Palm Beach Tan, Inc.	Palm Beach Tan Franchising, Inc.
Executive Tans	CBB National, LLC	Colorado Special Events, Inc.	
Floyd's 99	Floyd's 99 Franchising, LLC	Floyd's 99 Holdings, LLC	Floyd's 99 - California, LLC; Floyd's 99 - Colorado, LLC
Great Clips	Great Clips, Inc.	Great Clips, Inc.	
Palm Beach Tan	Palm Beach Tan Franchising, Inc.	Palm Beach Tan, Inc.	Desert Sun Franchising, Inc.
Planet Beach Tanning Salons	Planet Beach Franchising Corporation	Planet Beach Franchising Corporation	Planet Beach Real Estate, LLC; Planet Beach Tanning Salons, Inc.; Planet Beach Franchising, LLC
Snip-Its	Snip-Its Franchise Company, LLC, The	The Snip-its Corporation	
Sport Clips	Sport Clips, Inc.	Sport Clips, Inc.	Sport Clips, IP, Inc.; Sport Clips I Prop., Ltd.; Sport Clips Realty, Inc.
THETAN COMPANY	THETANCO, Inc.	THETANCO, Inc.	St. Louis Tan Company, Inc.; Team Tan, Inc.; KAT, Inc.; TAGS at San Marcos, LLC; TAGS Holdings, LLC; TAGS at Omaha, LLC; The Tan Company Northwest, LLC

Years in Business and Years Franchising

The following chart presents the years each competitor has been in business and has been franchising, starting from the newest to the oldest concept. Three of the systems, Desert Sun Tanning Salons and Floyd's 99, and Snip-Its, are new franchise concepts. Desert's Sun Tanning Salons started offering franchises in 2007, but its predecessor started franchising in 2005. Floyd's 99 and Snip-Its have been franchising for 2 and 4 years, respectively. With an average of 10 years franchising and 14 years in business, the sample of companies is well-established in the market.



*Desert Sun Tanning Salons's predecessor, Desert Sun Franchising, LLC., began offering franchises for Desert Sun Tanning Salons in 2005.

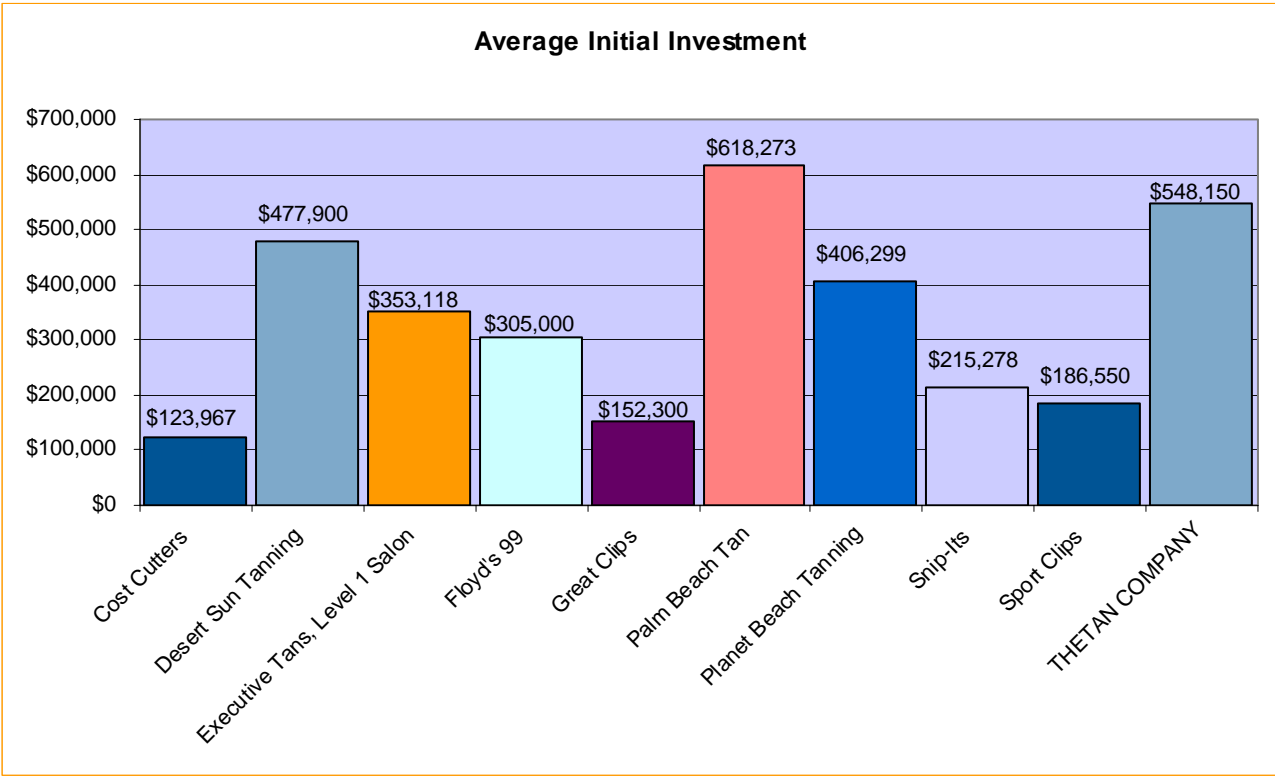
BRAND INITIAL INVESTMENT ESTIMATES

Average Initial Investment

The average for the whole beauty industry sample is \$337,065. With a standard deviation of \$181,668, there are no statistically significant outliers from the set, i.e. no values lie further than two standard deviations from the mean.

The two sub-sectors distinguish themselves from each other by the respective initial costs: an average of \$196,619 for the hair care, and an average of \$424,844 for the tanning centers. The difference in initial investment is due to the large costs of the tanning equipment required for the tanning salons.

For detailed description of the initial investment estimates, refer to Table 1 on page 22-35.



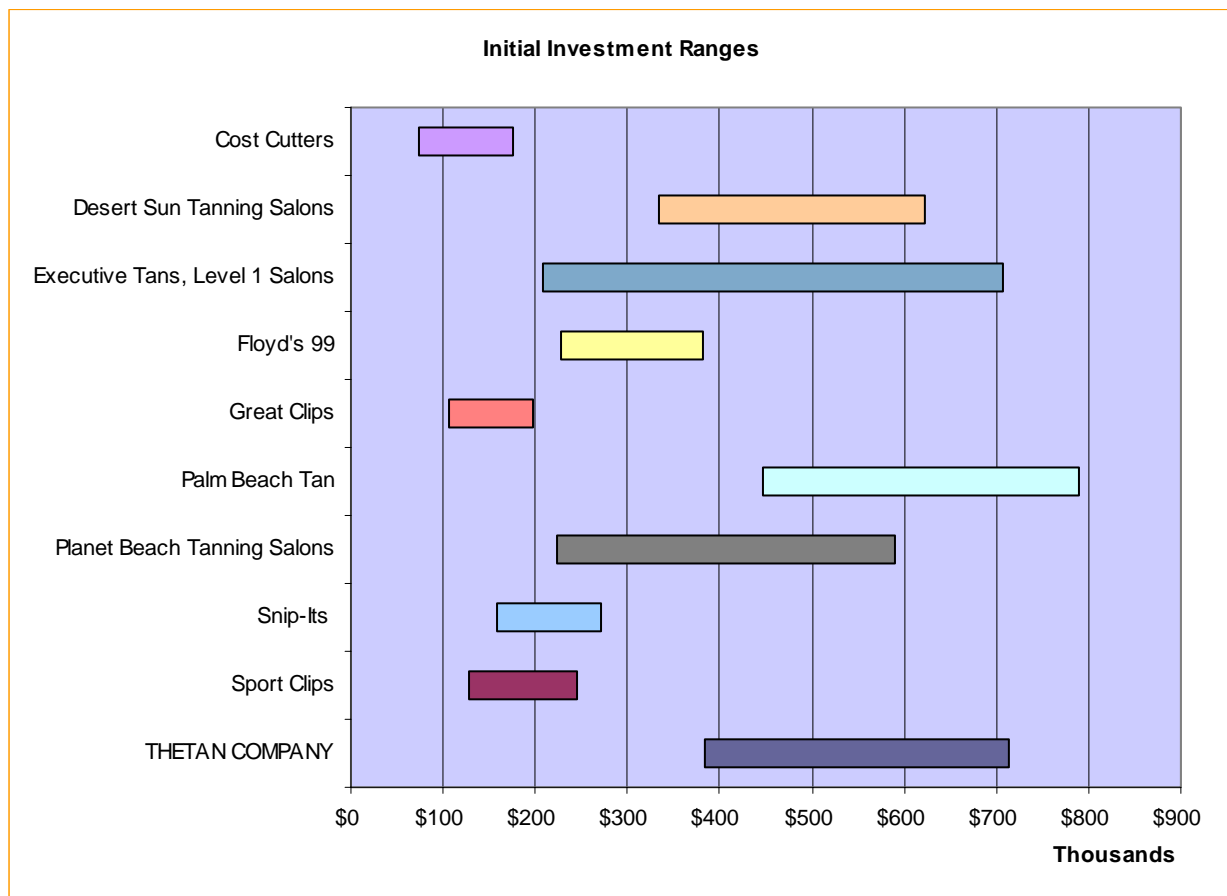
Executive Tans is the only system that offers programs with different initial cost estimates. The difference is primarily based on the unit's number of tanning rooms and square footage. Salon 1 operates from 6 to 12 tanning rooms at 1,400 sq ft; Salon 2 maintains from 13 to 24 tanning rooms at 2,200 sq ft; and the Free Standing Junior Salon has up to 6 tanning rooms at 1,000 sq ft. Executive Tans' fourth program is a Junior Salon added to a complementary business. This program operates from 2 to 6 tanning rooms and does not have a specified square footage.

Brand	Program	Minimum	Maximum	Average
Cost Cutters		\$73,333	\$174,600	\$123,967
Desert Sun Tanning Salons		\$333,300	\$622,500	\$477,900
Executive Tans	Level 1 Salon	\$207,500	\$498,735	\$353,118
	Level 2 Salon	\$407,335	\$843,185	\$625,260
	Free Standing Junior Salon	\$137,000	\$245,000	\$191,000
	Added to a Complementary Business	\$127,500	\$230,000	\$178,750
Floyd's 99		\$227,500	\$382,500	\$305,000
Great Clips		\$106,900	\$197,700	\$152,300
Palm Beach Tan		\$446,696	\$789,850	\$618,273
Planet Beach Tanning Salons	Traditional and Express Spa	\$223,107	\$589,491	\$406,299
Snip-Its		\$159,055	\$271,500	\$215,278
Sport Clips		\$127,200	\$245,900	\$186,550
THETAN COMPANY		\$383,150	\$713,150	\$548,150
Average	All Programs	\$227,660	\$446,470	\$337,065
Average	Hair Sub-sector	\$138,798	\$254,440	\$196,619
Average	Tanning Sub-sector	\$283,199	\$566,489	\$424,844

Initial Investment Ranges

The initial investment ranges present the minimum and maximum amounts of initial costs for each system.

The average range for the whole sample is \$227,660 - \$446,470. The hair care sub-sector displays smaller variations in its initial cost estimates, an average of \$115,642 vs. an average \$283,290 for the tanning sub-sector.



Initial Investment Largest and Second Largest Item

A review of the largest and second-largest items in each brand's initial investment estimates reveals consistent differences between the two sub-sectors. The hair care brands estimate leasehold improvements as their largest initial cost item and furniture, equipment and supplies as their second-largest item. The tanning centers, on the other hand, consider tanning equipment as their largest item, followed by leasehold improvement. The difference in the initial cost is due to the large amount of expenses related to tanning equipment.

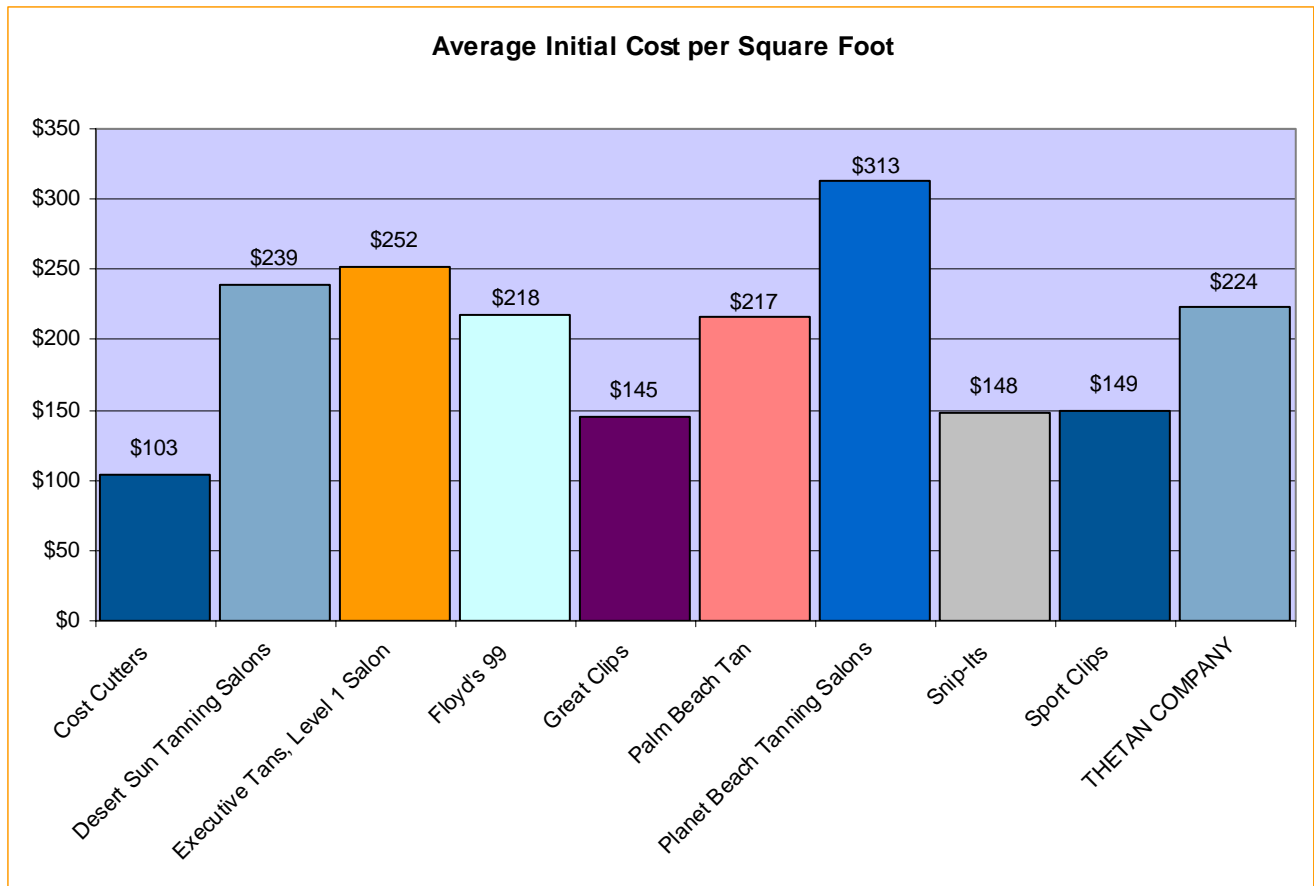
The average range of investment for the largest items is between \$14,615 and \$33,846 in the hair care sub-sector and between \$58,125 and \$180,625 in the tanning centers sub-sector.

Brand	Program	Largest Item	2nd Largest Item
Cost Cutters		Leasehold Improvements: \$20,000 - \$45,000	Furniture, Equipment and Supplies: \$14,000 - \$32,000
Desert Sun Tanning Salons		Tanning and Related Equipment: \$140,000 - \$220,000	Leasehold Improvements: \$75,000 - \$185,000
Executive Tans	Level 1 Salon	Tanning and Related Equipment: \$70,000 - \$190,235	Construction (6 - 12 rooms): \$50,000 - \$150,000
	Level 2 Salon	Tanning and Related Equipment: \$194,835 - \$355,685	Construction (13 - 24 rooms): \$100,000 - \$300,000
	Free Standing Junior Salon	Tanning and Related Equipment: \$44,000 - \$58,000	Construction (3 - 5 rooms): \$25,000 - \$80,000
	Added to a Complementary Business	Tanning and Related Equipment: \$44,000 - \$58,000	Construction (3 - 6 rooms): \$25,000 - \$80,000
Floyd's 99		Building and Tenant Improvements: \$80,000 - \$160,000	Additional Funds - 3 Months: \$40,000 - \$70,000
Great Clips		Leasehold Improvements, Including Labor: \$20,000 - \$50,000	Fixtures, Signing, and Furnishing, Including Computers: \$28,000 - \$38,000
Palm Beach Tan		Tanning and Related Equipment: \$158,000 - \$275,000	Leasehold Improvements: \$120,000 - \$265,000
Planet Beach Tanning Salons	Traditional and Express Spa	Tanning and Spa Equipment: \$95,652 - \$199,846	Leasehold Improvements: \$20,000 - \$140,000
Snip-Its		Construction and Leasehold Improvements: \$45,000 - \$85,000	Snip-Its Salon Decorative Elements: \$35,000 - \$36,000
Sport Clips		Leasehold Improvements: \$25,000 - \$100,000	Fixtures and Equipment: \$30,000 - \$40,000
THETAN COMPANY		Salon Equipment: \$202,300 - \$267,700	Leasehold Improvements: \$50,000 - \$245,000
Average	All Programs	\$87,599 - \$158,805	\$47,077 - \$127,769
Average	Hair Programs	\$14,615 - \$33,846	\$29,401 - \$43,200
Average	Tanning Programs	\$118,598 - \$203,058	\$58,125 - \$180,625

Initial Investment per Store Square Foot

The total sample's store average size is 1,635 sq ft. The tanning center's average square footage is 2,000 sq ft, or 58% larger than the hair care average square footage of 1,270 sq ft.

The sample's average investment per square foot is \$207, with a standard deviation of \$63. There are no statistically significant outliers in the set. At \$240, the average initial investment per square foot in this sub-sector is 55% larger than the \$155 initial investment per sq ft in the hair care sub-sector. This is due to the large initial investment required for the tanning salons.



The following table represents the specific square footage and initial investment per square foot for each brand.

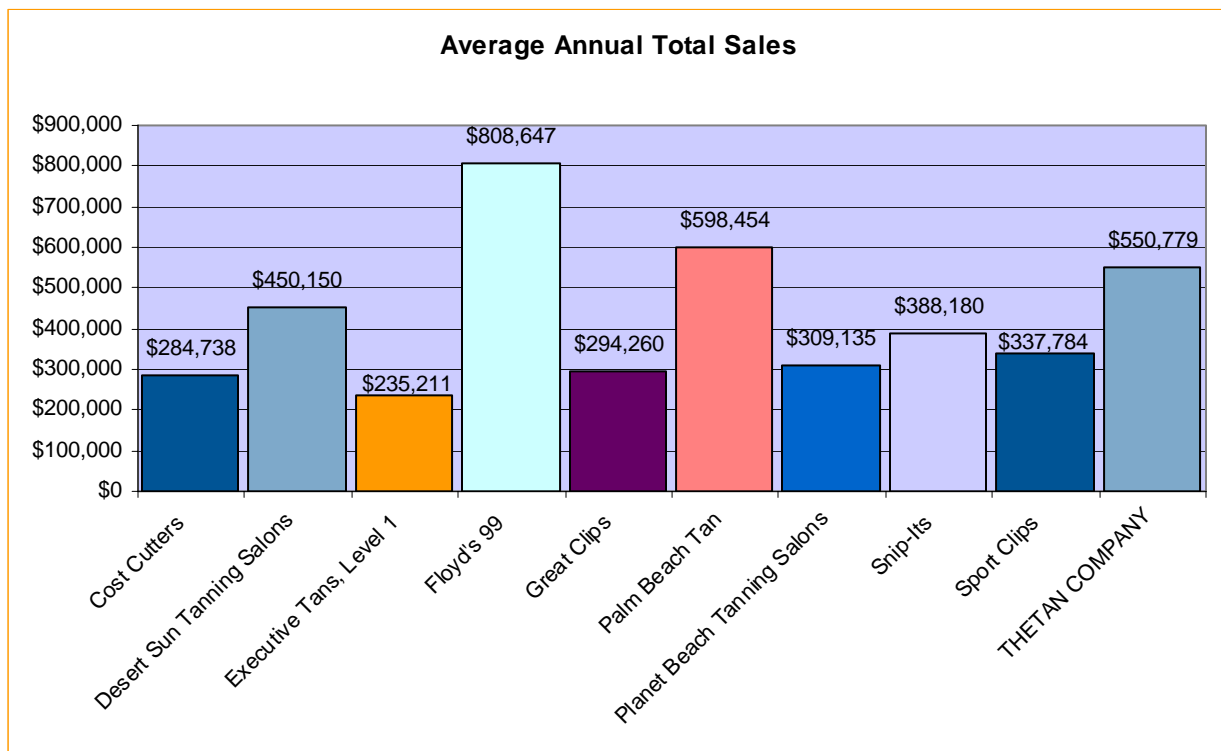
Brand	Average Initial Investment	Average Sq Ft	Average Investment per Sq Ft
Cost Cutters	\$123,967	1,200	\$103
Desert Sun Tanning Salons	\$477,900	2,000	\$239
Executive Tans, Level 1 Salon	\$353,118	1,400	\$252
Floyd's 99	\$305,000	1,400	\$218
Great Clips	\$152,300	1,050	\$145
Palm Beach Tan	\$618,273	2,850	\$217
Planet Beach Tanning Salons	\$406,299	1,300	\$313
Snip-Its	\$215,278	1,450	\$148
Sport Clips	\$186,550	1,250	\$149
THETAN COMPANY	\$548,150	2,450	\$224
Industry Average	\$338,683	1,635	\$207
Hair Average	\$196,619	1,270	\$155
Tanning Average	\$480,748	2,000	\$240

UNIT FINANCIAL PERFORMANCE

For a unit financial performance review, it is important to take into consideration the different numbers of units on which franchisors have based their Earnings Claims. While Great Clips and Cost Cutters derive their estimates from 878 and 285 outlets, respectively, Snip-Its' and Floyd's 99's Earning Claims are based on 4 and 7 outlets, respectively. The size of the set affects the validity of the data. Table 2 on page 36 contains the number of outlets sampled in the Earnings Claims.

Average Sales

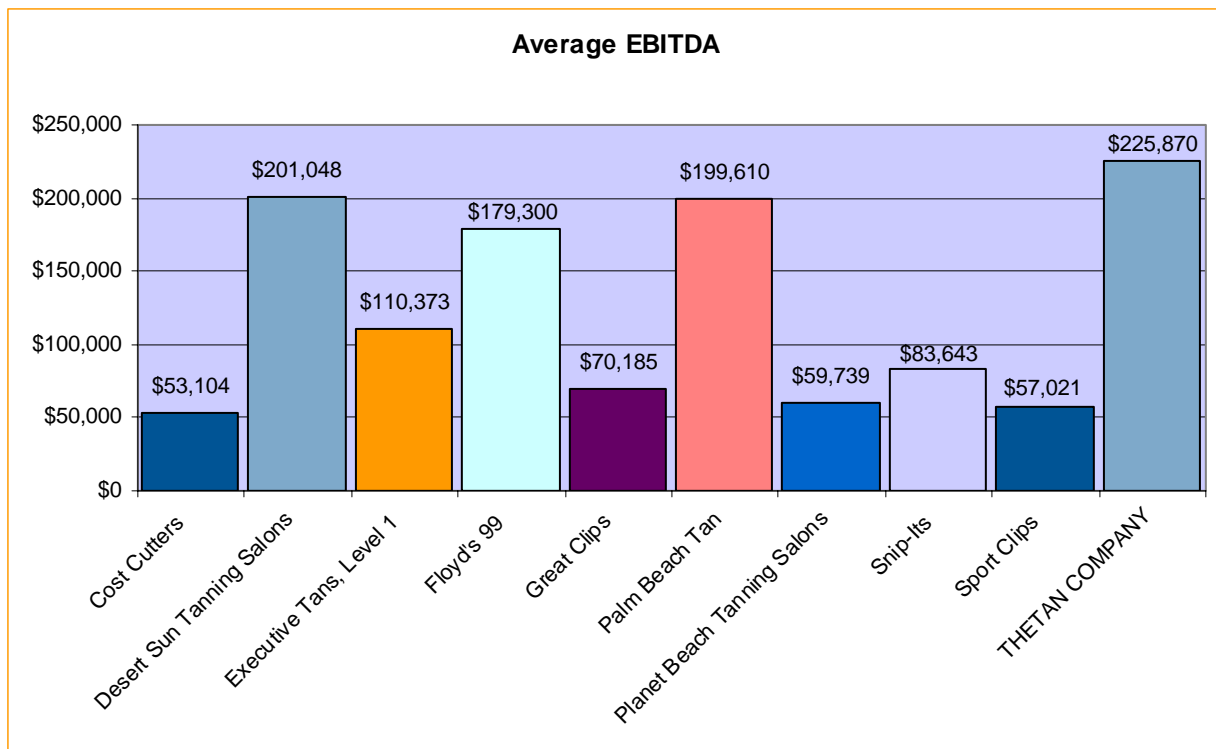
The average annual total sales for the sample is \$425,734. Floyd's 99 is the sales leader in the group, at \$808,647. With a standard deviation of \$179,162, Floyd's 99 is a statistically significant outlier (i.e. lying above two standard deviations from the mean). Excluding the outlier from the group results in a new sales average of \$383,188. With Floyd's 99 in the group, the hair care sub-sector has a sales average of \$422,722, while without it the sub-sector's average is \$326,241. The tanning centers sub-sector's average is \$428,746.



EBITDA

For a more accurate estimate of the sample's unit-level profitability, FRANData reviewed each brand's earnings before interest, taxes, depreciation and amortization, as disclosed by the franchisors. For a detailed comparison of the brands' sales, expenses, gross margin and EBITDA, refer to table 3 on page 37 - 38.

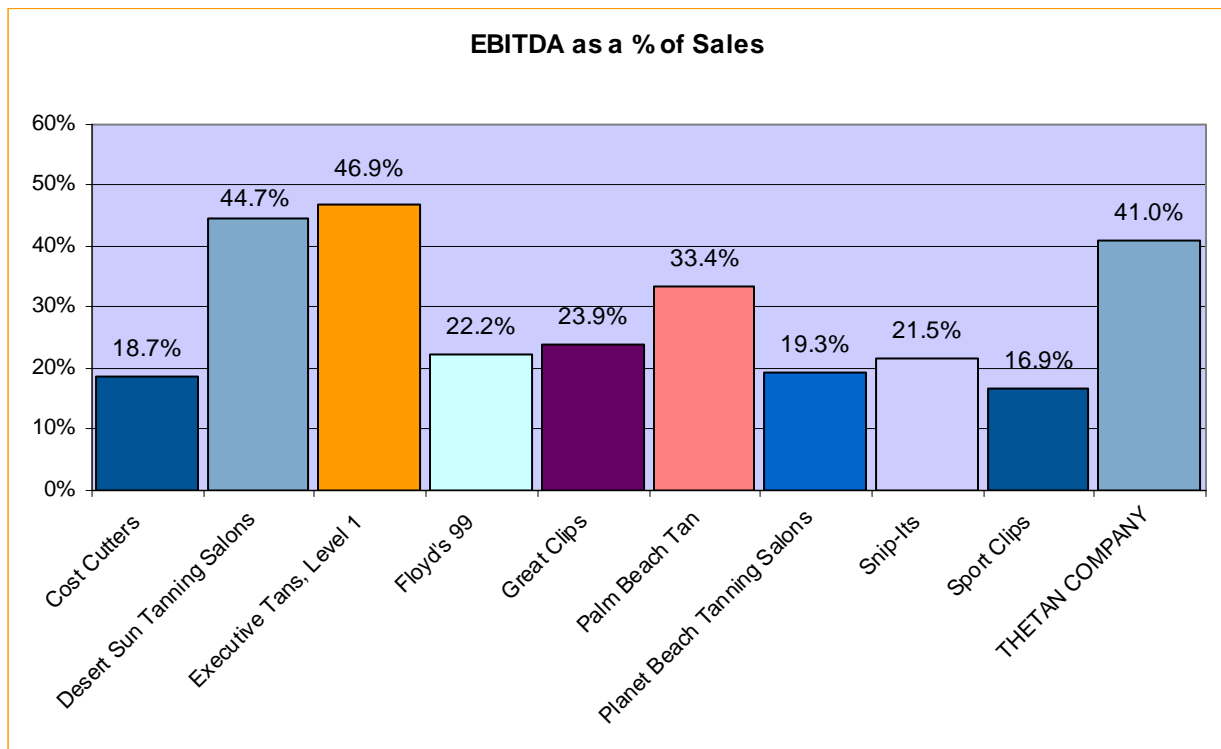
The total sample has an average EBITDA of \$123,989. With a standard deviation of \$69,475, there are no statistical outliers. The tanning centers sub-sector's average EBITDA is \$159,328. At \$88,651, the hair care sub-sector's average is 45% lower.



EBITDA as a Percentage of Sales

A review of EBITDA as a percentage of total sales presents a better understanding of profitability relative to revenues. For a detailed break-out of EBITDA as a percentage of sales, refer to table 4 on page 39 – 40.

The total sample's average EBITDA is 28.8% of sales. With a standard deviation of 12%, there are no statistical outliers in the set. The tanning centers sub-sector has an average of 37.1%, while the hair care sub-sector has an average of 20.6% of EBITDA over sales.

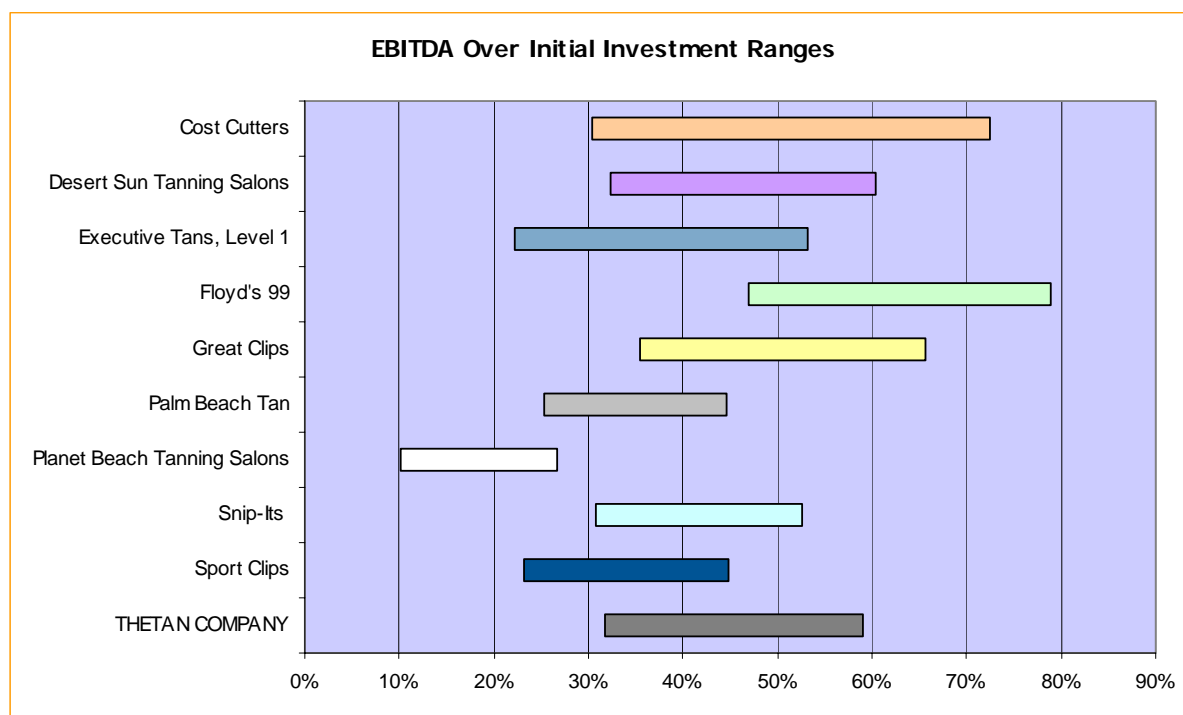


EBITDA as a % of Initial Investment

EBITDA as a percentage of initial investment provides a deeper insight into unit profitability relative to initial costs for setting up the business. The sample's average EBITDA as a percentage of initial investment ranges from 28.83% to 55.82% (corresponding to maximum and minimum investment). Despite the tanning sector's larger EBITDA, its large initial investment estimates result in lower return as compared to the hair sector, or 24.30% - 48.78% vs. 33.36% - 62.86%, respectively.

The table and chart below present a detailed review of EBITDA as a percentage of initial investment per brand.

Brand	EBITDA	Minimum Investment	Maximum Investment	EBITDA/ Min. Investment	EBITDA/ Max. Investment
Cost Cutters	\$53,104	\$73,333	\$174,600	72.41%	30.41%
Desert Sun Tanning Salons	\$201,048	\$333,300	\$622,500	60.32%	32.30%
Executive Tans, Level 1	\$110,373	\$207,500	\$498,735	53.19%	22.13%
Floyd's 99	\$179,300	\$227,500	\$382,500	78.81%	46.88%
Great Clips	\$70,185	\$106,900	\$197,700	65.65%	35.50%
Palm Beach Tan	\$199,610	\$446,696	\$789,850	44.69%	25.27%
Planet Beach Tanning Salons	\$59,739	\$223,107	\$589,491	26.78%	10.13%
Snip-Its	\$83,643	\$159,055	\$271,500	52.59%	30.81%
Sport Clips	\$57,021	\$127,200	\$245,900	44.83%	23.19%
THETAN COMPANY	\$225,870	\$383,150	\$713,150	58.95%	31.67%
Average	\$123,989	\$228,774	\$448,593	55.82%	28.83%
Average, Hair	\$88,651	\$155,164	\$274,400	62.86%	33.36%
Average, Tanning	\$159,328	\$277,848	\$564,721	48.78%	24.30%



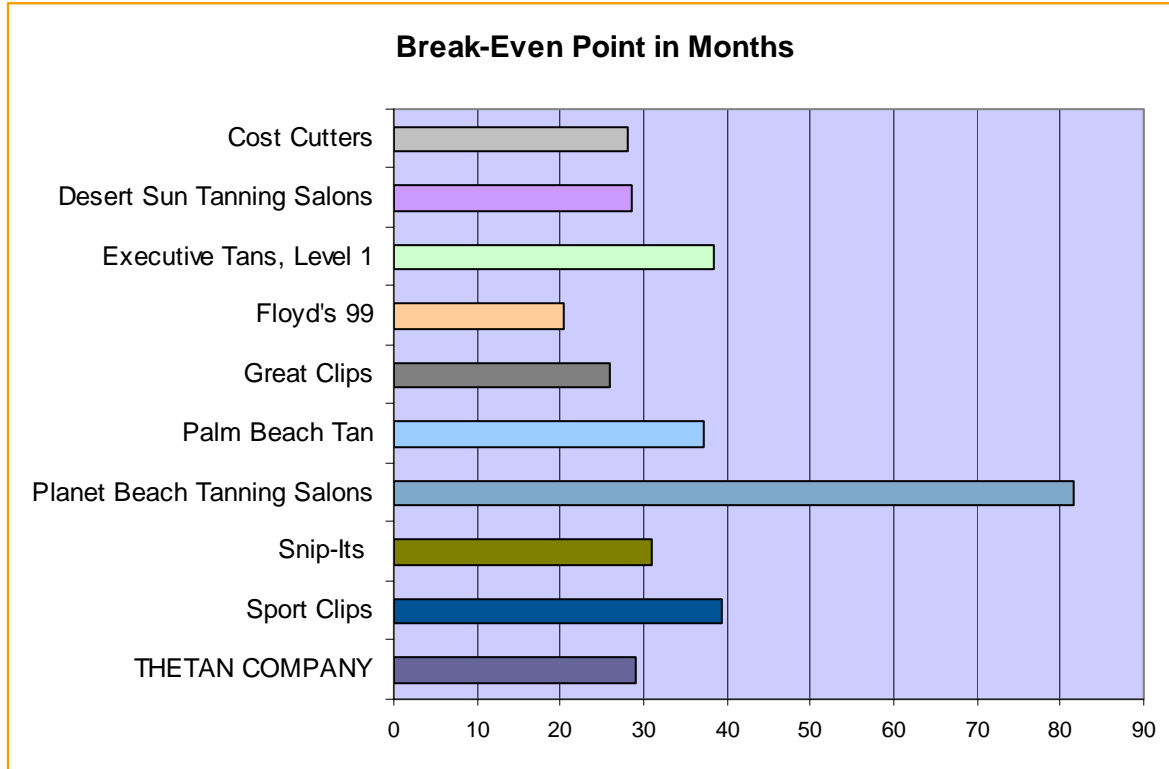
Break-Even Point

The following break-even analysis examines the level at which a franchised unit produces sufficient earnings before interest, taxes, depreciation and amortization (EBITDA) to recover that unit's initial investment. The break-even point is calculated by dividing the average unit initial investment (i.e. the mid-point between minimum and maximum initial investment) by the average unit EBITDA.

The sample's average break-even point is 33 months, or two years and nine months to cover initial costs. Within the set, the break-even point varies from a year and eight months for Floyd's 99 to six years and ten months for Planet Beach Tanning Salons. Due to its lower initial investment, the hair sub-sector has a smaller break-even point than that of the tanning sub-sector: two years and three months vs. three years, respectively.

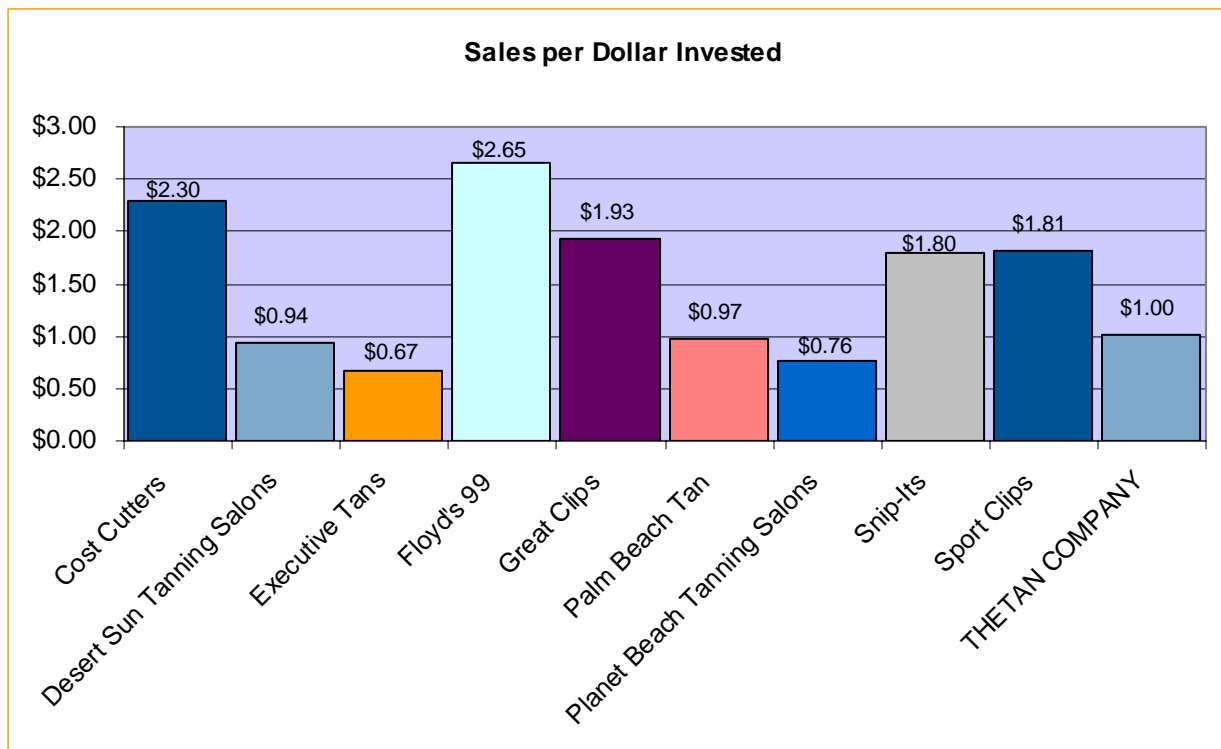
Brand	Average Initial Investment	Average EBITDA	Break-Even Point (in Months)
Cost Cutters	\$123,967	\$53,104	28
Desert Sun Tanning Salons	\$477,900	\$201,048	29
Executive Tans, Level 1	\$353,118	\$110,373	38
Floyd's 99	\$305,000	\$179,300	20
Great Clips	\$152,300	\$70,185	26
Palm Beach Tan	\$618,273	\$199,610	37
Planet Beach Tanning Salons	\$406,299	\$59,739	82
Snip-Its	\$215,278	\$83,643	31
Sport Clips	\$186,550	\$57,021	39
THETAN COMPANY	\$548,150	\$225,870	29
Average	\$338,683	\$123,989	33
Average, Hair	\$196,619	\$88,651	27
Average, Tanning	\$480,748	\$159,328	36

The chart below is a visual representation of each brand's break-even point, expressed in months.



Sales per Dollar Invested

We calculated the average sales per dollar invested by comparing the sales estimates to the initial investment estimates. The sample's average return on each dollar invested was \$1.46. The standard deviation is \$0.67. There are no outliers in the set. The tanning centers sub-sector has an average return per dollar invested of \$0.87. The hair care sub-sector's average is \$2.10, or 141% higher. The difference is due to the tanning centers' high initial investment requirements.



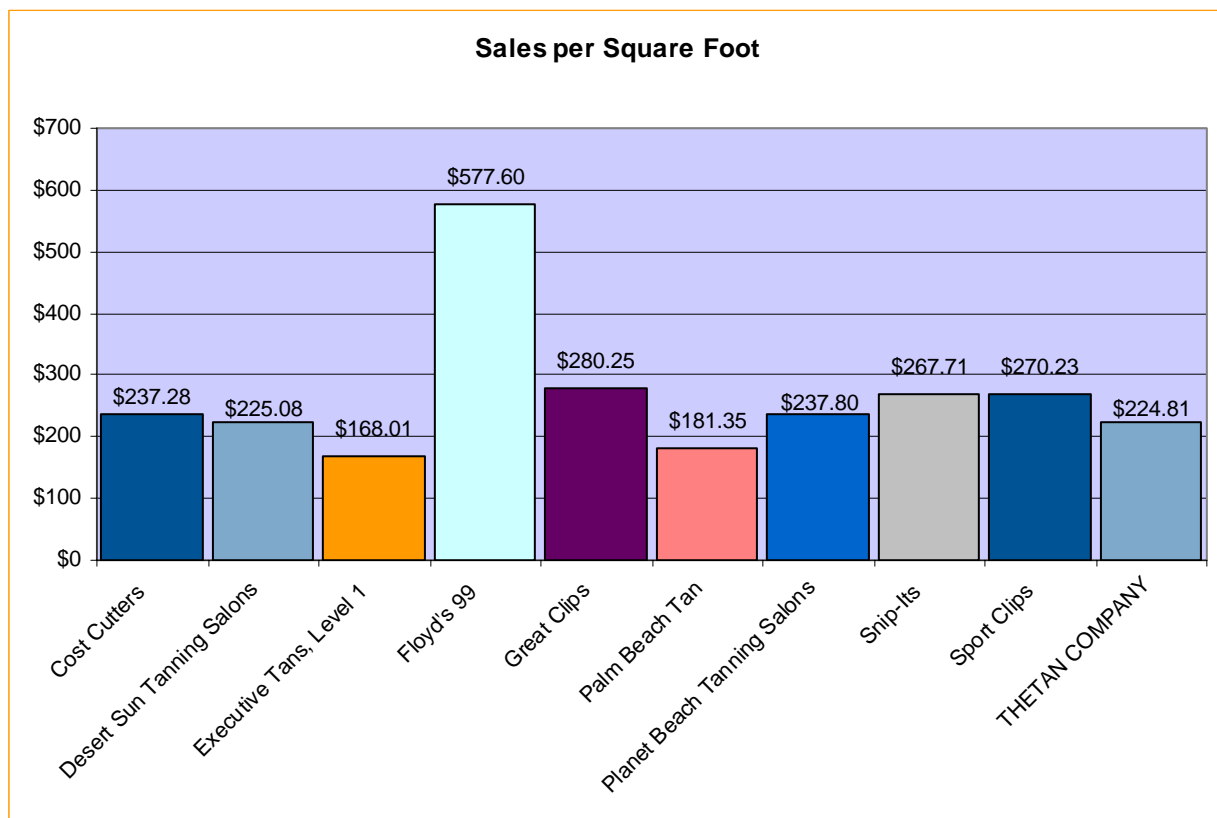
Sales per Store Square Foot

A second way to compare the unit returns is to examine the amount of sales generated per square foot in an average store.

As discussed in Initial Investment per Square Foot, the square footage of the sample is 1,635 sq. ft. The tanning centers' average size is 2,000 sq ft, while the hair care's average size is 1,270 sq. ft.

Palm Beach Tan's average store square footage is estimated to be 2,850 sq. ft. However, while the system has recently moved to a smaller prototype, the unit financials of the store are based on a company owned prototype of 3,300 sq. ft. For this reason, the Palm Beach Tan's square footage used in the following analysis is 3,300 sq. ft. The sample's average square footage is 1,680 sq. ft; the tanning sub-sector's average is 2,090 sq. ft. and the hair sub-sector's average is 1,270 sq. ft.

The total sample's average sales per square foot is \$253.41. The tanning sub-sector has average sales of \$207.41 per square foot. The hair sub-sector has \$326.61 sales per square foot, or 58% larger than the tanning sub-sector. The difference between the two sub-sectors is due to the larger size of the tanning centers.



ROYALTY FEES

Royalty Fees Required

A review of the systems' royalty fees reveals a consistent 6% fee charged by all franchisors that use a percentage-based structure. Four of the systems, Cost Cutters, Desert Sun Tanning Salons, Palm Beach Tan, and Snip-Its require a lower percentage during the first or the first and the second year.

Brand	Fee	Notes
Cost Cutters	6%	4% for the 1st year; the greater of 6% or \$100/week after the 1st year
Desert Sun Tanning Salons	6%	4% for 1st year; 5% for 2nd year; 6% after 2nd year
Executive Tans, Level 1	\$795.00	per month
Executive Tans, Level 2	\$1,195.00	per month
Floyd's 99	6%	
Great Clips	6%	
Palm Beach Tan	6%	4% for 1st year; 5% for 2nd year; 6% after 2nd year
Planet Beach Tanning Salons	6%	9% for non-compliant franchisees
Snip-Its	6%	5% for the 1st year
Sport Clips	6%	
THETAN COMPANY	6%	

NOTE: All percentage royalty fees are calculated as a percent of gross sales. Generally, they are paid monthly or per accounting period. Gross sales typically include all sales, excluding discounts or taxes. Executive Tans require a flat dollar royalty fee per month.

ADVERTISING/MARKETING FEES

Advertising/Marketing Fees Required

Advertising/marketing fees required vary among the systems. They range from 1% to up to 5% of gross revenue for the national advertising/marketing fund, and from 1% to 4% for local advertising. Executive Tans and Floyd's 99 are the only systems that offer cooperative advertising.

Brand	National Advertising	Local Advertising	Cooperative Advertising	Other Advertising
Cost Cutters	4%			At least 1%; grand opening: \$5,000
Desert Sun Tanning Salons	1%	4%		Yellow pages: cost of listing
Executive Tans, Level 1	\$490.00/mo	4%	3%	
Executive Tans, Level 2	\$690.00/mo	4%	3%	
Floyd's 99	2%	2%	up to 1.5%	Cooperative advertising is credited to local advertising.
Great Clips	5%			1% - 3% incremental advertising in addition to the fund fee
Palm Beach Tan	1%	4%		Yellow pages: cost of listing
Planet Beach Tanning Salons	1%			
Snip-Its	2%			National advertising fund fee is 1% for the 1st year
Sport Clips	\$300/week	up to \$250/week		
THETAN COMPANY	3%	1%		National advertising fee is also used for regional advertising. Start-up marketing: \$4,000

NOTE: All percentage fees are a percent of gross sales. National advertising and cooperative/regional advertising are generally paid monthly, while local advertising is paid when incurred.

TABLES

Table 1: Total Initial Investment Details

The franchised brands do not always report data in an identical way. Each of the following initial investment category tables contains only the brands that provide information for that specific cost item.

Furthermore, for a consistent comparison of the cost items, FRANData has organized some of the items differently from the way some franchisors present them. For example, most franchisors include all furniture, fixtures and equipment related expenses into a single category. However, other franchisors may present their equipment estimate separate from their furniture and fixtures one. In such cases, FRANData combines the two items and presents them into one category, called "furniture, fixtures & equipment." Yet another group of franchisors may include in any given category cost items that belong to a different category, such as computer-related expenses. If the systems specify the amount that can be attributed to the different category, FRANData subtracts that amount from the initial category, i.e. "furniture, fixtures and equipment," and adds it into the matching category, in this case "computer hardware, software, POS, system installation." If the amount is not specified, FRANData footnotes the category appropriately.

Franchise Fee

NOTE: The following table does not reflect initial franchise fees offered under development or other multi-unit agreements.

Brand	Franchise Fee	Notes
Cost Cutters	\$22,500	All subsequent stores' initial franchise fees are \$12,500; \$5,000 of the fee payable upon signing the franchise agreement; the balance payable 10 days before opening the business
Desert Sun Tanning Salons	\$50,000	
Executive Tans	\$25,000	
Floyd's 99	\$30,000	
Great Clips	\$20,000	\$10,000 payable upon signing the franchise agreement; balance payable upon placing the equipment order with Great Clips for the Salon; \$5,000 rebate for the IFA's VetFran program participants
Palm Beach Tan	\$30,000	\$20,000 for a conversion
Planet Beach Tanning Salons	\$30,000	\$7,500 payable upon signing the preliminary deposit agreement; balance paid upon signing the franchise agreement
Snip-Its	\$25,000	Initial fee for second and subsequent stores is 75% of the first store's fee if store(s) opened within 2 years of entering the franchise agreement
Sport Clips‡	\$25,000	
THETAN COMPANY	\$30,000	
Average	\$28,750	

Rent Allowance for First 3 Months

Rent Allowance for 1 Month	Low	High	Average	Avg/Sqft
Cost Cutters	\$1,333	\$4,800	\$3,067	\$2.56
Desert Sun Tanning Salons*	\$6,000	\$7,000	\$6,500	\$3.25
Executive Tans, Level 1	\$2,500	\$5,500	\$4,000	\$2.86
Executive Tans, Level 2	\$5,000	\$9,000	\$7,000	\$3.18
Executive Tans, Free Standing Junior	\$2,000	\$4,000	\$3,000	\$3.00
Great Clips*	\$1,000	\$8,000	\$4,500	\$4.29
Palm Beach Tan*	\$5,120	\$19,200	\$12,160	\$4.27
Snip-Its*†	\$0	\$10,000	\$5,000	\$3.45
Sport Clips	\$833	\$6,250	\$3,542	\$2.83
THETAN COMPANY*	\$5,000	\$12,000	\$8,500	\$6.80
Average	\$3,795	\$15,450	\$9,623	\$5.71

*Includes a security deposit

†Represents prepaid rent and security deposit commensurate

Construction and Leasehold Improvements

Construction and Leasehold Improvements	Low	High	Average Investment	Average Sq Ft	Avg/Sqft
Cost Cutters	\$20,000	\$45,000	\$32,500	\$1,200	\$27.08
Desert Sun Tanning Salons	\$75,000	\$185,000	\$130,000	\$2,000	\$65.00
Executive Tans, Level 1	\$50,000	\$155,000	\$102,500	\$1,400	\$73.21
Executive Tans, Level 2	\$100,000	\$300,000	\$200,000	\$2,200	\$90.91
Executive Tans, Free Standing Junior	\$25,000	\$80,000	\$52,500	\$1,000	\$52.50
Floyd's 99	\$80,000	\$160,000	\$120,000	\$1,400	\$85.71
Great Clips	\$20,000	\$50,000	\$35,000	\$1,050	\$33.33
Palm Beach Tan	\$120,000	\$265,000	\$192,500	\$2,850	\$67.54
Planet Beach Tanning Salons	\$20,000	\$140,000	\$80,000	\$1,300	\$61.54
Snip-Its	\$45,000	\$90,000	\$67,500	\$1,450	\$46.55
Sport Clips	\$25,000	\$100,000	\$62,500	\$1,250	\$50.00
THETAN COMPANY	\$50,000	\$245,000	\$147,500	\$2,450	\$60.20
Average	\$52,500	\$151,250	\$101,875	\$1,629	\$62.53

Signage

Signage	Low	High	Average	Avg/Sqft
Cost Cutters	\$2,000	\$5,800	\$3,900	\$3.25
Desert Sun Tanning Salons*	\$15,000	\$30,000	\$22,500	\$11.25
Executive Tans, Level 1	\$3,500	\$8,000	\$5,750	\$4.11
Executive Tans, Level 2	\$6,000	\$10,000	\$8,000	\$3.64
Executive Tans, Free Standing Junior	\$2,500	\$4,500	\$3,500	\$3.50
Floyd's 99	\$12,000	\$18,000	\$15,000	\$10.71
Palm Beach Tan	\$7,800	\$15,800	\$11,800	\$4.14
Snip-Its	\$4,000	\$6,000	\$5,000	\$3.45
Sport Clips	\$4,000	\$8,000	\$6,000	\$4.80
THETAN COMPANY	\$10,000	\$15,000	\$12,500	\$5.10
Average	\$6,680	\$12,110	\$9,395	\$5.46

*Includes fixtures

Pre-Construction Costs/Professional Services

Pre-Construction Costs / Professional Services	Low	High	Average	Avg/Sqft
Desert Sun Tanning Salons	\$6,500	\$12,000	\$9,250	\$4.63
Executive Tans, Level 1	\$2,000	\$4,000	\$3,000	\$2.14
Executive Tans, Level 2	\$2,000	\$2,000	\$2,000	\$0.91
Executive Tans, Free Standing Junior	\$2,000	\$2,000	\$2,000	\$2.00
Palm Beach Tan	\$5,500	\$6,500	\$6,000	\$2.11
Planet Beach Tanning Salons	\$2,500	\$9,000	\$5,750	\$4.42
Snip-Its	\$4,000	\$10,000	\$7,000	\$4.83
Sport Clips	\$1,000	\$5,000	\$3,000	\$2.40
THETAN COMPANY	\$2,000	\$3,000	\$2,500	\$1.02
Average	\$3,056	\$5,944	\$4,500	\$2.55

Furniture, Fixtures and Equipment

In some cases, the itemized cost figures will not match the figures presented in the table for largest and second-largest item on page 12. This is due to the methodology described on page 25.

Thus, for example, Executive Tans' estimates for "furniture, fixtures & equipment" are each \$5,000 lower than their estimated "tanning and related equipment" presented in the table on page 12. The \$5,000 were subtracted from the category because Executive Tans relates them to "computer, software, and timer system," which FRANData includes in the "computer hardware, software, POS, system installation" category. Palm Beach Tan, on the other hand, exhibits a larger "furniture, fixtures, & equipment" category in the table below as compared to its "tanning and related equipment" examined in the initial investment largest and second largest item table on page 12. Palm Beach Tan separates its equipment expenses, \$158,000 - \$275,000 presented in the table on page 12, from its furniture and fixtures expenses, \$13,276 - \$35,750. The table below, however, examines the three cost items at once, for which reason they are combined to the amount of \$171,276 - \$310,750. Similarly, other brands' categories also vary.

Furniture, Fixtures & Equipment	Low	High	Average	Avg/Sqft
Cost Cutters	\$14,000	\$32,000	\$23,000	\$19.17
Desert Sun Tanning Salons	\$140,000	\$220,000	\$180,000	\$90.00
Executive Tans, Level 1	\$65,000	\$185,235	\$125,118	\$89.37
Executive Tans, Level 2	\$189,835	\$345,685	\$267,760	\$121.71
Executive Tans, Free Standing Junior	\$39,000	\$53,000	\$46,000	\$46.00
Floyd's 99	\$25,000	\$40,000	\$32,500	\$23.21
Great Clips*	\$28,000	\$38,000	\$33,000	\$31.43
Palm Beach Tan	\$171,276	\$310,750	\$241,013	\$84.57
Planet Beach Tanning Salons	\$131,202	\$313,696	\$222,449	\$171.11
Snip-Its	\$63,555	\$70,800	\$67,178	\$46.33
Sport Clips	\$30,000	\$40,000	\$35,000	\$28.00
THETAN COMPANY	\$221,050	\$287,700	\$254,375	\$103.83
Average	\$93,160	\$161,406	\$127,283	\$78.13

*Includes signage and computer costs

Initial Inventory

Initial Inventory	Low	High	Average	Avg/Sqft
Cost Cutters	\$5,000	\$10,000	\$7,500	\$6.25
Desert Sun Tanning Salons	\$5,000	\$10,000	\$7,500	\$3.75
Executive Tans, Level 1	\$3,000	\$6,000	\$4,500	\$3.21
Executive Tans, Level 2	\$4,000	\$8,000	\$6,000	\$2.73
Executive Tans, Free Standing Junior	\$2,500	\$5,500	\$4,000	\$4.00
Floyd's 99	\$6,000	\$12,000	\$9,000	\$6.43
Great Clips	\$4,700	\$6,400	\$5,550	\$5.29
Palm Beach Tan	\$10,000	\$12,000	\$11,000	\$3.86
Planet Beach Tanning Salons	\$2,900	\$4,700	\$3,800	\$2.92
Snip-Its	\$5,500	\$8,000	\$6,750	\$4.66
Sport Clips	\$3,000	\$5,000	\$4,000	\$3.20
THETAN COMPANY	\$3,000	\$6,000	\$4,500	\$1.84
Average	\$4,550	\$7,800	\$6,175	\$3.79

Initial Training and Organizational Costs

Initial Training and Organizational Costs	Low	High	Average
Cost Cutters	\$1,000	\$2,000	\$1,500
Desert Sun Tanning Salons	\$1,000	\$3,000	\$2,000
Executive Tans, Level 1	\$11,500	\$13,500	\$12,500
Executive Tans, Level 2	\$11,500	\$13,500	\$12,500
Executive Tans, Free Standing Junior	\$11,500	\$13,500	\$12,500
Floyd's 99	\$3,000	\$5,000	\$4,000
Great Clips	\$1,500	\$2,500	\$2,000
Palm Beach Tan	\$9,000	\$13,500	\$11,250
Sport Clips	\$1,000	\$2,000	\$1,500
THETAN COMPANY	\$3,200	\$6,300	\$4,750
Average	\$5,420	\$7,480	\$6,450

Opening Advertising and Advertising and Promotional Materials

Opening Advertising; Advertising & Promotional Materials	Low	High	Average
Cost Cutters*	\$5,000	\$15,000	\$10,000
Desert Sun Tanning Salons	\$4,000	\$10,000	\$7,000
Executive Tans, Level 1	\$5,000	\$8,000	\$6,500
Floyd's 99	\$7,500	\$7,500	\$7,500
Great Clips**	\$17,000	\$17,000	\$17,000
Palm Beach Tan***	\$15,000	\$28,000	\$21,500
Planet Beach Tanning Salons	\$10,000	\$10,000	\$10,000
Snip-Its	\$5,000	\$10,000	\$7,500
Sport Clips	\$15,000	\$15,000	\$15,000
THETAN COMPANY	\$4,000	\$10,000	\$7,000
Average	\$8,750	\$13,050	\$10,900

*Includes Grand Opening Advertising, \$5,000 - \$15,000 for first Cost Cutters business and \$2,500 for each additional Cost Cutters business

**Includes Grand Opening Advertising of \$12,000

***Includes Grand Opening Fee of \$10,000 - \$20,000

Computer Hardware, Software, POS, System Installation

Computer Hardware, Software, POS, System Installation	Low	High	Average
Cost Cutters	\$2,500	\$4,500	\$3,500
Desert Sun Tanning Salons*	\$6,000	\$10,000	\$8,000
Executive Tans, Level 1	\$5,000	\$5,000	\$5,000
Executive Tans, Level 2	\$5,000	\$10,000	\$7,500
Executive Tans, Free Standing Junior	\$5,000	\$5,000	\$5,000
Floyd's 99	\$20,000	\$30,000	\$25,000
Palm Beach Tan	\$6,200	\$6,600	\$6,400
Planet Beach Tanning Salons	\$5,500	\$6,200	\$5,850
Snip-Its	\$5,400	\$6,000	\$5,700
Sport Clips	\$5,600	\$6,000	\$5,800
Average	\$6,620	\$8,930	\$7,775

*Includes an optional security system from \$2,000 to \$3,000

Additional Funds for a 3- to 6-month Period

Additional Funds (3 to 6 months)	Low	High	Average	Avg/Sqft
Cost Cutters	\$10,000	\$33,000	\$21,500	\$17.92
Desert Sun Tanning Salons	\$20,000	\$60,000	\$40,000	\$20.00
Executive Tans, Level 1	\$20,000	\$55,000	\$37,500	\$26.79
Executive Tans, Level 2	\$35,000	\$75,000	\$55,000	\$25.00
Executive Tans, Free Standing Junior	\$15,000	\$35,000	\$25,000	\$25.00
Floyd's 99	\$40,000	\$70,000	\$55,000	\$39.29
Great Clips	\$12,000	\$45,000	\$28,500	\$27.14
Palm Beach Tan	\$60,000	\$60,000	\$60,000	\$21.05
Planet Beach Tanning Salons	\$10,000	\$50,000	\$30,000	\$23.08
Snip-Its	\$5,000	\$25,000	\$15,000	\$10.34
Sport Clips	\$15,000	\$25,000	\$20,000	\$16.00
THETAN COMPANY	\$40,000	\$70,000	\$55,000	\$22.45
Average	\$23,500	\$50,250	\$36,875	\$22.63

Miscellaneous Costs, Permits, Licenses, Utility, Telephone, Accessories, Insurance

Miscellaneous Costs; Permits, Licenses, Utility, Telephone, Accessories, Insurance	Low	High	Average
Cost Cutters			
Desert Sun Tanning Salons	\$4,800	\$18,500	\$11,650
Executive Tans, Level 1	\$15,000	\$28,500	\$21,750
Executive Tans, Level 2	\$24,000	\$45,000	\$34,500
Executive Tans, Free Standing Junior	\$12,000	\$27,500	\$19,750
Floyd's 99	\$4,000	\$10,000	\$7,000
Great Clips	\$2,500	\$10,600	\$6,550
Palm Beach Tan	\$6,800	\$22,500	\$14,650
Planet Beach Tanning Salons	\$9,405	\$17,045	\$13,225
Snip-Its	\$2,850	\$12,100	\$7,475
Sport Clips	\$5,200	\$15,900	\$10,550
THETAN COMPANY	\$9,300	\$22,150	\$15,725
Average	\$8,714	\$20,890	\$14,802

NOTE: Cost Cutters does not allocate any expenses to category Miscellaneous

Table 2: Number of Outlets Sampled in the Earnings Claims

The following table presents only the units which have been sampled in the earning claims. They do not show the total number of units owned by franchisors or franchisees.

Brand	Franchised	Company	Total	Note
Cost Cutters	285		285	Sales estimate is based on 330 franchised and 259 company units, a total of 589 units
Desert Sun Tanning Salons	8		8	
Executive Tans, Level 1 Salon	20		20	
Floyd's 99		7	7	
Great Clips	878		878	
Palm Beach Tan		36	36	
Planet Beach Tanning Salons	24		24	27 for revenues, 24 for COGS and expenses
Snip-Its		4	4	
Sport Clips		10	10	
THETAN COMPANY		12	12	

Table 3: Earnings Claims Breakout

The following tables provide a detailed examination of the brands' unit level earning claims. Many brands base their earning claims on company units rather than franchised units. Since company-owned units do not pay royalty fees, royalty expenditures are not included in the EBITDA analysis. For royalty fee information, refer to the Royalty Fees section on page 23.

	Cost Cutters	Desert Sun Tanning Salons	Executive Tans, Level 1	Floyd's 99	Great Clips
Sales - Services				\$747,602	\$274,696
Sales - Products				\$61,045	\$19,564
Total Net Sales	\$284,738	\$450,150	\$235,211	\$808,647	\$294,260
COGS	\$29,157			\$29,682	\$10,919
Continuing Fees	\$12,215				
Labor	\$126,139		\$17,880	\$467,569	\$143,263
Cost of Sales	\$167,511		\$17,880	\$497,251	\$154,182
Gross Profit	\$117,227		\$217,331	\$311,396	\$140,078
Operating Expenses					
Supplies			\$13,883	\$15,071	
Maintenance	\$2,420		\$1,300	\$12,563	
Rent	\$31,179		\$42,000	\$58,639	\$29,849
Insurance	\$5,467		\$3,000	\$1,374	
Advertising	\$10,934		\$15,288	\$12,214	\$16,619
Miscellaneous	\$14,123		\$15,567	\$20,691	\$23,425
Utilities			\$14,000	\$8,229	
Professional Services			\$1,920	\$1,111	
Training/Recruiting				\$2,204	
Total Operating Expenses	\$64,123	\$249,102	\$106,958	\$132,096	\$69,893
EBITDA	\$53,104	\$201,048	\$110,373	\$179,300	\$70,185

	Palm Beach Tan	Planet Beach Tanning Salons	Snip-Its*	Sport Clips	THETAN COMPANY
Sales - Services					\$451,726
Sales - Products					\$99,053
Total Net Sales	\$598,454	\$309,135	\$388,180	\$337,784	\$550,779
COGS		\$28,896	\$136,949	\$28,287	\$36,880
Continuing Fees				\$179,992	\$110,413
Labor					
Cost of Sales		\$28,896	\$136,949	\$208,279	\$147,293
Gross Profit		\$280,239	\$251,231	\$129,505	\$403,486
Operating Expenses					
Supplies					\$11,892
Maintenance					\$10,223
Rent			\$100,237	\$53,106	\$69,528
Insurance					\$7,006
Advertising			\$4,478	\$16,304	\$20,557
Miscellaneous			\$13,712	\$3,074	\$14,801
Utilities					\$42,037
Professional Services			\$47,116		\$1,572
Training/Recruiting			\$2,045		
Total Operating Expenses	\$398,844	\$220,500	\$167,588	\$72,484	\$177,616
EBITDA	\$199,610	\$59,739	\$83,643	\$57,021	\$225,870

*Snip-Its' financials are based on their UFOC 2006. The company does not furnish any earnings claims in their UFOC 2007.

Table 4: Earnings Claims as a Percentage of Net Sales

	Cost Cutters	Desert Sun Tanning Salons	Executive Tans, Level 1	Floyd's 99	Great Clips
Sales - Services				92.5%	93.4%
Sales - Products				7.5%	6.6%
Total Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	10.2%			3.7%	3.7%
Continuing Fees	4.3%				
Labor	44.3%		7.6%	57.8%	48.7%
Cost of Sales	58.8%		7.6%	61.5%	52.4%
Gross Profit	41.2%		92.4%	38.5%	47.6%
Operating Expenses					
Supplies			5.9%	1.9%	
Maintenance	0.9%		0.6%	1.6%	
Rent	11.0%		17.9%	7.3%	10.1%
Insurance	1.9%		1.3%	0.2%	
Advertising	3.8%		6.5%	1.5%	5.6%
Miscellaneous	5.0%		6.6%	2.6%	8.0%
Utilities			6.0%	1.0%	
Professional Services			0.8%	0.1%	
Training/Recruiting				0.3%	
Total Operating Expenses	22.5%	55.3%	45.5%	16.3%	23.8%
EBITDA	18.7%	44.7%	46.9%	22.2%	23.9%

	Palm Beach Tan	Planet Beach Tanning Salons	Snip-Its	Sport Clips	THETAN COMPANY
Sales - Services					82.0%
Sales - Products					18.0%
Total Net Sales	100.0%	100.0%	100.0%	100.0%	100.0%
COGS		9.3%	35.3%	8.4%	6.7%
Continuing Fees					
Labor				53.3%	20.0%
Cost of Sales		9.3%	35.3%	61.7%	26.7%
Gross Profit		90.7%	64.7%	38.3%	73.3%
Operating Expenses					
Supplies					2.2%
Maintenance					1.9%
Rent			25.8%	15.7%	12.6%
Insurance					1.3%
Advertising			1.2%	4.8%	3.7%
Miscellaneous			3.5%	0.9%	2.7%
Utilities					7.6%
Professional Services			12.1%		0.3%
Training/Recruiting			0.5%		
Total Operating Expenses	66.6%	71.3%	43.2%	21.5%	32.2%
EBITDA	33.4%	19.3%	21.5%	16.9%	41.0%

SOURCES

Brand	Source	Year
Cost Cutters	UFOC	2007
Desert Sun Tanning Salons	UFOC	2007
Executive Tans	UFOC	2007
Floyd's 99	UFOC	2007
Great Clips	UFOC	2007
Palm Beach Tan	UFOC	2007
Planet Beach Tanning Salons	UFOC	2007
Snip-Its	UFOC	2006, 2007
Sport Clips	UFOC	2007
THETAN COMPANY	UFOC	2007

FURTHER INFORMATION

UFOCs from every franchise, as well as additional information products are available at the FRANdata website at www.frandata.com. FRANdata provides custom research for additional understanding of the systems in this, or any, sector of franchising. Contact us **800.485.9570** or visit our website.



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