



®

FRANCHISE DISCLOSURE DOCUMENT

Ultimate Franchises, Inc
a California corporation
30821 Seminole Place
Laguna Niguel, California 92677
(949) 290-6431
franchise@eighteneight.com
www.eighteneight.com

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Department of
Business Oversight

The franchise is to operate a high-end hair salon under the “18|8®” name which caters to male customers and offers professional hair cutting and coloring services, beard and mustache cutting and coloring services, highlights, weaves, foot, face and scalp treatment services, massages, and other related services for men, women, and children

The total investment necessary to begin operation is \$297,555 to \$540,343 for a single 18|8 Salon developed at a newly-constructed location, and \$373,055 to \$790,843 for the first Salon developed as part of a 3-Pak, 6-Pak, or 10-Pak. These figures include \$88,200 to \$101,900 (for a single Salon) or \$163,700 to \$352,400 (for a multi-Pak Area Development Agreement) that must be paid to the franchisor or affiliate

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact W. Scott Griffiths, Ultimate Franchises, Inc., 30821 Seminole Place, Laguna Niguel, California 92677, tel. (949) 290-6431.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer's Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

The issuance date of this disclosure document is July 12, 2017.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise.

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION, MEDIATION OR ARBITRATION ONLY IN OUR HOME STATE (CURRENTLY CALIFORNIA). OUT-OF-STATE LITIGATION, MEDIATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE, MEDIATE OR ARBITRATE WITH US IN OUR HOME STATE THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT CALIFORNIA 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.

3. IF YOU SIGN AN AREA DEVELOPMENT AGREEMENT, YOU MUST MEET MINIMUM DEVELOPMENT OBLIGATIONS. IF YOU FAIL TO DO SO, THE FRANCHISOR COULD TERMINATE YOUR AGREEMENT AND YOU COULD LOSE YOUR INVESTMENT.

4. WE MAY REQUIRE AT OUR SOLE DISCRETION THAT THE OWNERS OF THE FRANCHISED BUSINESS AND THEIR SPOUSES SIGN PERSONAL GUARANTIES MAKING THEM JOINTLY AND SEVERALLY LIABLE WITH YOU FOR ALL OBLIGATIONS OF THE FRANCHISE, WHETHER OR NOT THEY ARE INVOLVED IN THE OPERATION OF THE FRANCHISED BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE BUSINESS OWNERS AND THEIR SPOUSES AT RISK. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTY MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTY WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source is our agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

[state effective dates on following page]

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin This disclosure document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates

STATE	EFFECTIVE DATE
California	
Hawaii	Not Registered
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Virginia	
Washington	
Wisconsin	

In all other states, the effective date of this disclosure document is the issuance date of July 12, 2017

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

The franchisor is Ultimate Franchises, Inc (“we,” “us,” or “our”) “You” or “your” means the person to whom we grant a franchise and, if applicable, development rights We sell franchises and grant development rights to individuals only

We were formed as a California corporation on October 30, 2009 Our principal business address is 30821 Seminole Place, Laguna Niguel, California 92677 We operate under our corporate name and the 18|8® name and marks We started offering franchises for 18|8 Salons in April 2011 We have not operated an 18|8 Salon We have not engaged in, or offered franchises in, any other line of business If we have an agent in your state for service of process, we disclose that agent in Exhibit A

Parent, Predecessors, and Affiliates

Our parent company is Ultimate Brands, Inc Ultimate Brands, Inc and its predecessors are referred to as “Ultimate Brands” Ultimate Brands’ principal business address is 30821 Seminole Place, Laguna Niguel, California 92677 Ultimate Brands has not offered franchises in any line of business Ultimate Brands has operated at least one 18|8 Salon since 2002 We have no predecessors

Our affiliate, 2UltimateBrands, Inc, sells certain products for use and sale at your Salon The principal business address for 2UltimateBrands is 30821 Seminole Place, Laguna Niguel, California 92677 We have no other affiliates that provide goods or services to our franchisees We have no affiliates that have offered franchises in any line of business, however, we or 2UltimateBrands plan to offer the following 2 franchises operating under the Griff’s Shave Bar® name and marks under a separate disclosure document beginning in late 2016

- Griff’s Shave Bar® Shop -- a premium branded barbering service that is based off of the classic barber shop concept in terms of its look and feel, lower-cost service pricing and time efficiency of the services provided Griff’s Shave Bar® Shops will be an alternative for franchisees looking to develop stand-alone service platforms in territories that may not be appropriate for an 18/8 Fine Men’s Salon, including metropolitan areas with high foot traffic and urban areas that have undergone re-development and gentrification The look is steeped in local tradition and cultural influence tied together with the classic look of Griff’s signature products and branding Other distinguishing factors of the Griff’s Shave Bar® Shop include streamlined and abbreviated services that emphasize volume and quality as opposed to the luxury experience of an 18|8 Fine Men’s Salon, as well as options for a smaller footprint with as few as 3-4 chairs and opportunities for junior stylists
- Griff’s Mobile™ -- Grooming & Barbering on the go Griff’s Mobile is a premium barbering service that takes advantage of trends in mobile business, including use of smartphone applications for scheduling, to attract new clients, broaden customer age demographic and increase product sales for a franchisee The Griff’s Mobile business will operate from a retrofitted 3-station Air Stream trailer

The Franchise Offered

We and Ultimate Brands have developed (and continue to develop and modify) policies and procedures, confidential information, intellectual property, and a distinctive and comprehensive operating system for the operation, identification, and promotion of 18|8 Salons Ultimate Brands owns the Marks, confidential information, and branded system and has licensed us to use and sublicense that intellectual property for 18|8 Salons If you acquire a franchise, you must operate your Salon according to the

business formats, methods, procedures, designs, layouts, standards, and specifications developed and prescribed by Ultimate Brands and us

We grant franchises for Salons operating under the “18|8®” name and other marks, including “18|8 Fine Men’s Salons®” (the “Marks”) An “18|8 Salon” caters to male customers and offers professional hair cutting and coloring services, beard and mustache cutting and coloring services, highlights, weaves, foot, face and scalp treatment services, massages, and other authorized services (collectively, the “Services”) for men, women, and children, as well as certain hair and skin treatment products and other authorized products (collectively, the “Approved Products”) The form of Franchise Agreement that you will sign is attached to this disclosure document as Exhibit B If you are purchasing an existing Salon, certain provisions of the Franchise Agreement will be inapplicable and will be deleted by addendum to the Franchise Agreement In addition, if you are an existing franchisee who is not required to complete 18|8 U for your next Salon, you will not be required to pay the initial training fee You will not have the right to grant franchises to others or to sub-franchise

We also grant multi-unit development rights to qualified franchisees, who then will have the right to develop a number of 18|8 Salons within a defined area over a specific time period or according to a pre-determined development schedule We and these franchisees negotiate these business terms before signing an Area Development Agreement (Exhibit C) Franchisees obtaining development rights sign a separate Franchise Agreement for each Salon The Franchise Agreement (and related documents) for each Salon developed under the Area Development Agreement will be the then-current form of agreement

Conditions of Competition

Your Salon will offer Services and Approved Products to the general public throughout the year and compete with other traditional barber shops, full service barber shops, traditional female-focused salons and other businesses offering similar services and products (whether franchised or non-franchised and whether local, regional, or national), including Salons owned by us, our affiliates or other 18|8 franchisees The market for salon services and products generally is developed and very competitive in most areas Despite this competition, we believe that 18|8 Salons will appeal to consumers because of our unique focus on the needs of male customers, customer service quality, unique atmosphere, and image

Industry-Specific Regulations

Most states have regulations promulgated or enforced by a cosmetology board or similar agency that pertain to hair cutting and other services offered at the Salon, such as nail and skin service For example, most states require that the Salon and each stylist be licensed by the state board of cosmetology or an equivalent agency Persons performing nail, skin or other services at the Salon may also require licenses You and your stylists and other employees must comply with licensing requirements and all other cosmetology-related regulations, including those related to health and sanitation If your Salon will offer alcoholic beverages and/or food, you may be required to obtain a liquor or beer and wine license and/or other licenses and permits related to food service

You must comply with these laws and with laws that apply generally to all businesses, including health, safety, insurance, tax, zoning, discrimination, employment, sexual harassment, and consumer protection laws You are responsible for knowing and complying with all laws and licensing requirements related to the operation of your Salon We recommend that you consult with your own counsel about the laws, regulations and licenses that may affect your Salon’s operation before you purchase this franchise

ITEM 2

BUSINESS EXPERIENCE

Chairman, Chief Executive Officer, Chief Marketing Officer and Director W Scott Griffiths

Mr Griffiths has been our Chairman, Chief Executive Officer and Chief Marketing Officer since our incorporation in October 2009. He has also been Chief Executive Officer of Ultimate Brands since September 2005 and has been its Chief Marketing Officer since January 2002. From June 2007 to June 2012, Mr Griffiths also served as President of Boombang Ventures, Inc. in Los Angeles, California.

Vice President, Brand Management Loretta Hwong Griffiths

Ms Griffiths has been our Vice President since 2012.

President of Salon Operations, Ultimate Brands Ron Love

Ron Love has been President of Salon Operations of Ultimate Brands since January 2002. He has also been President of Rebelle Salon, Inc., a boutique women's salon concept, since April 2004.

Vice President of Operations Brigitte Love Thewes

Brigitte Love Thewes has been our Vice President of Operations, Education and Training in Laguna Niguel, California since October 2009. She has also been Regional Manager for Ultimate Brands since September 2004.

Director of Development Mark Elson

Mark Elson has been our Director of Development since September 2016. Prior to joining us, Mr Elson was the Director of Franchise Development for Monster Tree Service in Fort Washington, Pennsylvania from May 2013 until August 2016. From July 2009 until May 2013, Mr Elson was the Brand Manager and Operations Director for The Entrepreneur's Source in Southbury, Connecticut.

ITEM 3

LITIGATION

Pending Actions

There are no pending actions that are required to be disclosed in this Item.

Litigation Commenced Against Franchisees in the Last Fiscal Year

There was no litigation commenced against franchisees in the last fiscal year.

Concluded Actions

(1) Nelia Bezuidenhout and Jean-Roux Bezuidenhout v. Ultimate Franchises, Inc. DBA 18|8 Salon, W. Scott Griffiths, Ron Love, and Brigitte Love, Case No. 2:15-cv-01082.

On April 3, 2015, franchisees Nelia Bezuidenhout and Jean Roux Bezuidenhout (the "Bezuidenhouts") filed a complaint against Ultimate Franchises DBA 18|8 Salon ("Ultimate Franchises"), and three individuals in the Superior Court of the State of Washington in and for King County, Case No. 15-2-08290-9 SEA. The complaint alleged violations of the Washington Franchise Investment Protection Act,

fraud, and negligent misrepresentation based on the estimated initial investment for the leasehold improvement cost included in the Franchise Disclosure Document that the Bezuidenhouts received. The Bezuidenhouts requested rescission, an award of damages, exemplary damages, a declaration that the alleged violations were willful, a declaration that any agreements are unlawful, illegal, void and unenforceable, a declaration that all waivers of Franchise Investment Protection Act rights are void, a declaration that Ultimate Franchises, and the three individuals are jointly and severally liable, and an award of costs and reasonable attorneys' fees.

On July 6, 2015, the complaint was removed to the United States District Court for the Western District of Washington. The parties engaged in mediation on August 31, 2015. In September 2015, the parties entered into a Settlement Agreement under which both parties denied liability, the Franchise Agreement was terminated, and Ultimate Franchises agreed to pay the Bezuidenhouts \$60,000 in 12 monthly installments of \$5,000 each in exchange for the right to resell the territory. The court dismissed the case with prejudice on September 25, 2015.

(2) California Department of Corporations Desist and Refrain Order

On October 23, 2012, the California Department of Corporations ("Department") issued a Desist and Refrain Order to Ron Love, Alexa Espinoza, W. Scott Griffiths and 18|8 Fine Men's Salons d b a Eighteen Eight Fine Men's Salons for operating a booth at the West Coast Franchise Expo in California in October 2012 without a current registration of the franchise offering. While Ultimate Franchises, Inc. was registered to offer 18|8 Salon franchises in California from July 29, 2010 to July 20, 2012, it failed to renew its registration before participating in the franchise expo. No franchises were sold after the registration lapsed in July 2012. The order required Ron Love, Alexa Espinoza and W. Scott Griffiths to desist and refrain from offering franchises for 18|8 Salons in California until the offer was registered by the Department. The Department registered the 18|8 Salon franchise offering of Ultimate Franchises, Inc. in April 2013.

Other than these 2 actions, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Initial Franchise Fee You must pay us an initial franchise fee in a lump sum when you sign the Franchise Agreement. Our standard initial franchise fee ("Initial Franchise Fee") currently is \$49,500 for a single 18|8 Salon.

Area Development Agreement If you sign an Area Development Agreement ("ADA"), you will pay a development fee ("Development Fee") in full when you sign the ADA. The Development Fee represents the initial franchise fee for each additional 18|8 Salon you agree to develop under the development schedule. Under our "3 Pak" package, you may acquire franchises for three 18|8 Salons for a Development Fee of \$125,000, under our "6 Pak," you may acquire franchises for six 18|8 Salons for a Development Fee of \$210,000, and under our "10 Pak," you may acquire franchises for ten 18|8 Salons for a Development Fee of \$300,000. You sign the Franchise Agreement for each Salon (on our then-current form of Franchise Agreement) when the site for that Salon is located, but pay no additional Initial Franchise Fee at that time.

Training Fee You must pay us a \$12,500 Training Fee when you sign the Franchise Agreement. You are required to attend 18|8 University within 90 days after signing the Franchise Agreement. If there is not an 18|8 University within 90 days after signing the agreement, then you must sign up for the next available training.

Our initial training program includes up to 5 days of training for you and your management team (General Manager, Salon Manager, lead stylists, and lead front desk managers) at our facility ("18|8 University") and up to 7 days of training at your Salon. The Training Fee covers training at our facilities for up to 2 individuals. You will pay a registration fee of \$2,000 per person for each additional trainee. You must also pay travel expenses for our staff (generally 2 trainers) to come to your facility, including transportation, lodging, and per-diem expenses for our staff. Estimated travel expenses for our trainers range from \$4,500 to \$6,000. You must have met all opening requirements for your Salon and pay us a deposit in the amount of 20% of estimated travel expenses before we make travel arrangements for your onsite training.

If you sign an Area Development Agreement, the \$12,500 Training Fee will cover your training for the first 18|8 Salon that you develop. We generally do not require franchisees to attend 18|8 University before opening the second and third Salons. You must attend 18|8 University again before opening your fourth and subsequent 18|8 Salons, however, the Training Fee will be \$3,000 per Salon for the fourth and subsequent Salon that you develop under an Area Development Agreement.

We may offer additional required pre-opening training courses in the future focusing on specialized services and products offered at 18|8 Salons. We anticipate that the additional training will generally last 2-3 days, and that additional training fees will be \$600 per trainee.

Site Selection Assistance If we assist you with site selection, you will pay our travel expenses to fly to your location and spend 2 days visiting potential sites. We estimate the travel expenses will range from \$1,700 to \$2,900.

Product Purchases We currently require you to sell proprietary products developed by us or our affiliates ("18|8 Branded Products") at your Salon. As of the date of this disclosure document, 18|8 Branded Products include the "Griff's Shave Bar" line of professional styling, grooming, and shave products. We also plan to introduce additional lines of 18|8 Branded Products in the future. We estimate that new franchisees will need to purchase an initial supply of Griff's Shave Bar Products from 2UltimateBrands or another Approved Supplier at a cost of approximately \$1,500 to \$4,000.

We also require you to use and sell other approved professional styling and grooming products at your Salon, which you must purchase through 2UltimateBrands. We estimate that the cost for your initial supply of Approved Products for retail sale at the Salon will be \$3,500 to \$4,000, and that your cost for an initial supply of "back bar" Approved Products for use in providing Salon services (but not for retail sale) will be \$4,500 to \$6,000.

Project Management Service Packages You must purchase one of our project management service packages for assistance with the design and construction of your Salon. We currently offer the following packages:

- "Silver" Package – required (\$8,500 plus travel and living expenses for the project management consultant) – includes project management consulting, including phone and e-mail support, architectural and contractor bid and contract review, assistance with vendor contracts, budgeting and scheduling, plan development review, and construction administration.

- “Gold” Package (\$15,000 plus travel and living expenses for the project management consultant) – includes all Silver Package services plus additional assistance with vendor contracts, budget and scheduling, plan development and construction administration

As of the date of this disclosure document, we estimate that travel and living expenses associated with the Project Management Service Packages will range from \$1,500 to \$2,500 for the Silver Package and from \$2,000 to \$4,000 for the Gold Package. For either the Silver or Gold Package, 50 percent of the fee is due when your landlord signs a letter of intent, and the remaining balance is due when you receive a temporary or final certificate of occupancy from the local authorities. A schedule of services currently offered with each Package is attached as Exhibit F.

Initial Franchise Fees are fully earned when paid and not refundable. The Development Fee, Training Fee, Site Selection Assistance, Approved Product costs, and Project Management Service Package fees and expenses are also not refundable.

There are no other initial fees payable to us or our affiliates.

ITEM 6
OTHER FEES

(1) Type of Fee ¹	(2) Amount	(3) Due Date	(4) Remarks
Royalty	The greater of 7% of Salon's Gross Sales ⁽²⁾ or the Minimum Royalty	Within 7 days after the end of the month for the previous month's Gross Sales ⁽³⁾	For the first three months of operation of your Salon, the Minimum Royalty is 7% of your Gross Sales. Thereafter the Minimum Royalty is \$1,200 per month and is adjusted periodically for inflation in accordance with the Consumer Price Index for All Urban Consumers (CPI-U)
System Marketing Fee	Up to 2% of Salon's Gross Sales, ⁽²⁾ currently 1%	Within 7 days after the end of the month for the previous month's Gross Sales ⁽³⁾	We may defer or reduce your Marketing Fees, or upon 30 days' written notice to you, reduce or suspend Marketing Fees for one or more periods of any length
Area Brand Cooperatives	Determined by the Area Brand Cooperative ⁽⁴⁾	As Cooperative Directs	No Brand Cooperatives currently exist (see Item 11 for more details)
Renewal Franchise	\$5,000	When you acquire renewal franchise after initial term expires	
Territory Amendment Fee	\$250 per amendment	As incurred	Payable to us in connection with our preparation and processing of territory changes requested by you
Transfer Fee	Basic Transfer Fee \$12,500 per open Salon (\$5,000 per undeveloped Salon under ADA) Sales Support Fee \$10,000 per Open Salon (\$5,000 per undeveloped Salon under ADA)	Upon transfer of the franchise agreement and/or development agreement	Payable to us in connection with the transfer of your Salon, a transfer of ownership of your legal entity (if any) the Franchise Agreement, or your Area Development Agreement. The Sales Support Fee is payable if our internal development team handles the sale. These fees are separate from and do not include other costs and expenses that you may incur in negotiating or completing a transfer, including attorneys' fees and third-party broker fees
Escrow Fees	Varies	Upon transfer of the franchise agreement and/or development agreement	You must follow our procedures and policies for processing the sale of your Salon, including appointing our affiliate, 2UltimateBrands as escrow agent
18 8 Academy Training	\$250 - \$680 per trainee plus travel expenses	Upon registration for Academy Training	You must send 2 employees per year to attend a 3-day training course at the 18 8 Academy. Academy Training will focus on technique, culture and business building

(1) Type of Fee ¹	(2) Amount	(3) Due Date	(4) Remarks
Other Additional or Refresher Training	Currently \$50 to \$125 per hour, depending on experience level of our personnel providing the service, plus travel, lodging and per diem expenses for our personnel ⁽⁵⁾	When additional training begins	We will charge you for additional training if we provide the training at your Salon
Retraining	Currently \$2,000 per person plus travel and living expenses	When retraining begins	Individuals who have completed initial training may attend additional regularly scheduled initial training sessions at our facility for a registration fee of \$2,000 per person
Special Assistance	Currently \$50 to \$125 per hour, depending on experience level of our personnel providing the service, plus travel and living expenses	As incurred	We may charge you for additional or special assistance that you need or request
Salon Management Services Fee	Currently \$1,500 to \$2,000 per month plus travel and other expenses	As incurred	You may appoint us or an affiliate as manager of your Salon. The Salon Management Services Fee is optional and your choice, unlike the "Temporary Management Fee" that is payable if we exercise our right to step in (or ask a third party to step in) and manage your Salon due to your death or disability or default under the Franchise Agreement
Product and Service Purchases	Varies	As incurred	You must buy Approved Products and 18½ Branded Products from us, our affiliates and/or our Approved Suppliers, including our approved fulfillment and distribution center
Membership Program Gifts	\$10-\$17 per item plus shipping and handling costs	As incurred	As part of your participation in the 18½ Membership Program, you will offer an approved "gift with purchase" to your customers when they purchase an 18½ membership from you. The gift may be a book, t-shirt or other item that we designate. You must purchase these items from us at cost plus shipping and handling.
Evaluations and Testing	Cost of testing, currently approx \$100 per hour	When billed	This covers the cost of testing and evaluating new products or services you propose
Computer Systems, Software License, Maintenance and Support	Year 1 \$282.95 per month ⁽⁶⁾	When billed, payable by direct debit to Shortcuts Software, Inc	This fee covers computer system support, development, software license, and related services. As of the date of this disclosure document, you must purchase the "Shortcuts" Point-of-Sales System software bundle from Shortcuts Software, Inc

(1) Type of Fee ¹	(2) Amount	(3) Due Date	(4) Remarks
Information Technology Support and Firewall Service Fee	Currently, \$185 per month	When billed	To comply with Payment Card Industry Data Security Standards (PCI-DSS), you must procure a firewall router and managed firewall service from Avitus Group
General computer maintenance	Varies	When billed	You must procure Windows updates, including security updates and patches on a regular basis and also must install anti-virus software on all computers connected to the Salon network
Convention and Special Training	Attendance fees (currently \$600) and costs, currently estimated at \$800/event	As incurred	We may charge fees for attendance at franchisee conventions and special training programs that we may offer

Contingent Fees (typically arise only upon your default)

(1) Type of Fee ¹	(2) Amount	(3) Due Date	(4) Remarks
Audit	Cost of inspection or audit	15 days after billing	Due if you do not give us reports and records, or understate Gross Sales by more than 3%
Late Fee	\$500	When billed	Due for each late or dishonored payment
Interest	Lesser of 1 5% per month or highest rate allowed by law	15 days after billing	Due on all overdue amounts more than 7 days late
Operations Manual	\$500	15 days after billing	Charge for replacement or extra copy
Temporary Management Fee	5% of Gross Sales ⁽²⁾	As incurred	Due when we or a third party manages the Salon upon your or General Manager's death or disability or your default or abandonment
Costs and Attorneys Fees	Varies	As incurred	Due upon your default
Indemnification	Varies	As incurred	You must reimburse us and pay our losses and expenses that we incur as a result of claims arising from your operation of the Franchised Business

1/ Except for product and service purchases described in Item 8, and except as otherwise noted in this Item 6, all fees are imposed and collected by and payable to us. Except as noted above, or in rare instances where a franchisee negotiates a lower fee, all fees currently are uniformly imposed. No fee is refundable. You will pay all amounts due to us and our affiliates in the manner we specify, which may include automatic debit, credit card, check, wire transfer or other methods. We currently require all franchisees to use an automated clearing house (ACH) system, but we reserve the right to specify other forms of payment. You must sign all documents necessary to authorize us to make ACH withdrawals from your designated bank account. You must designate a bank account as soon as you set it up, which must occur before you open the Salon. You must provide us with advance notice of any change to the information relating to your bank account. Our current "Direct Debit" authorization form is attached as an Exhibit to your Franchise Agreement.

2/ “Gross Sales” means all revenue that you derive from operating the Salon, whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and also includes all proceeds from business interruption insurance and the sale of 18|8® gift or loyalty cards, but (1) excludes all federal, state, and municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, (2) is reduced by revenue you derive from the use or redemption of 18|8® gift or loyalty cards by customers, and (3) is reduced by the amount of documented refunds and credits the Salon in good faith gives to customers (if those amounts originally were included in calculating Gross Sales)

3/ We have online access to your Gross Sales information from required point-of-sale (POS) system (currently Shortcuts) You are responsible for the accuracy of transactions and data entered into the system We will prepare a statement after the end of each month showing all amounts you owe us and any credits due to you based on the previous month’s Gross Sales As of the date of this disclosure document, we and our affiliates will collect all fees due to us under the Franchise Agreement or other agreements via ACH transaction from your designated bank account within 5 days after the date of invoice (generally on or about the 7th of each month), or you will pay by check within 3 days of the statement date if ACH is down or not yet set up Credits due to you will be paid by check In the future, we may require payment on a weekly basis upon notification to you of our intent do so If we establish weekly payments, we will adjust the Minimum Royalty accordingly

4/ Area Brand Cooperatives (if established) will include all 18|8 Salons operated in the market area Salons operated by us and our affiliates and will have the same voting rights as other members, and will contribute on a pro-rata basis Because no Area Brand Cooperatives have yet been established as of the date of this disclosure document, we do not have controlling voting power in any Area Brand Cooperative

5/ The per diem living expenses are based on the federal government’s rate of compensation of its employees when traveling on government business The rate will vary depending upon your location See [http //www gsa gov/portal/content/104877](http://www.gsa.gov/portal/content/104877) for current per diem rates for your location You must pay the per diem living expenses for our personnel – even if you choose to provide meals during the training

6/ The monthly fee covers the required software that you must obtain from Shortcuts (including online booking, email marketing, gift cards, client review platforms, and dashboard of sales and stylist mobile schedule review), as well as software and service maintenance, along with email marketing management and online back-up, virus protection, and credit card integration with merchant services You will need to obtain and pay for a merchant services account separately

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Cost	High Cost	Method of Payment	When Payment Is Due	To Whom Payment is Made
Initial Franchise Fee (1)	1 Salon \$49,500 3 Pak \$125,000 6 Pak \$210,000 10 Pak \$300,000	1 Salon \$49,500 3 Pak \$125,000 6 Pak \$210,000 10 Pak \$300,000	Lump sum	When you sign the franchise agreement	Us
Site Selection Assistance Travel Expenses (3)	\$1,700	\$2,900	As incurred	Upon receipt of invoice	Us

Type of Expenditure	Low Cost	High Cost	Method of Payment	When Payment Is Due	To Whom Payment is Made
Rent (3 months) (2)	\$12 000	\$45 000	As incurred	Monthly	Landlord
Lease & Utility Deposit (2)	\$3 000	\$12 000	Lump sum	As arranged – before Salon opens	Landlord and/or utility supplier
Construction/Remodeling Costs (including leasehold improvements and millwork/cabinetry) (4)	\$120 000	\$250 000	As incurred	Before Salon Opens	Landlord contractors suppliers
Design and Construction Project Consulting Costs and Expenses (5)	\$10,000	\$19 000	As incurred	50% due when landlord signs letter of intent Remaining balance due upon receipt of a temporary or final certificate of occupancy from the governing authority	Us or Approved Supplier
Graphics Package(6)	\$0	\$4,000	As incurred	Before Salon Opens	Approved Supplier
Furniture Fixtures And Equipment (FF&E)	\$17 000	\$24 000	As incurred	Before Salon Opens	Suppliers
Salon Service Equipment/Desk Supplies	\$7 000	\$9 000	As incurred	Before Salon Opens	Approved Suppliers
Computer Hardware and POS System (7)	\$4 050	\$5 050	As incurred	Before Salon Opens	Suppliers
POS System Software License Maintenance & Support Fees (3 mos) (7)	\$849	\$849	As incurred	As invoiced	Approved Suppliers (currently Shortcuts Software Inc and Avitus Group)
Firewall Setup Fee and Monthly Service & Support Fee (3 mos) (7)	\$855	\$855	As incurred	As invoiced	Approved Supplier (currently Avitus Group)
Signs	\$5,000	\$12 000	As incurred	Before Salon Opens	Supplier
Low Voltage (Phones, Music Television Security and Cameras)	\$5 300	\$6 000	As incurred	Before Salon Opens	Approved Supplier
Business Licenses and Permits	\$500	\$1 000	As incurred	Before Salon Opens	Local and state agencies
Legal and Accounting Fees (8)	\$1,800	\$2 750	As incurred	Before Salon Opens	Suppliers
Architect fees and Engineer(9)	\$6 000	\$15 000	As incurred	Before Salon Opens	Suppliers
Supplies and Inventory(10)	\$8 000	\$10 000	As incurred	Before Salon Opens	Us or an affiliate and other suppliers
Insurance Cost (11)	\$1 000	\$2 000	As incurred	Before Salon Opens	Supplier
Training Fee(12)	\$12 500	\$12 500	Lump sum	Upon signing the Franchise Agreement	Us
Trainer Travel Expenses (13)	\$4 500	\$6 000	As incurred	Upon receipt of invoice	Us
3 Day Return Training Visit (13)	\$850	\$1 500	As incurred	Upon receipt of invoice	Us
Training Costs (Travel Meals and Lodging) (14)	\$2 151	\$7 439	As incurred	Before Salon Opens	Us or Suppliers
Grand Opening and Ongoing Marketing Expenditures (15)	\$12 500	\$20 000	As incurred		Suppliers
Office Equipment	\$1 500	\$3 000	As incurred	Before Salon Opens	Suppliers

Type of Expenditure	Low Cost	High Cost	Method of Payment	When Payment Is Due	To Whom Payment is Made
Misc Salon Equipment (washer dryer and other ancillary equipment)	\$2 000	\$4 000	As incurred	Before Salon Opens	Suppliers
Additional Funds – 3 Months (16)	\$8 000	\$15 000	As incurred	As needed	Employees creditors suppliers
Total (18)					
Single Salon	\$297,555	\$540,343			
3-Pak	\$373,055	\$615,843			
6-Pak	\$458,055	\$700,843			
10-Pak	\$548 055	\$790,843			

Notes

1/ We describe the initial franchise fee, and when the fee is payable, in Item 5. For a single-unit franchise, the non-refundable initial franchise fee is \$49,500. If you purchase development rights to open and operate multiple Salons and sign an Area Development Agreement, you will pay a non-refundable development fee of \$125,000 for a “3-Pak,” \$210,000 for a “6-Pak,” or \$300,000 for a “10-Pak” when you sign the Area Development Agreement, and no additional initial franchise fees will be owing for the individual Salons. No separate initial investment is required when you sign the Area Development Agreement. Unless otherwise indicated, all fees are non-refundable.

2/ We anticipate that you will lease, rather than purchase, the real estate for the Salon. The preferred trade area for an 18|8 Salon is an upscale metropolitan market or high density affluent suburb. The site should be close to heavily-trafficked commercial and retail complexes like office developments, malls, strip centers and lifestyle centers, and be centrally located in an area with heavy pedestrian and/or vehicular traffic and dense housing. The typical size of a Salon is 1400-1600 square feet. Rent depends on geographic location, size, local rental rates, businesses in the area, site profile, the demand for the site among prospective lessees and other factors, and could be considerably higher in large metropolitan areas. Security and utility deposits may be refundable, as arranged with the landlord or utility supplier.

3/ If we assist you with site selection, you will pay our travel expenses to fly to your location and spend 2 days visiting potential sites.

4/ We assume that leased premises already will have pre-build-out attributes including permanent and/or non-support walls, base concrete floor, exposed ceiling, utilities, and HVAC system. Our estimates are based on completed company and franchisee construction projects for which we have cost information. We do not have data for all market areas or all situations. Your costs may be more or less than this estimate depending on where you plan to operate your franchise and the choices you make in the construction process. If you are required to use union labor, your costs may be 30-40% higher. Construction/remodeling costs depend on the site's location, size, condition and previous use, the extent and nature of the build-out required to conform the site for your Salon and meet our brand standards, your local market and economic conditions (including taxes and overall demand for construction services), landlord requirements (such as union labor or green building requirements or atypical requirements for temporary utilities), your design choices and finish selections, efficiency of communication and project management, and any construction or other allowances the landlord may grant. Financing might be available through your bank for some of the leasehold improvement costs, however, financing also involves associated costs and fees, which would increase your total costs.

Our experience indicates that landlords often provide a tenant improvement allowance that is payable by the landlord to the tenant according to an agreed schedule that is typically based upon achievement of various milestones in the development and opening of the business. Based on the

information available to us (which does not include all Salons, all market areas or all situations), the range of tenant improvement allowances negotiated by our franchisees in the last several years was \$0 to \$116,000, and the average allowance was approximately \$44,000. These allowances are highly variable and site-specific. There is no guaranty that your landlord will agree to make such payments, and the landlord's willingness to do so will depend on market conditions in your area and with respect to the specific site. If your landlord agrees to make such payments, your required initial investment will be reduced by the amount of the tenant allowance.

5/ You must use one of our project management service packages for assistance with the design and construction of your Salon, including phone and email support, architectural and contractor bid and contract review, assistance with vendor contracts, budgeting & scheduling, plan development review, and construction administration. We currently offer the following 2 packages: the "Silver" Package (\$8,500 plus travel and living expenses for the project management consultant) and the "Gold" Package (\$15,000 plus travel and living expenses for the project management consultant), which includes all services offered with the Silver Package plus additional assistance. A summary of the services provided with each package and sample agreement is included as Exhibit F to this disclosure document. As of the date of this disclosure document, we estimate that travel and living expenses will range from \$1,500 to \$2,500 for the Silver Package and from \$2,000 to \$4,000 for the Gold Package. For the first Salon, you must purchase at least the Silver Package. For the second and subsequent Salons, you may select any of the project management service packages that we offer. Using a Silver Package or Gold Package Project Manager does not guarantee that you will complete your project on budget and on time due to many extenuating circumstances beyond your control and the control of the project manager, including weather, change of plans, unforeseen changes or requirements from city inspectors, to name a few.

6/ You will need to provide or obtain suitable artwork for the interior decor of your Salon. We reserve the right to require you to purchase a graphics package (including graphics, photography, artwork and framing) from an Approved Supplier.

7/ As of the date of this disclosure document, you must use the Shortcuts point-of-sale system in operating your Salon and must purchase a complete hardware package from Avitus Group and the software package from Shortcuts Software, Inc. The required hardware and software include a personal computer, monitor, all-in one copy/scan/fax multifunction printer, receipt printer, and peripherals, as well as the necessary components to ensure that the Shortcuts software will be fully functional.

You will pay an initial software set-up fee of \$500 and an initial hardware package payment of approximately \$3,000 to \$4,000 for 2 users. We estimate that the total initial investment for the combined hardware/software package will range from \$4,050 to \$5,050. This amount is an estimate as of the date of this disclosure document and could change based upon changes in software systems, government regulations, and other circumstances affecting your Salon. In addition, you must (a) pay a set-up fee (currently \$300) and a monthly service fee (currently \$185) for a network firewall device, to our approved vendor, currently Avitus Group, (b) pay monthly POS System software license, maintenance & support fees (currently \$282.95 total) to our approved vendors, currently Shortcuts Software, Inc. and Avitus Group, and (c) obtain a current version of Microsoft Office from any supplier at an estimated cost of \$250.

8/ We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity and our franchise documents. It also is advisable for these professionals to review any lease or other contracts you will sign as part of your Salon's development process.

9/ You must use an architect and engineer in the design and construction of your Salon. We estimate that these fees will range from \$6,000 to \$15,000 per Salon depending on your location and the complexity of the project.

10/ You must purchase an initial supply of Approved Products for use in connection with services offered at your Salon, as well as for retail sale from your Salon. We estimate that approximately \$1,500 to \$4,000 of your Approved Product inventory will be 18|8 Branded Products that you are required to purchase from our affiliate.

11/ You must obtain and maintain certain types and amounts of insurance, including general liability insurance. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees, square footage, location, business contents, and other factors bearing on risk exposure. You should check with your insurance agent or broker regarding any additional insurance that you might wish to carry above our stated minimums. Prorated refunds are generally available.

12/ You will pay a \$12,500 Training Fee for a single Salon. The Training Fee covers training for up to 2 persons. Additional trainees or individuals who have completed initial training may attend additional regularly scheduled initial training sessions at our facility for a registration fee of \$2,000 per person. Generally, we do not require franchisees to attend Initial Training again before the opening of their second and third Salons. The Training Fee for the fourth and subsequent 18|8 Salons that you develop will be \$3,000 per Salon.

13/ You must pay the travel expenses (including transportation, lodging and per diem) for our trainer(s) (generally 2) for the 7 days of training at your location. These costs will vary depending on your location. The per diem living expenses are based on the federal government's rate of compensation of its employees when traveling on government business. The rate will vary depending upon your location. See <http://www.gsa.gov/portal/content/104877> for current per diem rates for your location. You must pay the per diem living expenses for our personnel – even if you choose to provide meals during the training. You must pay a 20% deposit of our estimated travel expenses before we make travel arrangements. In addition, we will not make travel arrangements for the trainers or conduct on-site training unless you have met all opening requirements, including receipt of all necessary permits, such as a Certificate of Occupancy, and a business license that allow you to open the Salon for business. If our trainers arrive for on-site training, and you do not have all of the required permits, you must pay the additional onsite training fee for each trainer's time spent traveling to your location and attempting to conduct the training (currently \$50 to \$125 per hour, depending on the experience level of the trainer). In addition, you will be required to reschedule your on-site training and pay the trainer's travel expenses for the rescheduled training.

You also must pay the travel expenses (including transportation, lodging and per diem) for a 3-day visit to the Salon by our certified stylists in 90 days of your Salon's opening. We estimate that the travel expenses for the 3-Day Return Visit will be \$850 to \$1,500.

14/ This estimate is for travel and living expenses for you and your selected staff and management (General Manager, Salon Manager, lead stylists and lead front desk managers) to attend the initial franchise training program. In addition to the Training Fee and these expenses, you must pay all employee compensation and other costs you incur to attend. Your costs will depend on the number of people attending training, their point of origin, method of travel, class of accommodation, and living expenses.

15/ This represents the costs of activities and media for marketing and advertising programs in effect during pre-opening and initial post-opening periods. You must spend at least \$12,500 on your market introduction program. Your actual costs will depend on the time of year you open and media costs in your market area. Post-opening, you must continue to engage in sufficient local marketing to adequately support the Salon.

16/ This estimates the funds needed to cover your initial expenses for the first 3 months of operation (other than the items identified separately in the table). It does not include any owner's draw or salary or financing costs. However, this is only an estimate, and it is possible you will need additional funds during the first 3 months you operate your Salon and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Salon will break even. Your costs will depend on how much you follow our methods and procedures, your management skill, experience, and business acumen, local economic conditions, the prevailing wage rate, competition, and your Salon's sales during the initial period. We relied on our affiliate's experience developing and operating 18|8 Salons since 2002, as well as the experience of our existing franchisees, to compile this Additional Funds estimate.

17/ This total reflects your estimated initial investment for your first Salon. The range is neither a floor on the minimum, nor a cap on the maximum you could spend, and your expenditures could vary. You should review these figures carefully with a business advisor before deciding to acquire the franchise. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing depend on many factors, including the availability of financing generally, your creditworthiness and collateral, and lending policies of financial institutions from which you request a loan. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You will operate the Salon according to our specifications, standards and guidelines, which we set out in our Operations Manual, Marketing Manual, Design and Construction Manual and other written directives, memoranda and other confidential communications (collectively the "Operations Manual" or "Manual"). We modify the Operations Manual from time to time through amendments, addenda, written directives, memoranda, materials, and other confidential communications. The Manual and all changes, modifications, additions, and amendments to the Manual may be transmitted to you electronically. We have the right to designate approved suppliers ("Approved Suppliers"), including us or our affiliates, for goods or services that you use in establishing or operating the Salon. The Manual includes a list of Approved Suppliers, and we may update this list at any time through Manual updates. Except as described in this Item, neither we nor our affiliates are the only Approved Supplier for any such good or service. As of the date of this disclosure document, none of our officers owns an interest in an Approved Supplier, except to the extent that they may have an ownership interest in us or one of our affiliates.

Required Purchases from Us, Our Affiliates or Approved Suppliers/Under Our Specifications

In developing and operating the Salon, you will purchase and/or lease various fixtures, furniture, furnishings, interior and exterior graphics, signs, and equipment ("Operating Assets"), Approved Products, 18|8 Branded Products, and other salon products and supplies required for the Salon. For 18|8 Branded Products, suppliers will be limited to us, our affiliates, and/or other specified exclusive sources. You will purchase Operating Assets and Approved Products (other than 18|8 Branded Products) from Approved Suppliers, which may include us and our affiliates. For Operating Assets and Approved Products for which there are no Approved Suppliers, you may purchase the item from any supplier, but

the item must meet our standards and specifications. Collectively, the items that must be purchased from Approved Suppliers, or in accordance with our standards and specifications, constitute virtually 100% of your overall purchases and leases in establishing and operating the Salon.

Approved Products As of the date of this disclosure document, 2UltimateBrands is the only Approved Supplier for your purchase of 18|8 Branded Products that you will use and sell at your Salon.

We and/or 2UltimateBrands also are the only approved supplier for Approved Products that you purchase for use as a “gift with purchase” in connection with enrolling customers in the 18|8 membership program. As of the date of this disclosure document, we plan to offer the following books that you must purchase from us (at cost plus shipping and handling) to use as the “gift with purchase”: *Beyond Genius*, *The 12 Essential Traits of Today's Renaissance Men*, and *RenWomen: Success Secrets of Modern Renaissance Women*, both of which are co-authored by our CEO.

In addition, you must purchase other approved professional styling, grooming, and shave products for use and sale in your 18|8 Salon from 2UltimateBrands.

Except for the 18|8 Branded Products, the other Approved Products used and sold at your Salon, and the “gift with purchase” products, as of the date of this disclosure document, we and our affiliates are not a designated or approved supplier. As further described in Item 12, your obligation to purchase these products from us or our affiliates does not limit the ability of us or our affiliates to distribute the products outside of 18|8 Salons, including through alternative channels of distribution.

Point-of-Sale System You must obtain and use the computer-hardware and/or software we specify, including required computer, point-of-sale, credit card terminal, and other electronic information systems and all equipment components and software necessary for you to accept and process our gift and loyalty cards and participate in our gift card, customer loyalty, affinity, and similar programs. As of the date of this disclosure document, you must purchase the Shortcuts point-of-sale system from Shortcuts Software, Inc. You also must use the Shortcuts preferred merchant services provider for credit card processing and obtain a network firewall router and managed firewall service from our Approved Supplier, currently Control Scan.

Project Management Consulting We require you to obtain project management consulting services from our Approved Supplier (currently M& Associates, Inc.).

Low Voltage Services You must obtain low voltage services (phones, music, television, security systems, and cameras) from an Approved Supplier. As of the date of this disclosure document, the only Approved Supplier for the low voltage services package is Security Management Services.

Fulfillment and Distribution Center We have established relationships with Approved Suppliers to manage the distribution of Salon supplies for the entire 18|8 network of franchisees. You must use the online ordering system that we and 2UltimateBrands have established with the Approved Suppliers to obtain the majority of the products and supplies that you will use in operating the Salon. You will order your products and supplies online from 2UltimateBrands, and the Approved Supplier will fulfill the order. The total purchase price for the products and supplies that you order will cover the wholesale price of the products or supplies ordered plus shipping, handling, and administrative costs. If the online ordering system is not functioning for any reason, we will provide instructions for placing and receiving your orders while the system is down.

Insurance You also must purchase and maintain the types and amounts of insurance that we designate in the Operations Manual or otherwise in writing, including a general liability policy with

\$2,000,000 in total coverage (or more if required by your landlord), worker's compensation or other employer's liability insurance policy that meets state law requirements, motor vehicle liability insurance, all risk property insurance, including fire and extended coverage on the Salon and its contents, and business interruption insurance. We also may require you to purchase and maintain key man life insurance policies on 1 or more of your principal owners, business interruption insurance, employment practices liability insurance, data theft and cybersecurity coverage, and other insurance coverage that will be specified in the Operations Manual. We may modify the insurance requirements from time to time as we deem appropriate in our reasonable discretion. We do not have an Approved Supplier for insurance, but you must furnish us with certificates of insurance, evidencing the existence and continuation of the insurance coverage required by the Franchise Agreement. All policies must contain a waiver of subrogation in our favor, and must name us and any additional parties we designate as additional insureds.

Designation and Revocation of Approved Suppliers

We will identify all Approved Suppliers in the Operations Manual or other written or electronic communications. We will issue and modify standards and specifications based on our, Ultimate Brands', and our franchisees' experience in operating 18|8 Salons. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance. Our Operations Manual or other communications will identify our standards and specifications for you and (where appropriate) suppliers or only for suppliers (in the latter case where, for example, we give our standards and/or specifications to a supplier under a confidentiality agreement). There might be situations where you can obtain items from any supplier who can satisfy our requirements and, therefore, would be an approved supplier. We will provide written notice of any revocation of supplier approval.

If we institute any type of restrictive sourcing program for an item and you want to buy an alternative item or purchase the item from an alternative supplier, you must submit samples and other information we request to determine if the item or supplier meets our standards and specifications. We may charge you or the supplier a reasonable fee for the inspection and evaluation (see Item 6) and will decide within a reasonable time (no more than 60 days). We will notify you of approval or disapproval in writing. Supplier approval might depend on product quality, delivery frequency and reliability, service standards, financial capability, customer relations, concentration of purchases with limited suppliers to obtain better prices and service and/or a supplier's willingness to pay us, our affiliates and/or our system for the right to do business with our system.

Allowances and Rebates

We and our affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with us, you, and other franchisees. During the fiscal year ended March 31, 2016, 2UltimateBrands received \$188,947.31 from franchisee purchases of Approved Products (including 18|8 Branded Products), which represented approximately 34% of 2UltimateBrands' total revenue of \$560,521.30. This information is derived from the financial records of 2UltimateBrands.

We and our affiliates have the right to receive payments from designated and Approved Suppliers on account of franchisee purchases of required and approved items from those suppliers.

There currently are no purchasing or distribution cooperatives. We and our affiliates will negotiate purchase arrangements with suppliers (including price terms) for some items, including items to be purchased by franchisees through the 18|8 fulfillment center operated by Approved Suppliers. In doing so, we and our affiliates seek to promote the overall interests of the franchise system and affiliate-owned operations and our interests as the franchisor. We do not provide material benefits to you (for example,

renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers

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 disclosure document.

Obligation	Section in Agreement FA = Franchise Agreement ADA = Area Development Agreement MSA – Salon Management Services Agreement	Disclosure Document Item
a Site selection and acquisition/lease	FA §§2A & 2B, ADA §6, Lease Rider/Collateral Assignment of Lease	7, 8, 11 & 12
b Pre-opening purchases/leases	FA §§2B, 2C, 2D, 2E & 8A, Lease Rider/Collateral Assignment of Lease	5, 7, 8 & 11
c Site development and other pre-opening requirements	FA §§2C, 2D & 2E, ADA §2 and Exhibit A	7, 8 & 11
d Initial and ongoing training	FA §§4A & 4B	6, 7 & 11
e Opening	FA §2E, ADA §2 and Exhibit A	11 & 12
f Fees	FA §§2, 3, 4A, 4B, 7, 8A, 9, 11, 12B, 12C, 12E, 13, 14C, 16 D & 17C ADA §3	5, 6 & 7
g Compliance with standards and policies/Operations Manual	FA §§4B, 4C & 8, MSA §5 A	8 & 11
h Trademarks and proprietary information	FA §§2E, 5, 6 & 9E, ADA §6	13 & 14
i Restrictions on products/services offered	FA §8A	8, 11, 12 & 16
j Warranty and customer service requirements	FA §8A	Not applicable
k Territorial development and sales quotas	ADA §§2, 4 & Exhibit A	12
l On-going product/service purchases	FA §§2D, 2E & 8, MSA §5 C	6 & 8
m Maintenance, appearance, and remodeling requirements	FA §§8, 12C & 13, MSA §5 C,	8, 11 & 17
n Insurance	FA §8	7 & 8
o Advertising	FA §9, MSA §5 C	6, 7, 8 & 11
p Indemnification	FA §16D, ADA §12, MSA §10	6
q Owner's participation/management/staffing	FA §§4A & 8A, MSA §1	11 & 15
r Records and reports	FA §10 MSA §5 B	Not applicable
s Inspections and audits	FA §11	6 & 11
t Transfer	FA §12, ADA §9	17
u Renewal	FA §13, MSA §2	17
v Post-termination obligations	FA §15	17
w Non-competition covenants	FA §§7, 12C & 15D, ADA §8, Principal's Agreement	15 & 17

Obligation	Section in Agreement FA = Franchise Agreement ADA = Area Development Agreement MSA – Salon Management Services Agreement	Disclosure Document Item
x Dispute resolution	FA §§17F, 17G, 17H, 17J, & 17L & 17M, ADA §13	17

ITEM 10 **FINANCING**

Neither we nor any of our affiliates offer direct or indirect financing. We do not guarantee your note, lease or obligation. We and our affiliates have no past practice or future intent of selling, assigning or discounting franchisees' financing arrangements to a third party. Although we may assist you in locating lenders or leases, we and our affiliates do not receive any direct or indirect payments or other consideration from any person for the placement of financing with the lender.

ITEM 11 **FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

Except as listed below, we are not required to provide you with any assistance.

Before you open the Salon, we will

1. Give you our site selection criteria for the Salon, which may cover demographic characteristics, traffic patterns, parking, character of neighborhood, competition from and proximity to other businesses, size, appearance, and other physical and commercial characteristics. We will review sites you propose for conformance with our site selection criteria and will generally notify you of our acceptance or rejection of the proposed site within 1-2 weeks. If you and we cannot agree on a site within 180 days after signing the Franchise Agreement, we may, at our election, either terminate the Franchise Agreement, or grant an extension for 60 days (if requested by you) in exchange for a \$5,000 extension fee (Franchise Agreement ("FA") §2 A). Although we may lease or sublease premises that we own or lease on a case-by-case basis to qualified franchisees, as of the date of this disclosure document we have never done so. If you sign an Area Development Agreement, we will approve each location separately and subject to our then-current site selection standards (ADA §6).

2. Accept or reject the Salon's lease (FA §2 B)

3. Give you mandatory and suggested specifications and layouts for your Salon, including requirements for dimensions, design, image, interior layout, decor and Operating Assets (FA §2 C)

4. Identify the Operating Assets, Approved Products, 18|8 Branded Products, and other items that you will use to develop and operate the Salon (FA §§2 D , 2 E , and 8 A)

5. Provide you access during the franchise term to one copy of our Operations Manual, the current table of contents of which is attached as Exhibit G (FA §4 C). As of the date of this disclosure document, the total number of pages of the Operations Manual is 225.

6. Help you develop the Salon's market introduction program (FA §9 A)

7. If this is your first Salon, assist you with the grand opening process. (If this is your second or third Salon, you will not pay the Training Fee, and we will not provide our full training program and on-

site assistance because you already will have experience operating that type of Salon. If this is your fourth or subsequent Salon, you will pay a reduced Training Fee) (FA §4 A (I))

8 Provide up to 7 days of on-site training, assistance and guidance in opening the Salon (FA §4 A)

During your operation of the Salon, we will

1 Advise you regarding the Salon's compliance with System Standards based on your reports or our evaluations and inspections. We may guide you in our Operations Manual, bulletins, or other written materials, by Electronic Media, intranets, and extranets, by telephone consultation, and/or at our office or the Salon (FA §4 13)

2 If you purchase a "3-Pak," "6-Pak," or "10-Pak," and sign our Area Development Agreement, designate a specific number of Salons that you may open at acceptable locations within your development area (Area Development Agreement §§2, 3 & 6)

3 Provide you, at your request (and at our option), with additional or special guidance, assistance, and training (FA §4 B)

4 Inspect the Salon and observe its operation to help you comply with the Franchise Agreement and all System Standards (FA §11 A)

5 Permit you to use confidential information (FA §6)

6 Permit you to use the Marks (FA §5)

7 Periodically offer refresher training courses (FA §4 A)

Our pre-opening and continuing services may be performed by us, our affiliate, or a third-party designee

Marketing

We and our affiliates conduct marketing programs in support of 18|8 Salons nationwide. We may use any media (such as radio, television or print) and online marketing, and advertising may be national, regional or local. We may develop advertising internally or use a national or regional advertising agency. We have no obligation to spend any amount on advertising in the area where your Salon is located.

Marketing Fee You must pay us a monthly Marketing Fee of up to 2% of your Gross Sales. We use your Marketing Fee to pay for various programs to benefit 18|8 Salons and the 18|8 brand generally, which may include advertising, promotion, public relations, market research, and other marketing programs, maintaining the 18|8 membership program, and administrative costs and overhead related to such projects or programs. Salons operated by us or our affiliates do not pay Marketing Fees to us. We have the sole right to determine how we spend these funds. We have no obligation to make expenditures for you that are proportional to your payments, or to ensure that your Salon benefits directly or proportionately from such programs. The aggregate of Marketing Fees paid to us by franchisees does not constitute a trust or "advertising fund" and we are not a fiduciary with respect to Marketing Fees paid to us by you and other franchisees.

If not all Marketing Fees are spent in the fiscal year in which they accrue, the remaining amount will be carried forward to the following year. Marketing Fees are not audited. You may obtain an accounting of the Marketing Fees by contacting us. We do not use any Marketing Fees for the principal purpose of soliciting new franchise sales. During the fiscal year ended March 31, 2017, we spent approximately 10% of Marketing Fees collected on the preparation of marketing and promotional materials, 30% on social media, 30% on public relations, and 30% on administration.

Franchisee Advisory Board We have the power at any time to form, change, dissolve, or merge a franchisee advisory board. Currently, we have a franchisee advisory board composed of up to 20 franchisees who are selected by us to serve a 2-year term. Generally, the franchisee advisory board meets quarterly, or more frequently if necessary. The franchisee advisory board serves in an advisory capacity only, and we retain sole discretion whether to follow, modify, or reject the board's recommendations.

Your Local Marketing You must engage in sufficient local marketing to adequately support the Salon. We may set guidelines for local marketing in the Operations Manual, including requirements regarding the media that you use and the type and format of the marketing materials. Before you use them, you must send us or our designated agency for approval samples of all advertising, promotional, and marketing materials that we have not previously prepared or approved. You may not use any advertising or marketing materials that we have not approved or have disapproved. If you have not received our written approval within 14 days after we (or our designated agency) have received the proposed samples, then we will be deemed to have disapproved them. We may require that you purchase certain marketing and promotional materials from us or our designated supplier.

You may not establish a website, landing page or other presence on the Internet relating to the Salon or referring to the Marks. We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, applications for mobile devices (such as iOS and Android apps), and co-branding arrangements. All social media channels and review sites will be monitored by Ultimate Franchises, and we may require you to remove content that does not comply with System Standards.

Area Brand Cooperative There currently are no local or regional brand cooperatives. However, the Salons in any market area containing at least 2 18|8 Salons may form an "Area Cooperative" to advertise, market, and promote 18|8 Salons in that market area. Each Area Cooperative will be organized and governed in a form and manner we determine, operate pursuant to agreements, bylaws and documents we prepare, and begin operating on a date determined by a majority vote of the open and operating Salons in the market area. If there is an Area Cooperative, you must (a) join, participate in, and actively support the Area Cooperative as its governing documents specify (which you may review), and (b) contribute a specified percentage of your monthly Gross Sales to the Area Cooperative. There is no limit on the contribution percentage that an Area Cooperative may assess. A simple majority (over 50%) of the 18|8 Salons that are members of a particular Area Cooperative will determine each member's Gross Sales percentage contribution, with each open and operating 18|8 Salon having one vote. Salons operated by us or our affiliates will contribute to the Area Cooperative on a pro rata basis, based on revenues to the Area Cooperatives where the salons operated by us or our affiliates are located. The Area Cooperative will prepare annual, unaudited financial statements that you may review. The members of any Area Cooperative may administer the Area Cooperative, including making decisions to change, dissolve, or merge the Area Cooperative. However, if the Area Cooperative's members cannot agree on any aspect of the formation, administration, operation or expenditures of the Cooperative, and the disagreement continues for 20 days after written notice to us, we have the authority to resolve the matter. Our decision will be final and binding on all Area Cooperative members.

Opening

We estimate that it will take approximately 9-12 months after you sign the Franchise Agreement and pay the initial franchise fee before you open the Salon to the public (assuming you do not already have the site when you sign the Franchise Agreement). The specific timetable for opening will vary based upon market conditions, availability of leasable space, and depends on the site's condition and the extent to which you must upgrade or remodel the site, the construction schedule, the delivery schedule for Operating Assets and other items and supplies, completing training, and complying with local laws and regulations. If you purchase a multi-Pak, your Area Development Agreement will specify the amount of time you have to open your Salons after signing your first Franchise Agreement (generally 3 years for a 3-Pak, 4½ years for a 6-Pak and 6 years for a 10-Pak).

Computer System

You must obtain and use the brands, types, makes, and/or models of communications, computer systems, and hardware, including the required hardware, credit card transactions and merchant services, back-office and point-of-sale systems, printers and other peripheral devices, front-of-the-house Wi-Fi and other Internet service for customers, and other electronic information systems and all equipment components and software necessary for use in the operation of the Salon (FA §2 D). Currently, we require you to use the Shortcuts point-of-sale system that will enable you to process credit card transactions, accept and process online reservations and gift and loyalty cards, participate in any membership, gift card, customer loyalty, affinity or similar programs that we develop, and prepare sales reports and other "back office" reports, such as revenue reports based on service sales, product sales, and membership sales.

You must obtain a complete hardware and software packages from our required vendors to run the Shortcuts point-of-sale system, which will include the required software, personal computer, monitor, and peripherals, as well as the necessary components to ensure that the Shortcuts software will be fully functional. As of the date of this disclosure document, we estimate that you will incur the following costs for the required computer hardware and software:

- Computer hardware (including personal computer, monitor, all-in-one printer, receipt printer, and peripherals for 2 users) - \$3,000 to \$4,000 (payable to Approved Supplier, currently Avitus Group)
- One-time Enterprise Set-Up Fee - \$500 (payable to Approved Supplier, currently Shortcuts)
- Shortcuts Software License Fee - \$198/month for first year (payable to Approved Supplier, currently Shortcuts)
- Credit Card Integration – Aurus Wiz Pay -- \$30/month (payable to Approved Supplier, currently Shortcuts)
- Back-Up Fee -- \$12.95/month (payable to Approved Supplier, currently Shortcuts)
- Texting -- \$12/month plus \$0.08 per text (payable to Approved Supplier, Text ME SMS)
- Information Technology Support and Firewall Management - \$300 set-up fee/\$185 monthly fee (payable to Approved Supplier, currently Avitus Group)
- Lenovo Advance Support - \$30/month (payable to Approved Supplier, currently Avitus Group)

- Operating System (Microsoft Office) - \$250 (payable to any supplier)
- Merchant Services -- varies

We may require you to update or upgrade the computer system, and the franchise agreement does not limit the frequency or cost of this obligation. We and our affiliates do not currently offer any ongoing maintenance or support contracts for the computer system. We have independent, unlimited access to the information generated and stored by the computer system. We make no warranties, express or implied, concerning the information transmitted through the Computer System, cannot guarantee that you will have uninterrupted 24/7 service, and we will bear no liability or responsibility for (i) errors or omissions of information contained in the computer system, or (ii) computer hardware, software, or system failures in connection with the computer system.

You also must obtain a firewall router and managed firewall service from our Approved Supplier (currently Avitus Group) for Payment Card Industry Data Security Standard (PCI-DSS) compliance, which protects you and us from data breaches related to credit card transactions. You will pay a one-time set-up of \$300 and an ongoing monthly fee of \$85/month in exchange for approved scanning vendor external vulnerability scanning, breach protection, and internal vulnerability scanning.

Computer Maintenance

Computer health and security is very important. The following items are required in order to maintain a secure system health. Windows Updates, including Windows Security Updates and Patches must be done regularly. Anti-Virus Software must be installed on all computers connected to the in salon network. We have the right to require you to make period upgrades and other changes at your expense to the Computer System upon our reasonable written request.

Training

Initial Training Before your Salon opens for business, we will provide our training program (scheduled to run for approximately 12 days) to you, your General Manager, your Salon Manager, Lead Stylist, and your Lead Front Desk Manager. (Training duration may vary depending on our opinion of the attendees' skills and experience.) Initial training or "18|8 University" (up to 5 days) takes place at a designated training facility of our choice (at our corporate headquarters, at an operating Salon, and/or at another designated training location), currently in California. The on-site operations training (up to 7 days) takes place at your Salon. Your General Manager and Salon Manager must complete the entire training program to our satisfaction. The initial training for 2 trainees is included in the Training Fee that you must pay upon signing your Franchise Agreement (\$12,500 for the first Salon that you develop and \$3,000 per Salon for the fourth and subsequent Salons). You generally will not receive Initial Training for your second and third Salons. If you have more than 2 trainees, you must pay a registration fee of \$2,000 per person for each additional trainee who attends 18|8 University. You also must pay travel expenses, including transportation, lodging, and per diem expenses, for our staff to come to your facility for the on-site training. You must replace any individual who fails to successfully complete training and pay our then-applicable charges to train the replacement personnel. You will pay all travel and living expenses and wages for your personnel while attending training.

Training will occur after you sign the Franchise Agreement and while you are developing the Salon. Training must be completed before you open the Salon. We plan to be flexible in scheduling training to accommodate our personnel, you, and your personnel and will conduct training programs as necessary. There currently are no fixed training schedules.

As of the date of this disclosure document, we provide the following training under the Franchise Agreement

TRAINING PROGRAM

Subject	Hours of Classroom Training (1)	Hours of On-the-Job Training (1)	Location
Introduction to 18 8			
Overview of Operations Manual	8		Irvine, CA (2)
Salon Operations	8		Irvine, CA (2)
Creating the 18 8 Fine Men's Salons Experience	4		Irvine, CA (2)
Marketing (Social Media, Public Relations, Grand Opening, Database Management)	3		Irvine, CA (2)
Defining the 18 8 Man	1		Irvine, CA (2)
Salon Design, Build-out, Power Up	4		Irvine, CA (2)
Triad of Skills (Craft, Marketing, Communication)	4		Irvine, CA (2)
Retail and Product Knowledge	4		Irvine, CA (2)
Quarterly Reviews	1		Irvine, CA (2)
Compensation and Commission Structure	2		Irvine, CA (2)
Getting to Y E S Timeline	1		Irvine, CA (2)
18 8 Salon Operations Immersion			
Front Desk Operations (Director of First Impressions)		8	Irvine, CA (2)
Salon Setup and Organization		8	Irvine, CA (2)
Y E S – Your Eighteen/Eight Salon			
P O P - Pre-Operations Procedures		8	(3)
Interviewing and Hiring		8	(3)
Shortcuts Training		8	(3)
Product and Supplies Coordination		8	(3)
Training Front Desk		8	(3)
Training - Behind the Chair/Manager		8	(3)
Salon Setup		8	(3)
Marketing/Social Media		8	(3)
Planning Grand Opening		8	(3)
Final Review		8	(3)
Total	40	96	

Notes

(1) Hours represent an estimate, and may vary by class and onsite training based on specific needs, as well as the level and nature of the trainee's prior experience at the time of training

(2) This portion of the initial training program will be conducted at our training facility in Irvine, California and/or at a training Salon we designate

(3) This portion of the initial training program will ordinarily be conducted at your Salon

We use manuals, videos, charts, and other training aids during the training program. Brigitte Love, our Director of Education and Training, oversees our training programs. Ms. Love has over 10 years' experience in the subject matters taught and over 5 years' experience in our operations.

Additional Training We currently offer the following mandatory additional training programs:

- 3-Day Return Visit – We will send up to 2 certified stylists to your Salon for a 3-day follow-up training visit 90 days after the Salon opens. You must pay the travel expenses (transportation, lodging, and per diem) of our trainers at an estimate cost of \$850 - \$1,500.
- 18|8 Academy Training - You must send 2 employees per year to attend a 3-day training course at the 18|8 Academy. Academy Training will focus on technique, culture, and business building. The fees for Academy Training generally will range from \$250 - \$680 per trainee plus travel and living expenses.

We may offer other mandatory or optional additional or refresher training programs and may charge reasonable registration or similar fees for these courses. At this time, we charge \$50 to \$125 per hour plus travel, lodging and per diem expenses for our personnel if we provide additional training at your Salon. Individuals who have completed initial training may attend additional regularly scheduled initial training sessions at our facility for a registration fee of \$2,000 per person. You must pay all travel and living expenses for you or your employees. We currently estimate that the fees and costs for your attendance at a franchisee convention or other special training program would be approximately \$1,400 (\$600 registration fee plus \$800 travel expenses). If you choose to designate a new General Manager or Salon Manager during the franchise term, each must satisfactorily complete initial training.

ITEM 12 **TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Franchise Agreement

You will operate your Salon at a specific location that we have approved. You may operate the Salon only at the accepted site and may not relocate or provide offsite Services without our prior approval. There will be a "Protected Area" around your Salon. We will not establish and operate, or grant to others the right to establish and operate, 18|8 Salons the physical premises of which are located within the Protected Area of your Salon. The area or population included in each Protected Area will vary. The minimum size of a Protected Area is generally a 1-mile radius, with a minimum population of 20,000 persons (based on the most recent population data published by the U.S. Census Bureau), but we reserve the right to vary the size of the Protected Area based on the demographics and development of each market. For example, in densely populated urban areas, the Protected Area may be smaller than a 1-mile radius.

Area Development Agreement

If you sign an Area Development Agreement ("ADA") to develop multiple Salons, the ADA will specify a "Development Area" in which you have the right to develop those Salons. We will not establish and operate, or grant to others the right to establish and operate, 18|8 Salons the physical premises of which are located within the Development Area under your ADA. You and we will agree on a Protected Area

and location of each Salon to be developed under the ADA separately based on our then-current standards. Upon termination or expiration of the ADA, you will have no further rights in the Development Area, and your territorial rights will be limited to your rights under the individual Franchise Agreements that you sign for the Salons that you develop under the ADA.

Solicitation of Customers Outside the Protected Area or Development Area and Alternative Channels of Distribution

You may sell Approved Products and provide Services at an 18|8 Salon you operate under a Franchise Agreement with us. However, you are not restricted from providing services or selling Approved Products to customers who work or live outside your Protected Area or Development Area (even if they live or work in the Protected Area or Development Area of another 18|8 franchisee), as long as they travel to your Salon to receive the Services and/or purchase the Approved Products. You also understand that customers who work or live within your Protected Area or Development Area may choose to travel to a Salon operated by us (or our affiliate) or another franchisee for Services and Approved Products.

We and our affiliates may, without paying compensation, sell products (including 18|8 Branded Products) and services under the Marks or other trademarks and service marks through alternative channels of distribution, such as Internet, e-mail, digital cellular networks, retail stores, catalog sales, telephone sales, and/or the provision of at-home or other mobile salon services provided at off-site locations to customers located in any Protected Area or Development Area. For example, in the future, we or an affiliate may offer or franchise others the right to offer mobile Salon services under the Marks or other marks (including Griff's Shave Bar®), and we, our affiliate or our respective franchisees may offer the mobile services within the Protected Area or Development Area of an existing 18|8 franchisee.

Rights Reserved by Us

Except as described above, we and our affiliates retain all other rights with respect to the Marks, Approved Products, Approved Services, the 18|8 System, and the right to engage in all activities not expressly prohibited by the Franchise Agreement or Area Development Agreement (if applicable), including (1) the right to own and operate, and to license or franchise others to operate, 18|8 Salons outside the Protected Area or Development Area (if applicable), regardless of the proximity to your Salon(s), (2) the right to own and operate, and to license or franchise others to operate businesses other than 18|8 Salons using the Marks inside or outside the Protected Area or Development Area (if applicable) and regardless of their proximity to your Salon(s), and (3) the right to own and operate, and to license or franchise others to operate, high-end salons catering to male customers and other business under other names, trade names, trademarks or service marks inside or outside the Protected Area or Development Area (if applicable) and regardless of their proximity to your Salon(s). As noted in Item 1, we or our affiliate plan to begin offering franchises under the Griff's Shave Bar® name and marks during 2016, and we have the right to develop or grant others the right to develop a Griff's Shave Bar® and Griff's Mobile™ businesses in your Protected Area or Development Area.

Salon Relocation, Options/Rights of First Refusal, and Continuation of Territorial Exclusivity

You may relocate a Salon only with our approval and only if the new site meets our site selection and other criteria. Unless you sign an ADA, you will not have the right to develop additional 18|8 Salons. The ADA specifies the conditions under which you may establish additional 18|8 Salons. We generally do not grant options, rights of first refusal, or similar rights to acquire additional territory under the Franchise Agreement or ADA.

If you fail to satisfy the minimum development obligations under an ADA, we may terminate the agreement. Otherwise, continuation of your territorial rights as described above does not depend on achieving a certain sales volume, market penetration or other contingency. We will not alter your territorial rights based on population increases or other contingencies.

ITEM 13 TRADEMARKS

You may use certain Marks in operating the Salon. You will use the following principal Marks in connection with your Salon, which have been registered on the Principal Register of the United States Patent and Trademark Office (USPTO) and licensed to us:

Mark	Registration Number	Registration Date
	2872551	August 10, 2004 Renewed February 3, 2015
EIGHTEEN EIGHT  FINE MEN'S SALONS	3983954, 3976811	June 28, 2011 June 14, 2011
GRIFF'S SHAVE BAR	4879656	January 5, 2016

The “18|8” and “18|8 Fine Men’s Salon” trademark registrations are owned by our ultimate parent company, Ultimate Brands, and the “Griff’s Shave Bar” registration is owned by the Trustees of the SL Griffiths Trust dated 3/14/2014 (“Trust”). Under our license agreement with Ultimate Brands, Ultimate Brands licensed us to use the Marks and related intellectual property and to sublicense them to franchisees for use in operating 18|8 Salons in perpetuity. Ultimate Brands may not terminate the respective license agreement unless we are in default and do not cure the default within 30 days. If Ultimate Brands’ license to us is terminated, your rights under your Franchise Agreement will not be affected. You will have the right to operate your Salon during the remaining franchise term, and during any permitted renewal franchise term, if you comply with all of your obligations. No other agreement limits our right to use or sublicense the Marks.

We also have a license from the Trust to use the “Griff’s Shave Bar” mark in connection with wholesale and retail distribution of professional styling, grooming, and shave products.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceedings or material litigation, involving the principal Marks. We do not actually know of either superior prior rights or infringing uses that could materially affect your use of the Marks in any state. All required affidavits and renewals have been filed.

You must notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark or confusingly similar trademark, and you may not communicate with any person other than us, Ultimate Brands, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and Ultimate Brands may take the action we deem appropriate (including no action) and control exclusively any litigation, USPTO proceeding, or other administrative proceeding arising from any infringement, challenge, or claim. You must assist us in protecting and maintaining our and Ultimate Brands' interests in any litigation or USPTO or other proceeding. We or Ultimate Brands will reimburse your costs of taking any requested action.

If it becomes advisable at any time for us and/or you to modify, discontinue using, and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Mark, you must comply with our directions within a reasonable time after we deliver notice. We and Ultimate Brands need not reimburse your direct expenses for changing the Salon's signs, for your lost revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.

You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you), (3) in offering or selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with electronic media, or (5) in any other manner we have not expressly authorized in writing.

We will reimburse you for all damages, claims, and expenses that you incur or for which you are liable in any proceeding challenging your right to use any Mark or other intellectual property under the Franchise Agreement if your use has been consistent with the Franchise Agreement, the Operations Manual, and our System Standards and you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and/or Ultimate Brands may defend and control the defense of any proceeding arising from your use of any Mark or other intellectual property.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We hold no rights in, or licenses to, any patents that are material to the franchise. We and Ultimate Brands claim copyrights in the Operations Manual (which contains our trade secrets), certain 18|8 Salon design features, advertising and marketing materials, the proprietary formulas for 18|8 Branded Products, and similar items used in operating 18|8 Salons. We and Ultimate Brands have not registered these copyrights with the United States Copyright Office but need not do so at this time to protect them. You may use these items only as we specify while operating your Salon (and must stop using them if we so direct you).

There currently are no effective adverse determinations of the USPTO, the United States Copyright Office, or any court regarding the copyrighted materials. Our license with Ultimate Brands described in Item 13 also covers copyrighted materials and confidential information. No other agreement limits our right to use or allow others to use the copyrighted materials. We do not know of any infringing uses of

our and Ultimate Brands' copyrights that could materially affect your use of copyrighted materials in any state

We and Ultimate Brands need not protect or defend copyrights, although we intend to do so if in the system's best interests. We will reimburse you for all damages, claims, and expenses that you incur or for which you are liable in any proceeding challenging your right to use any intellectual property under the Franchise Agreement if your use has been consistent with the Franchise Agreement, the Operations Manual, and our System Standards and you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and/or Ultimate Brands may defend and control the defense of any proceeding arising from your use of any intellectual property.

Our Operations Manual and other materials contain our and Ultimate Brands' confidential information (some of which constitutes trade secrets under applicable law). You may not use our confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with those having access.

ITEM 15 **OBLIGATION TO PARTICIPATE IN THE** **ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

You must have a General Manager who is responsible overall for supervising and overseeing the development and operation of the Salon(s) and to whom we may give, and from whom we may receive, direction regarding compliance with System Standards. If your General Manager leaves your employ during the franchise term, you must designate a new General Manager (whom we must approve), and have that new General Manager attend and satisfactorily complete our full training program, within the timeframe we specify. Your General Manager will supervise your Salon Manager (although your General Manager also may be the Salon Manager), and the Salon Manager will supervise the Salon's other employees. Your General Manager and Salon Manager need not have an ownership interest in you or the Salon. Item 11 describes our training requirements for your General Manager and Salon Manager. Your General Manager and Salon Manager must agree in writing to preserve confidential information to which they have access and not to compete with you, us, and other franchisees. In lieu of naming a General Manager, you may sign a Salon Management Services Agreement with us or our affiliate under which we will assume responsibility for the day-to-day management of the Salon in exchange for a management services fee. As of the date of this disclosure document, the management services fee is \$1,500 \$2,000 plus travel and other expenses. A sample Salon Management Services Agreement is attached as Exhibit K.

Personal Guaranty

We may require your spouse and your business partners, if any, to sign the Personal Guaranty, which is attached as an exhibit to the Franchise Agreement. In the Personal Guaranty, each guarantor unconditionally guarantees the full and faithful performance of your obligations under the Franchise Agreement, and agrees to be personally liable for every breach by you of the Franchise Agreement.

ITEM 16 **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must offer and sell all Services and Approved Products that we periodically require for 18/8 Salons. You may not offer or sell any products or services we have not authorized. Our System Standards may

regulate required and authorized Services, Approved Products, and 18|8 Branded Products, unauthorized and prohibited salon products and services, and standards, protocols, procedures and techniques for the Services. We always have the right to approve or disapprove in advance all services and items that your Salon sells. We may add new Services and Approved Products and may withdraw our approval of previously authorized Services and Approved Products. There are no limits on our rights described in this paragraph.

To the extent allowed by applicable law, we may regulate your Product prices and require you to participate in system-wide membership and discount programs. For example, all sales by you of Approved Products, including 18|8 Branded Products, must be for retail consumption only and you may not engage in wholesale sales of any kind through any channels of distribution without our prior consent. You also may not sell Approved Products through any means of distribution other than from the Salon, unless we expressly authorize in writing. However, as further described in Item 12, we may sell Approved Products, including 18|8 Branded Products, through any means of distribution (including alternative channels of distribution).

In addition, we may periodically develop and implement membership programs for the 18|8® franchise system. Participation in the membership programs may include accepting new customers and providing customer services according to pre-paid terms that we establish or that may have been established by another 18|8® franchisee. Participation also may include invoicing us or another franchisee for services performed for customer-members of a different Salon and refunding customers for unused services. You must fully participate in all such membership programs according to our System Standards.

We do not limit the customers to whom you can offer services.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

1 Franchise Agreement

Provision	Section in FA	Summary
a Length of the franchise term	1 B	Begins when you sign Franchise Agreement and runs for 10 years from date on which Salon opens for business.
b Renewal or extension of the term	13	If you are in material compliance, you may acquire up to 2 renewal franchise agreements on our then-current terms.
c Requirements for franchisee to renew or extend	13	Give us timely notice, maintain possession of Salon premises or find acceptable substitute premises, remodel Salon according to our then current standards (regardless of cost), pay us renewal franchise fee and sign new franchise agreement and other documents we use to grant franchises, including release (if state franchise law allows). Terms of our new franchise agreement that you sign for renewal franchise may differ materially from any and all of those contained in Franchise Agreement attached to this disclosure document, including Protected Area definition and Royalty and Marketing Fees, however, the first renewal franchise agreement must grant you the right to renew for an additional 5 year term.

Provision	Section in FA	Summary
d Termination by franchisee	14 A	If we materially breach Franchise Agreement and do not cure default after notice from you
e Termination by franchisor without cause	Not Applicable	We may not terminate your franchise without cause
f Termination by franchisor	14 B	We may terminate your franchise only if you or one of your owners commit one of several violations
g "Cause" defined – curable defaults	14 B	You have 10 days to cure monetary defaults to us and failure to maintain required insurance, 30 days to cure seizure of Salon, appointment of receiver or trustee, and failure to comply with any provision of the Franchise Agreement or System Standard not listed in (h) below, 180 days to relocate to new site if you lose possession of premises (but not because of your lease default), and time allowed by law to secure required licenses and permits and to cure health safety, or sanitation law violations
h "Cause" defined – noncurable defaults	14 B	Non-curable defaults include failure to find the Salon's site or to open Salon for business within required timeframe, opening Salon for business before we notify you that Salon meets our standards and specification, abandonment or failure to operate Salon actively, unapproved transfers or surrenders of control, material misrepresentation or omission, conviction of a felony, dishonest unethical, or immoral conduct that could materially, adversely affect goodwill of Marks, unauthorized use or disclosure of Operations Manual or other confidential information, loss of right to occupy Salon premises due to your lease default, failure to pay taxes, understating Gross Sales by certain minimum benefits, repeated defaults (even if cured), and assignment for benefit of creditors
i Franchisee's obligations on termination/nonrenewal	14 C & 15	Obligations include paying outstanding amounts, complete de-identification, including returning or destroying certain branded items, assigning telephone and other numbers to us (including under a Conditional Assignment of Telephone Number(s)), and returning confidential information (also see (o) and (r) below), we may control de-identification process if you do not voluntarily take required action, we may assume management while deciding whether to purchase Salon
j Assignment of contract by franchisor	12 A	No restriction on our right to assign, we may assign without your approval
k "Transfer" by franchisee – defined	12 B	Includes transfer of Franchise Agreement, sale of Salon's assets, transfer of controlling interest in you or entity that controls you (if applicable), or change in your actual management control (certain transfers of non-controlling ownership interest in you or your owners also covered)
l Franchisor approval of transfer by franchisee	12 C	No transfer without our prior written consent

Provision	Section in FA	Summary
m Conditions for franchisor approval of transfer	12 B	New franchisee qualifies, you pay us, our affiliates, and third party vendors all amounts due and submit all required reports, you are in substantial compliance with the Franchise Agreement at the time of the transfer request, new franchisee (and its-owners and affiliates) are not in a competitive business training completed, lease transferred or sublet, you or transferee signs our then current franchise agreement and other documents (any and all terms of which may differ materially from those in Franchise Agreement, though Protected Area definition and Royalty and Marketing Fee will remain the same) for a full franchise term, you correct existing deficiencies of which we notify you on punch-list, transferee agrees to upgrade and remodel Salon within specified timeframe after transfer, transfer fees paid, follow our transfer procedures, we approve transferee's capital structure, you subordinate amounts due to you, you de-identify, and you sign release (if law allows) (also see (r) below)
n Franchisor's right of first refusal to acquire franchisee's business	12 E	We may match any offer for your Salon or controlling ownership interest in you or entity that controls you
o Franchisor's option to purchase franchisee's business	15 E	We may buy Salon and premises at fair market value, and/or sublease premises, after Franchise Agreement is terminated or expires (without renewal)
p Death or disability of franchisee	12 D	The franchise must be assigned to approved party within 9 months after your or, if applicable one of your owner's, death or disability, a new General Manager must be appointed within 30 days of the death or disability of your General Manager, we may manage Salon if qualified management not in place
q Non-competition covenants during the term of the franchise	7	No diverting business, no ownership interest in or performing services for a competitive business, no recruiting our or our franchisees' employees
r Non-competition covenants after the franchise is terminated or expires	15 D	No direct or indirect ownership interest in, or performing services for, competing business for 18 months at Salon's premises, within the Protected Area, within 3 miles of any other 18½ Salon in operation or under construction as of day you signed Franchise Agreement, or within 3 miles of any other 18½ Salon in operation or under construction as of date Franchise Agreement expires or is terminated (same restrictions apply after transfer)
s Modification of the Agreement	17 I	No modifications of the Franchise Agreement except in writing, although we may change the Operations Manual and System Standards
t Integration/merger clause	17 K	Only the terms of the Franchise Agreement are binding (subject to state law) Any representations or promises made outside the disclosure document and Franchise Agreement may not be enforceable
u Dispute resolution by arbitration or mediation	17 L -N	All disputes under the Franchise Agreement and between us must be mediated All disputes not resolved by mediation must be arbitrated We must have a face-to-face meeting to attempt to resolve disputes at our headquarters before initiating mediation

Provision	Section in FA	Summary
v Choice of forum	17 G	Mediation or arbitration must be held at a location within 20 miles or our then-current principal business address (currently California) Litigation generally must be in courts located closest to our then current principal business address (currently California) (subject to state law)
w Choice of law	17 F	Subject to state law, laws of California

2 Area Development Agreement

Provision	Section in ADA	Summary
a Length of the franchise term	1	Begins when signed and ends on the date that the final Salon to be developed is actually opened or is required by the Development Schedule to be opened, whichever is earlier
b Renewal or extension of the term	None	Not Applicable
c Requirements for franchisee to renew or extend	None	Not Applicable
d Termination by franchisee	None	Not Applicable
e Termination by franchisor without cause	Not Applicable	We may not terminate your franchise without cause
f Termination by franchisor	11	We may terminate only if you are in default
g "Cause" defined – curable defaults	None	Not Applicable
h "Cause" defined – noncurable defaults	11	Non-curable defaults include failure to satisfy your development obligations or other obligations under the ADA, or default under a Franchise Agreement or another agreement between you (or your affiliates) and us or our affiliates (whether or not cured)
i Franchisee's obligations on termination/nonrenewal	None	Not Applicable
j Assignment of contract by franchisor	9	No restriction on our right to assign, we may assign without your approval
k "Transfer" by franchisee – defined	9	Includes any change in ownership (whether or not a controlling interest is transferred), transfer of the ADA, or any other attempt to assign the development rights
l Franchisor approval of transfer by franchisee	9e	You may not transfer your rights in the ADA without our prior written consent
m Conditions for franchisor approval of transfer	None	New developer qualifies you pay us, our affiliates, and third party vendors all amounts due, new developer (and its owners and affiliates) are not in a competitive business, you or transferee signs our then current ADA and other documents (any and all terms of which may differ materially from those in your ADA, transfer fees paid, follow our transfer procedures, we approve transferee's capital structure you subordinate amounts due to you, and you sign release (if law allows)
n Franchisor's right of first refusal to acquire franchisee's business	None	Not Applicable
o Franchisor's option to purchase franchisee's business	None	Not Applicable

Provision	Section in ADA	Summary
p Death or disability of franchisee	None	Not Applicable
q Non-competition covenants during the term of the franchise	8	No direct or indirect ownership interest in, or performing services for competing business or recruiting or hiring our employees or employees of our affiliates or franchisees or engaging in any other activity that might injure the goodwill of the Marks and the 18 8 System
r Non-competition covenants after the franchise is terminated or expires	None	Not Applicable
s Modification of the Agreement	16	No modifications of the ADA except in writing
t Integration/merger clause	16	Only the terms of the ADA are binding (subject to state law) Any representations or promises made outside the disclosure document and Franchise Agreement may not be enforceable
u Dispute resolution by arbitration or mediation	15 d -f	All disputes under the ADA and between us must be mediated All disputes not resolved by mediation must be arbitrated We must have a face-to face meeting to attempt to resolve disputes at our headquarters before initiating mediation
v Choice of forum	15 b	Mediation or arbitration must be held at a location within 20 miles or our then-current principal business address (currently California) Litigation generally must be in courts located closest to our then current principal business address (currently California) (subject to state law)
w Choice of law	14	Subject to state law laws of California

3 Salon Management Services Agreement

Provision	Section in Management Agreement	Summary
a Length of the franchise term	2	90 days
b Renewal or extension of the term	2	Automatically renewable for an unlimited number of additional 90-day terms, unless either you or we notifies the other of our intent not to renew
c Requirements for franchisee to renew or extend	2	Automatically renews, unless one party notifies the other within 30 days of the expiration of the then-current term of the intent not to renew
d Termination by franchisee	2	You may terminate at any time with or without cause upon 10 days' written notice to us
e Termination by franchisor without cause	2	We may terminate at any time with or without cause upon 10 days' written notice to you
f Termination by franchisor	2	We may terminate at any time with or without cause upon 10 days' written notice to you
g Cause" defined – curable defaults	None	Not applicable
h Cause" defined – noncurable defaults	None	Not applicable
i Franchisee s obligations on termination/nonrenewal	None	Not applicable

Provision	Section in Management Agreement	Summary
j Assignment of contract by franchisor	15	We may assign the Management Agreement upon written notice to you
k "Transfer" by franchisee – defined	None	Not applicable
l Franchisor approval of transfer by franchisee	15	You may not transfer your rights under the Management Agreement without our prior written consent
m Conditions for franchisor approval of transfer	15	Our prior written consent
n Franchisor's right of first refusal to acquire franchisee's business	None	Not applicable
o Franchisor's option to purchase franchisee's business	None	Not applicable
p Death or disability of franchisee	None	Not applicable
q Non-competition covenants during the term of the franchise	None	Not applicable
r Non-competition covenants after the franchise is terminated or expires	None	Not applicable
s Modification of the Agreement	12	No modifications of the Salon Management Services Agreement, except in writing
t Integration/merger clause	12	Only the terms of the Salon Management Services Agreement are binding (subject to state law) Any representations or promises made outside the disclosure document and Franchise Agreement may not be enforceable
u Dispute resolution by arbitration or mediation	None	Not applicable
v Choice of forum	None	Not applicable
w Choice of law	13	Subject to state law, laws of California

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote our franchise

ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The tables below provide certain gross revenues information for company-owned and franchised Salons for calendar years 2015 and 2016. "Company-owned" Salons refer to Salons owned and operated by our parent, Ultimate Brands (see Item 1). Table 1 provides certain gross revenues information for all 18⁸ Salons that were open and in operation for at least 24 full calendar months as of December 31, 2016. Table 2 provides certain gross revenues information for all 18⁸ Salons that were open and in operation for at least 12 full calendar months, but less than 24 months, as of December 31, 2016. No company-owned Salons closed in either 2015 or 2016. In 2015, no franchised Salons closed and, in 2016, 7 franchised Salons closed. Of those franchised Salons that closed in 2016, 4 closed after being open less than 12 months. Salons that were not open and in operation for at least 12 full calendar months as of December 31, 2016, are not included in the following tables.

The Salons included in this financial performance representation, including the goods and services they offer, are substantially similar to the Salons for which we are offering franchises in this disclosure document.

Table 1

Salons in Operation For At Least 24 Months						
Company-owned or Franchised	Opening Date	Months in Operation as of 12/31/2016	2015 Gross Revenues	2016 Gross Revenues	Difference in Gross Revenues 2015 to 2016 (\$)	Difference in Gross Revenues 2015 to 2016 (%)
Company	11/30/02	169	\$434,232	\$466,674	\$32,442	7%
Company	03/31/03	165	\$803,523	\$846,119	\$42,595	5%
Company	05/30/05	139	\$891,319	\$958,249	\$66,930	8%
Franchise	10/20/12	51	\$300,557	\$262,361	\$(38,197)	-13%
Franchise	11/01/12	50	\$325,666	\$369,446	\$43,780	13%
Franchise	03/15/13	46	\$461,635	\$592,318	\$130,683	28%
Franchise	04/12/14	33	\$188,586	\$324,206	\$135,620	72%
Franchise	05/14/14	32	\$106,906	\$163,517	\$56,611	53%
Franchise	05/16/14	32	\$530,078	\$662,202	\$132,124	25%
Franchise	05/20/14	31	\$269,667	\$432,644	\$162,977	60%
Franchise	06/06/14	31	\$412,673	\$529,981	\$117,307	28%
Franchise	06/12/14	31	\$382,553	\$518,813	\$136,259	36%
Franchise	06/22/14	30	\$280,661	\$227,221	\$(53,440)	-19%
Franchise	06/20/14	30	\$398,985	\$656,797	\$257,813	65%
Franchise	07/01/14	30	\$380,595	\$483,795	\$103,200	27%
Franchise	08/16/14	29	\$187,134	\$301,292	\$114,158	61%
Franchise	08/29/14	28	\$369,970	\$547,995	\$178,025	48%
Franchise	10/17/14	26	\$182,550	\$220,436	\$37,886	21%
Franchise	10/18/14	26	\$315,175	\$529,594	\$214,419	68%
Franchise	10/27/14	26	\$323,969	\$347,956	\$23,987	7%
Franchise	11/09/14	26	\$208,549	\$423,006	\$214,457	103%
Franchise	11/18/14	25	\$236,165	\$408,002	\$171,837	73%
Franchise	11/21/14	25	\$235,182	\$278,047	\$42,865	18%
Franchise	12/23/14	24	\$151,333	\$251,783	\$100,450	66%
Average – Company		158	\$607,408	\$633,351	\$25,943	4 27%
Median – Company		165	\$618,878	\$656,397	\$37,519	6 06%
Average – Franchise		31	\$297,552	\$406,258	\$108,706	36 53%
Median – Franchise		30	\$300,557	\$408,002	\$107,445	35 74%
Average – Overall		47	\$349,069	\$450,102	\$101,033	28 94%
Median – Overall		30	\$319,572	\$427,825	\$108,253	33 87%

Table 2

Salons in Operation for at least 12 Months, but Less than 24 Months			
Company-owned or Franchised	Opening Date	Months in Operation as of 12/31/2016	2016 Gross Revenues
Franchise	01/27/15	23	\$361,442
Franchise	02/13/15	23	\$435,536
Franchise	03/06/15	22	\$350,779
Franchise	03/19/15	21	\$274,687
Franchise	04/13/15	21	\$305,495
Franchise	04/17/15	21	\$477,738
Franchise	04/17/15	21	\$749,295
Franchise	04/24/15	20	\$147,338
Franchise	04/24/15	20	\$310,588
Franchise	05/29/15	19	\$288,116
Franchise	06/12/15	19	\$264,429
Franchise	06/13/15	19	\$249,065
Franchise	06/19/15	18	\$192,385
Franchise	06/26/15	18	\$156,847
Franchise	07/10/15	18	\$262,785
Franchise	07/11/15	18	\$246,037
Franchise	08/21/15	16	\$442,482
Franchise	08/30/15	16	\$74,380
Franchise	08/31/15	16	\$181,632
Franchise	09/19/15	15	\$302,414
Franchise	09/20/15	15	\$155,442
Franchise	09/27/15	15	\$148,272
Franchise	10/10/15	15	\$422,341
Franchise	10/11/15	15	\$178,478
Franchise	10/11/15	15	\$81,737
Franchise	10/13/15	15	\$167,598
Franchise	10/18/15	14	\$325,118
Franchise	10/27/15	14	\$202,588
Franchise	11/01/15	14	\$219,385
Franchise	11/16/15	14	\$471,670
Franchise	11/22/15	13	\$227,764
Franchise	12/05/15	13	\$122,694
Franchise	12/05/15	13	\$157,014
Average		17	\$271,320
Median		16	\$249,065

Gross revenues are comprised of the total of all revenue received from the sale of goods and services from a Salon, including salon services, retail products, memberships, and gift cards. The gross revenues

figures for company-owned locations also include revenues from the sale of Bosley® True Solutions hair thinning products and treatments, which are not included in the franchised locations' gross revenues figures. The gross revenues figures do not include sales tax and refunds, returns and other discounts have been deducted from the figures. The gross revenues figures DO NOT reflect the cost of sales, operating expenses or other costs or expenses that must be deducted from the gross revenues figures to obtain net income or profit. You should conduct an independent investigation of the costs and expenses you may incur in operation a franchised 18|8 Salon. Franchisees and former franchisees listed in this disclosure document may be one source of this information. The following is a non-exclusive list of the types of expenses an 18|8 franchisee may incur: (1) labor costs (including taxes and benefits), (2) cost of goods sold and services provided, (3) advertising and marketing fees and expenses, (4) construction costs, rent, utilities, trash collection, common area maintenance and other charges to construct and occupy your Salon, (5) training fees and costs, (6) costs of insurance, security, and supplies, (7) initial franchise fees, royalties, computer/software fees, marketing fees and local advertising expenses, (8) licensing fees, (9) professional fees, and (10) taxes. You may incur other costs. The expenses franchisees incur may vary from Salon to Salon, and in different market areas.

The revenues information disclosed for company-owned Salons is based on our parent's internally maintained data derived from the point-of-sale systems in the company-owned Salons. We have not audited the revenues information retrieved from the company-owned Salons' point-of-sale systems. The revenues information disclosed for franchised Salons is based on the information available to and retrieved by us from the franchisees' point-of-sale systems. We have not audited the information retrieved from the franchisees' point-of-sale systems, nor have otherwise verified its accuracy.

YOU SHOULD UNDERSTAND THAT PAST RESULTS ARE NO ASSURANCE AS TO FUTURE RESULTS. YOUR SUCCESS WILL DEPEND LARGELY ON YOUR ABILITY AND YOUR INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS DISCLOSED ABOVE.

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.

Included among the factors that can affect results (and may be reasons why your results may differ from those reported), are the market in which a Salon operates, the length of time that a Salon has been open and operating in a market, the population size and demographic characteristics of the market, including the age, household income, general economic conditions, pricing decisions, licensing requirements and other cosmetology-related regulations, existing and potential competition, the background, skills and qualifications of the franchisee and its staff and adherence to our standards, the level of existing and continuing brand recognition and acceptance in the market, and the care and professionalism of your staff. You should consider all of these (and other) factors and determine if the Salon results disclosed above are really comparable to the Salon that may be operated by you.

In that regard, it is possible that the characteristics of these existing Salons disclosed may be materially different than where you plan to do business. Location, competition, demographic characteristics, economic conditions, and other factors may change over time and could impact (positively or negatively) your results in the future. You should, before making any investment decision, carefully examine any market area you might choose, together with the surrounding area, including an analysis of existing and potential competition and public awareness and acceptance of the products and services offered by 18|8 Salons, as well as other characteristics of the area and community you will service.

Success in most businesses depends, in large part, on your personal efforts and your marketing, operational, financial, administrative and other skills as well as your active participation in the daily

affairs of the business and many other factors. You should determine the level of personal effort you can commit to the operation of your Salon and whether you possess the skills that may contribute to your being successful.

This Item 19 is provided as reference information only for your use with other information. We do not intend for it to be used as a statement or forecast of sales or revenues that may be achieved by a franchised Salon. We urge you to develop your own business plan and consult with your financial, business, tax, accounting and legal advisors about the information contained in this Item 19. Written substantiation of the data used in preparing this Item 19 Financial Performance Representation will be made available to you on reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Griffiths at 30821 Seminole Place, Laguna Niguel, California 92677, (949) 290-6431, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Unless otherwise noted, all year-end numbers appearing in the tables below are as of March 31 of each year.

Table No. 1
Systemwide Outlet Summary
For the years ended March 31, 2015, 2016 and 2017

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2015	3	25	+22
	2016	25	74	+49
	2017	74	88	+14
Company-Owned ⁽¹⁾	2015	4	3	-1
	2016	3	3	0
	2017	3	3	0
Total Outlets	2015	7	28	+21
	2016	28	77	+49
	2017	77	91	+14

(1) These outlets are owned and operated by our parent, Ultimate Brands (see Item 1)

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For the years ended March 31, 2015, 2016 and 2017

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2015	0
	2016	1
	2017	3
Colorado	2015	0
	2016	0
	2017	1
Minnesota	2015	0
	2016	0
	2017	1
Total	2015	0
	2016	1
	2017	5

Table No 3
Status of Franchised Outlets
For the years ended March 31, 2015, 2016 and 2017*

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Terminati ons	Col 6 Non- Renewals	Col 7 Reacquired by Franchisor	Col 8 Ceased Operations – Other Reasons	Col 9 Outlets at End of the Year
Arizona	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2
California	2015	2	11	0	0	0	0	13
	2016	13	14	0	0	0	0	27
	2017	27	1	0	0	0	1	27
Colorado	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
DC	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Florida	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Georgia	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Hawaii	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Illinois	2015	0	1	0	0	0	0	1
	2016	1	3	0	0	0	0	4
	2017	4	2	0	0	0	0	6

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Terminati ons	Col 6 Non- Renewals	Col 7 Reacquired by Franchisor	Col 8 Ceased Operations – Other Reasons	Col 9 Outlets at End of the Year
Indiana	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Kentucky	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2
Maryland	2015	0	1	0	0	0	0	1
	2016	1	2	0	0	0	0	3
	2017	3	1	0	0	0	1	3
Massachusetts	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Minnesota	2015	0	2	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Missouri	2015	0	1	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Nebraska	2015	0	1	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	0	0	0	0	0	2
New Jersey	2015	0	0	0	0	0	0	0
	2016	0	5	0	0	0	0	5
	2017	5	4	0	0	0	4	5
New Mexico	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
New York	2015	0	1	0	0	0	0	1
	2016	1	2	0	0	0	0	3
	2017	3	1	0	0	0	0	4
Ohio	2015	0	0	0	0	0	0	0
	2016	0	3	0	0	0	0	3
	2017	3	1	0	0	0	0	4
Oregon	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
South Carolina	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Tennessee	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Texas	2015	0	2	0	0	0	0	2
	2016	2	9	0	0	0	0	11
	2017	11	4	0	0	0	1	14
Washington	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Wisconsin	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
	2017	2	0	0	0	0	0	2

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Terminati ons	Col 6 Non- Renewals	Col 7 Reacquired by Franchisor	Col 8 Ceased Operations – Other Reasons	Col 9 Outlets at End of the Year
Totals	2015	3	22	0	0	0	0	25
	2016	25	49	0	0	0	0	74
	2017	74	21	0	0	0	7	88

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time

Table No 4
Status of Company-Owned⁽¹⁾ Outlets
For the years ended March 31, 2015, 2016 and 2017

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired From Franchisees	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
California	2015	4	0	0	0	1	3
	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3
Totals	2015	4	0	0	0	1	3
	2016	3	0	0	0	0	3
	2017	3	0	0	0	0	3

(1) These outlets are owned and operated by our parent, Ultimate Brands (see Item 1)

Table No 5
Projected Openings as of March 31, 2017

State	Franchise Agreements Signed But Salons Not Opened	Projected New Franchised Salons in the Next Fiscal Year	Projected New Company-Owned Salons in the Next Fiscal Year
Arizona	0	1	0
California	6	4	4
Florida	0	3	0
Colorado	0	0	1
Georgia	1	2	0
Illinois	0	2	0
Maryland	2	0	2
Massachusetts	0	2	0
Minnesota	2	2	0
Missouri	0	1	0
Nevada	0	0	0
New Jersey	0	4	3
New York	0	2	1
Ohio	1	2	0
Oregon	0	1	1
Pennsylvania	1	1	0

State	Franchise Agreements Signed But Salons Not Opened	Projected New Franchised Salons in the Next Fiscal Year	Projected New Company-Owned Salons in the Next Fiscal Year
Texas	2	3	2
Virginia	0	2	1
Wisconsin	0	2	0
Total	15	34	15

A list of all franchised 18|8 Salons as of March 31, 2017 is attached as Exhibit M

Exhibit M includes a list of franchises who left the system during the last fiscal year or who have not communicated with us in the 10 weeks preceding the date of this Disclosure Document

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

There are no trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored or endorsed

During the last three fiscal years, current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experience as a franchisee in our franchise system. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the 18|8 franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

ITEM 21 FINANCIAL STATEMENTS

Our fiscal year end is March 31. Attached as Exhibit H are our audited financial statements as of March 31, 2017, March 31, 2016, and March 31, 2015.

ITEM 22 CONTRACTS

The following contracts/documents are exhibits:

- Exhibit B Franchise Agreement
- Exhibit C Area Development Agreement
- Exhibit D Assignment Agreement to Wholly-Owned Entity
- Exhibit E Franchisor Addendum to Lease
- Exhibit F Project Management Services Agreement
- Exhibit I State-Specific Addenda to Franchise Agreement & Area Development Agreement
- Exhibit J Franchisee Representations

Exhibit K Salon Management Services Agreement

Exhibit L Termination and Release Agreement

ITEM 23
RECEIPTS

Two copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document

EXHIBIT A
LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

EXHIBIT A STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some or all of the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Business Oversight California Department of Business Oversight 320 West Fourth Street, Suite 750 Los Angeles, California 90013 2344 (213) 576 7500 / 1 866 275 2677 www.dbo.ca.gov	HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division PO Box 40 Honolulu, Hawaii 96810 (808) 586 2744
ILLINOIS Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4436	INDIANA Indiana Securities Division Franchise Section Office of the Secretary of State 302 West Washington Room E 111 Indianapolis Indiana 46204 (317) 232-6681
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore Maryland 21202 2020 (410) 576-6360	MICHIGAN Michigan Attorney General's Office Consumer Protection Division, Attn: Franchise Section 525 W. Ottawa Street Williams Building 6th Floor Lansing Michigan 48933 (517) 373 7117
MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East Suite 500 St. Paul Minnesota 55101 2198 (651) 296 6328	NEW YORK Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway 23rd Floor New York, New York 10271 (212) 416 8211
NORTH DAKOTA Franchise Examiner Office of Securities Commissioner 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 0510 (701) 328 4712	RHODE ISLAND Dept. of Business Regulation, Securities Division 1511 Pontiac Avenue John O. Pastore Complex 691 Cranston Rhode Island 02920 4407 (401) 462 9527
SOUTH DAKOTA Franchise Administration Division of Securities 124 S. Euclid Suite 104 Pierre South Dakota 57501 3185 (605) 773-4823	VIRGINIA Director Securities & Retail Franchising Division State Corporation Commission 1300 East Main Street, 9th Floor Richmond Virginia 23219 (804) 371 9051
WASHINGTON Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, Washington 98507 9033 (360) 902 8760	WISCONSIN Division of Securities Department of Financial Institutions P.O. Box 1768 Madison Wisconsin 53701 1768 (608) 266 2801

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some or all of the following states, in accordance with applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA California Commissioner of Business Oversight California Department of Business Oversight 320 West Fourth Street Suite 750 Los Angeles, California 90013 2344 (213) 576 7500 www.dbo.ca.gov	HAWAII Hawaii Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division 335 Merchant Street, Room 205 Honolulu, Hawaii 96813 (808) 586 2744
ILLINOIS Illinois Attorney General 500 South Second Street Springfield Illinois 62706 (217) 782 4436	INDIANA Indiana Secretary of State 200 W Washington Street, Room 201 Indianapolis, Indiana 46204 (317) 232 6681
MARYLAND Maryland Securities Commissioner 200 St Paul Place Baltimore Maryland 21202 2020 (410) 576 6360	MICHIGAN Michigan Corporations & Securities Bureau Department of Commerce 6546 Mercantile Way Lansing Michigan 48911 (517) 373 7117
MINNESOTA Minnesota Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 500 St Paul Minnesota 55101-2198 (651) 296-6328	NEW YORK New York Secretary of State Division of Corporations 99 Washington Avenue Albany New York 12231
NORTH DAKOTA North Dakota Securities Commissioner 600 East Boulevard, Fifth Floor Bismarck, North Dakota 58505 0510 (701) 328-4712	RHODE ISLAND Director Rhode Island Dep t of Business Regulation 1511 Pontiac Avenue John O Pastore Complex 69 1 Cranston Rhode Island 02920 4407 (401) 462 9527
SOUTH DAKOTA Director South Dakota Division of Securities 445 E Capitol Avenue Pierre South Dakota 57501 3185 (605) 773 4823	VIRGINIA Clerk, Virginia State Corporation Commission 1300 E Main Street Tyler Bldg First Floor Richmond Virginia 23219 (804) 371 9733
WASHINGTON Director of Financial Institutions Securities Division – Third Floor 150 Israel Rd SW Tumwater Washington 98501 (360) 902 8760	WISCONSIN Administrator Wisconsin Division of Securities Department of Financial Institutions 201 W Washington Avenue Madison Wisconsin 53703 (608) 261 9555

EXHIBIT B
FRANCHISE AGREEMENT

ULTIMATE FRANCHISES, INC
FRANCHISE AGREEMENT

Franchisee Name

Agreement Date

Salon Address

ULTIMATE FRANCHISES, INC
FRANCHISE AGREEMENT

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EXHIBIT A – FRANCHISEE INFORMATION

EXHIBIT B – CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBER(S)

EXHIBIT C – AUTHORIZATION FOR PRE-ARRANGED PAYMENTS (DIRECT DEBIT)

GUARANTY AND ASSUMPTION OF OBLIGATIONS

ULTIMATE FRANCHISES, INC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of _____, 20____ (the "**Effective Date**") by ULTIMATE FRANCHISES, INC., a California corporation with its principal business address at 30821 Seminole Place, Laguna Niguel, California 92677 ("**we**," "**us**," or "**our**"), and _____, a _____ whose principal business address is _____ ("**you**" or "**your**")

1 PREAMBLES AND GRANT OF FRANCHISE

A PREAMBLES

(1) Our affiliate Ultimate Brands, Inc. ("**Ultimate Brands**") has developed (and continues to develop and modify) a system for the construction, operation, identification, and promotion of high-end salons under the "18|8®" service mark and related commercial symbols (collectively, the "**Marks**"), which cater to male customers and offer professional hair cutting and coloring services, beard and mustache cutting and coloring services, highlights, weaves, foot, face and scalp treatment services, massages, and other authorized services (collectively, the "**Services**") and certain hair and skin treatment products and other related products (the "**Products**")

(2) Ultimate Brands has authorized us to create, develop, and offer a franchise opportunity for 18|8 Salons. An "**18|8 Salon**" is a full-service, high-end salon that offers the Services and Products using the Marks and the distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications developed by Ultimate Brands and us (collectively, the "**18|8 System**"), all of which we and Ultimate Brands may improve, further develop, and otherwise periodically modify

(3) Ultimate Brands owns the Marks, Confidential Information (defined in Section 6 below), and 18|8 System and has the exclusive right to use this intellectual property (collectively, the "**Intellectual Property**") In turn, Ultimate Brands licenses us to use and sublicense the Intellectual Property for 18|8 Salons. You acknowledge that our right to sublicense the Intellectual Property to you is subject to our license agreement with Ultimate Brands

(4) We grant to qualified individuals a franchise to operate an 18|8 Salon using the 18|8 System. Products offered at an 18|8 Salon may include approved hair, skin and other products marketed under third party brands and marks ("**Approved Products**") and products branded with the Marks and manufactured in accordance with our or Ultimate Brands' specifications and standards ("**18|8 Branded Products**")

(4) 18|8 Salons operate in accordance with specifications, standards, operating procedures, recommendations and rules (collectively, "**System Standards**") that we periodically prescribe

(5) You have applied for a franchise to operate an 18|8 Salon

B GRANT OF FRANCHISE

You have applied for a franchise to operate an 18|8 Salon at the location identified in Paragraph B(1) of Exhibit A (the "**Premises**") (If you have not found a site as of the Effective Date, the Premises will be identified after you do so, as provided in Section 2 A below) Subject to this Agreement's terms, we grant you a franchise (the "**Franchise**") to operate an 18|8 Salon (the "**SALON**") at the Premises, and to use the 18|8 System in its operation, for a term (the "**Term**") beginning on the Effective Date and expiring 10 years from the date on which your SALON opens to the public for business During the Term, we and our affiliates will not establish and operate, or grant to others the right to establish and operate, another 18|8 Salon the physical premises of which are located within the geographic area identified in paragraph B(3) of Exhibit A (the "**Protected Area**") We and our affiliates retain all other rights with respect to the Marks, the Products, the Services and the 18|8 System, and the right to engage in all activities that this Agreement does not expressly prohibit, including

- (1) the right to own and operate, and to license or franchise others to operate, 18|8 Salons outside the Protected Area, regardless of their proximity to the Premises
- (2) the right to own and operate, and to license or franchise others to operate, businesses other than 18|8 Salons using the Marks inside or outside the Protected Area and regardless of their proximity to the Premises
- (3) the right to own and operate, and to license or franchise others to operate, high-end salons catering to male customers and other businesses under other names, trade names, trademarks or service marks inside or outside the Protected Area and regardless of their proximity to the Premises
- (4) the right to advertise the Marks, Services, Products and 18|8 System to any person anywhere, including in the Protected Area and regardless of proximity to the Premises We also have the right to offer and sell Products and Services through alternative channels of distribution (for example such as via the Internet, e-mail, digital cellular networks, retail stores, catalog sales, telephone sales, and/or the provision of at-home or mobile salon services provided at off-site locations) to customers located anywhere, including in the Protected Area and regardless of proximity to the Premises, under the Marks or under any other names, trade names, trademarks or service marks You will not receive any compensation as a result of such activity

2 SITE SELECTION LEASE OF PREMISES, AND DEVELOPMENT AND OPENING OF SALON

A SITE SELECTION AND RELOCATION

If you have not, as of the Effective Date, found and secured the site for the Premises, then within 180 days after the Effective Date, you must find and sign a lease for (or purchase) a suitable site for the SALON within the non-exclusive general area described in Paragraph B(2) on Exhibit A (the "**Site Selection Area**") The Site Selection Area is not the same as the Protected Area, which will be defined after the Premises have been identified We and you will mutually agree on the site at which you will operate the SALON We will give you site evaluation parameters to

help you assess whether a site will satisfy our criteria. We will not unreasonably withhold acceptance of a site that meets the site selection criteria that we will provide to you. Our approval of a site may be conditioned on the lease containing certain terms, including our right to receive notices of default and to assume the lease upon termination of this Agreement.

After you secure the site, it will become the Premises, and we will insert its address into paragraph B(1) of Exhibit A and the Protected Area into paragraph B(3) of Exhibit A. If you do not find and secure the SALON's site within 180 days after the Effective Date, we may, but are not obligated, to grant you an extension of time to secure the site, and may charge you \$5,000 for each extension we grant you (regardless of its length), although we have no obligation to grant you any extensions.

You acknowledge and agree that, if we accept or give you information regarding a proposed site, that is not a representation or warranty of any kind, express or implied, of the site's suitability for an 18|8 Salon or any other purpose. Our acceptance indicates only that we believe the site meets our then-current site selection criteria.

You may not relocate the site of the SALON without our prior written consent. We are not required to consent to a change of location. To request our consent, the new site must be within the Protected Area, and you must submit to us a site package containing the same information as for an initial site approval. Relocation will be at your sole expense.

B SALON DEVELOPMENT

You are responsible for developing the SALON. We will give you mandatory and suggested specifications and layouts for an 18|8 Salon, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. You must retain an architect to prepare the plans and specifications for the SALON. You must use one of our project management service packages for assistance with the design and construction of your SALON. You must send us construction plans and specifications for review before you begin constructing the SALON, and all revised or "as built" plans and specifications during construction. Our review is limited to ensuring your compliance with our design and layout requirements only, and you are responsible for reviewing and ensuring compliance with federal, state, and local laws and regulations. We may inspect the Premises during the SALON development process.

In developing the SALON, you will (1) secure all financing required to develop and operate the SALON, (2) obtain all required permits and licenses, (3) construct all required improvements to the Premises and decorate the SALON according to approved plans and specifications, (4) purchase or lease and install the Operating Assets and Computer System (defined below), (5) purchase an opening inventory of Approved Products and 18|8 Branded Products from us, our affiliates, or other designated sources, and (6) meet the following design and construction benchmarks: (a) submission of space plan and construction documents to us for review and approval within 60 days after you sign a lease for the Salon, (b) construction start within 30 days after we complete our review of your plans, (c) installation of Operating Assets (defined below) and completion of construction within 90 days after construction starts.

C OPERATING ASSETS

You agree to place or display at the Premises (interior and exterior) only the signs, emblems, lettering, logos, display materials, interior decor/artwork and furniture and fixtures ("**Operating Assets**") that we periodically designate or approve for 18|8 Salons as meeting our standards and specifications for quality, design, appearance, function, and performance. You must purchase or lease approved brands, types, and models of Operating Assets only from suppliers we designate or approve (which may include or be limited to us or our affiliates).

D TECHNOLOGY AND COMPUTER SYSTEMS

(1) Technology and Computer System Specifications

We have the right to specify or require, and you agree to obtain and use, the brands, types, makes, and/or models of communications, computer systems, and hardware, including the required hardware, credit card termination and merchant services, back-office and point-of-sale systems, printers and other peripheral devices, front-of-the-house WiFi and other Internet service for customers, and other electronic information systems and all equipment components and software necessary for use in the operation of the Salon (the "**Computer System**"). You also must obtain a firewall router and managed firewall services from an Approved Supplier to comply with Payment Card Industry Data Security Standards ("PCI-DSS") and other data security standards. We may modify the Computer System's specifications and components, and you agree to implement and periodically make upgrades and other changes at your expense to the Computer System as we may reasonably request in writing.

You also agree to use our designated e-mail system for all business related to the Franchise. We have the right to monitor and review your e-mail communications. You may not use any unapproved computer software or security access codes. We have independent, unlimited access to, and ownership of, the information and data generated and stored by the Computer System.

Although you agree to buy, license, use, and maintain the Computer System according to our standards and specifications, you will have sole and complete responsibility for (1) the acquisition, operation, maintenance, and upgrading of the Computer System, (2) the manner in which your Computer System interfaces with our and any third party's computer system, (3) backing up all necessary data, (4) maintaining and updating an anti-virus software program, and (5) any and all consequences if the Computer System is not properly operated, maintained, backed up, and upgraded.

We make no warranties, express or implied, concerning the information transmitted through the Computer System, and we will bear no liability or responsibility for (i) errors or omissions of information contained in the Computer System, or (ii) computer hardware, software, or system failures in connection with the Computer System.

(2) Computer System Data

(a) We own all data generated by the Computer System concerning the Salon, including financial information of the Salon and customer data and customer lists. Your right to access and use this data is granted pursuant to the terms of this

Agreement Upon termination or expiration of this Agreement, all rights to such data will also terminate We have access to the Computer System at all times and we have the right to collect and retain any and all information and data from the Computer System that concerns the Salon

(b) You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information ("Privacy Laws")

(c) You agree to comply with our standards and policies pertaining to privacy of consumer, employee, and transactional information If there is a conflict between our standards and policies and Privacy Laws, you agree to (a) comply with the requirements of Privacy Laws, (b) immediately give us written notice of that conflict, and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws

(d) You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to that policy

(e) In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with respect to data and cybersecurity requirements

E SALON OPENING

You agree not to open the SALON for business to the public until (1) we notify you in writing that the SALON meets our standards and specifications, (2) you have completed required training (described in Section 4 A below), (3) you pay the initial franchise fee and other amounts then due to us and key suppliers, (4) you obtain all required licenses and permits and send us copies of the licenses and permits we request, and (5) you give us certificates for all required insurance policies

You agree to comply with these conditions and to open the SALON for business (i) within 180 days after we approve the lease for the site, or (ii) within 365 days of signing this Agreement, or (iii) on or before the date specified in any Area Development Agreement to which we and you are parties, whichever occurs first

3 FEES

A INITIAL FRANCHISE FEE

You agree to pay us a nonrecurring and nonrefundable initial franchise fee ("**Initial Franchise Fee**") of Forty-Nine Thousand Five Hundred Dollars (\$49,500), except as otherwise specified in an Area Development Agreement between you and us The Initial Franchise Fee must be paid, and is fully earned by us, when you sign this Agreement The Initial Franchise Fee is not in

exchange for any particular products, services or assistance but instead is solely in consideration of our signing this Agreement

B PROJECT MANAGEMENT SERVICE FEE

You must purchase one of our project management service packages for assistance with the design and construction of your Salon. We currently offer 2 packages "Silver" and "Gold". The fee for the Silver Package is \$8,500 plus travel and living expenses for the project management consultant, and the fee for the Gold Package is \$15,000 plus travel and living expenses for the project management consultant.

C TRAINING FEE

If this is the first SALON you are developing, you agree to pay us a nonrecurring and nonrefundable training fee of \$12,500 when you sign this Agreement. If this is the second or third SALON you are developing, no additional training fee is payable, and we will not provide initial training. If this is the fourth or subsequent SALON that you are developing, you agree to pay us a nonrecurring and nonrefundable training fee of \$3,000 when you sign this Agreement. The training fee covers training at our facilities for up to 2 owners and/or managers. Additional trainees or individuals who have completed initial training may attend additional regularly scheduled initial training sessions at our facility for a registration fee of \$2,000 per person.

D ROYALTY FEE

You agree to pay us, and in the manner provided below, a Royalty Fee (the "**Royalty**") as follows: (1) for the first 3 months after the SALON opens to the public, 7% of the SALON's Gross Sales (defined below), and (2) beginning in the 4th month after the SALON opens to the public, an amount equal to the greater of (a) seven percent (7%) of the SALON's Gross Sales, and (b) One Thousand Two Hundred Dollars (\$1,200) per month (the "**Minimum Royalty**"). We may adjust the amount of the Minimum Royalty upon written notice based upon changes in the Consumer Price Index for All Urban Consumers (CPI-U) published by the United States Department of Labor. The Royalty is not in exchange for any particular products, services, or assistance but instead is solely in consideration of our granting you the Franchise.

E MARKETING FEE

You must contribute a monthly Marketing Fee that we periodically prescribe in an amount up to 2% of the SALON's Gross Sales, payable at the same time and in the same manner as the Royalty.

F DEFINITION OF "GROSS SALES"

As used in this Agreement, the term "Gross Sales" means all revenue that you derive from operating the SALON, whether from cash, check, credit and debit card, barter exchange, trade credit, or other credit transactions, and also includes all proceeds from business interruption insurance and the sale of 18½¢ gift or loyalty cards, but (1) excludes all federal, state, and municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority, (2) is reduced by revenue you derive from the use or redemption of 18½¢ gift or

loyalty cards by customers, and (3) is reduced by the amount of documented refunds and credits the SALON in good faith gives to customers (if those amounts originally were included in calculating Gross Sales)

G LATE FEES AND INTEREST

You agree to pay us a late fee of \$500 for each required payment not made on or before its original due date and for each payment not honored by your financial institution (You also must reimburse our bank charges for your dishonored payments) This late fee is not interest or a penalty but compensates us for increased administrative and management costs due to your late payment In addition, all amounts that you owe us that are more than 7 days late will bear interest, accruing as of their original due date, at 1 5% per month or the highest commercial contract interest rate the law permits, whichever is less We may automatically debit your designated bank account for late fees and interest

G APPLICATION OF PAYMENTS

Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us and our affiliates We may set off any amounts you (or your owners, if applicable) owe us or our affiliates against any amounts that we or our affiliates owe you (or your owners, if applicable) You may not withhold payment of any amounts you owe us or our affiliates due to our alleged nonperformance of any of our obligations under this Agreement

H TIMING AND METHOD OF PAYMENT

Currently, your Royalty and Marketing Fee payments are generally due by the seventh day of each month (but no later than 5 business days after the date of invoice) for the SALON's Gross Sales during the previous month, but we reserve the right to require weekly payments upon notice to you You will pay all amounts due to us and our affiliates in the manner we specify, which may include automatic debit, credit card, check, wire transfer or other methods We currently require all franchisees to use an automated clearing house (ACH) system, but we reserve the right to specify other forms of payment You must sign all documents necessary to authorize us to make ACH withdrawals from your designated bank account You must designate a bank account as soon as you set it up, but in any event prior to opening the SALON You must provide us with advance notice of any change to the information relating to your bank account

We have online access to your Gross Sales information through the point-of-sale (POS) system You are responsible for the accuracy of transactions and data entered into the POS system We will prepare a statement after the end of each month showing all amounts you owe us and any credits due to you for the previous month's Gross Sales We will collect the Royalty and Marketing Fee and any other amounts owed to us and our affiliates under this Agreement or another agreement via ACH transaction from your designated bank account within 5 business days after the date of invoice, which will generally be on or about the seventh day of each month (or you will pay by check within 3 days of the statement date if ACH is down or not yet set up) Credits due to you will be paid by check

4 TRAINING AND ASSISTANCE

A TRAINING

1 Initial Training

Before your SALON opens for business, we will provide our initial training program to you and your management team (including your General Manager, Salon Manager(s), lead stylist(s) and lead front desk manager). Training at our facilities for up to 2 individuals is included in the Training Fee. You must pay \$2,000 per person for any additional trainees. Training runs for up to 5 days at a training facility and up to 7 days at your SALON, and the duration may vary depending on our opinion of the attendees' skills and experience. Training focuses on our philosophy, System Standards, and the material aspects of operating an 18|8 Salon. Training takes place at a designated training facility of our choice (at our corporate headquarters and/or at an operating 18|8 Salon) and at your SALON. Your General Manager and Salon Manager(s) must satisfactorily complete the training program and pass applicable operations and proficiency tests. In addition to the pre-opening initial training, we will send a certified stylist to your Salon for a "Three-Day Return Visit" 90 days after the Salon's opening.

You must pay all travel expenses (including airfare, rental car, mileage, parking and hotel) and per diem charges for our trainer(s) for the portion of the initial training and Three-Day Return Visit held at your SALON. We will not make travel arrangements for our trainer(s) until (a) you pay a deposit in the amount of 20% of the estimated travel expenses for our trainer(s), and (b) you have completed all Salon opening requirements. You must pay all travel and living expenses, wages and workers' compensation insurance that you and your management team incur during training. Our training program will include a "train the trainer" module so that your senior-level personnel can learn how to train your other employees. You are responsible for ensuring that you have a certificate of occupancy and any other permits necessary to open the SALON for business before the onsite training. If you schedule training and the SALON is not ready to open for business when the trainer(s) arrive, the onsite training will be rescheduled. In that case, you will be required to pay the trainers' travel expenses, per diem charges and then-current hourly training charge (for the trainers' travel time and time spent attempting to conduct the training) during the initial visit, as well as the trainers' travel expenses and per diem charges for the rescheduled training.

If you request, and we agree to provide, additional or special guidance, assistance, or training, you agree to pay our personnel's then-current hourly training charge, as well as travel expenses and per diem charges.

(If this is your second or subsequent 18|8 Salon, you will have access to regularly scheduled initial training at our facility for your management team, provided that you pay a registration fee of \$2,000 per person to attend another training session. If this is your second or third 18|8 Salon, you will not be provided on-site assistance. If this is your fourth or subsequent 18|8 Salon, we will provide you up to 7 days on-site assistance. You must pay all travel expenses and per diem charges for our trainer(s) for our trainer(s) for any on-site assistance provided.)

You acknowledge and agree that the initial training program and any additional or refresher training that we provide will cover basic concepts and compliance with System Standards only, and that you are responsible for developing and implementing your own ongoing training program. You also are solely responsible for implementing and conducting ongoing and on-the-job training for all employees of your Salon.

2 Ongoing Training

We may require your General Manager and other employees to attend and complete satisfactorily supplemental and additional training courses that we periodically provide during the Term at the times and locations we designate. We may charge reasonable registration or similar fees for these courses. Besides attending these courses, at least one of your representatives (whom we approve) may be required to attend an annual convention of all 18|8 Salon franchisees at a location we designate. You agree to pay our then current convention fee and all costs to attend. If you hire a new General Manager or Salon Manager for the SALON, each must satisfactorily complete our then current training program. Your trained personnel may provide this training if we previously have certified them to do so. You must pay all travel and living expenses incurred during all training courses and programs.

B GENERAL GUIDANCE

We will advise you periodically regarding the SALON's operation with respect to

- (1) standards, specifications, and operating procedures and methods that 18|8 Salons use,
- (2) purchasing required and authorized Operating Assets, Approved Products, 18|8 Branded Products, and other items and arranging for their distribution to you,
- (3) advertising and marketing materials and programs,
- (4) employee selection and training, and
- (5) administrative, bookkeeping, accounting, and inventory control procedures.

We may guide you in our operations manual ("Operations Manual"), in bulletins or other written materials, by electronic media, intranets, and extranets, by telephone consultation, and/or at our office or the SALON. You will determine how, and to what extent, to adopt and implement our guidance in your operation of the Franchised Business. If you request, and we agree to provide, additional or special guidance, assistance, or training during the Term, you agree to pay our personnel's per diem charges (including wages) and travel, hotel, and living expenses.

C OPERATIONS MANUAL

We will provide you access, during the Term to 1 copy of our Operations Manual, which may include audio, video, computer software, other electronic media, and/or written materials. The Operations Manual contains our System Standards, information on your other obligations under this Agreement, and various recommendations. We may modify the Operations Manual

periodically to reflect changes in System Standards. You agree to keep the Operations Manual current and in a secure location at the SALON. Only your General Manager may have access to the Operations Manual (unless we agree otherwise in writing). If there is a dispute over the Operations Manual's contents, our master version controls. You agree that the Operations Manual's contents are confidential. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual. If your copy of the Operations Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy at our then applicable charge. We may, at our option, post some or all of the Operations Manual on a restricted website, intranet, or extranet to which you will have access. If we do so, you must monitor and access the website, intranet, or extranet for any updates to the Operations Manual and System Standards. Any passwords or other digital identifications necessary to access the Operations Manual on a website, intranet, or extranet will be a part of Confidential Information (defined in Section 6 below).

D DELEGATION OF PERFORMANCE

We have the right to delegate the performance of some or all of our obligations under this Agreement to third-party designees, whether they are our affiliates, agents, or independent contractors with whom we contract to perform these obligations, including any area developer we designate for the geographic area in which the SALON is located. If we do so, the third-party designees will be obligated to perform the delegated functions for you in compliance with this Agreement.

5 MARKS

A OWNERSHIP AND GOODWILL OF MARKS

Your right to use the Marks is derived only from this Agreement and is limited to your operating the SALON during the Term in compliance with this Agreement and all System Standards. Your unauthorized use of the Marks is a breach of this Agreement and infringes rights of Ultimate Brands and us in the Marks. You acknowledge and agree that your use of the Marks and any goodwill established by that use are exclusively for the benefit of Ultimate Brands and us, and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the SALON in compliance with this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not at any time during or after the Term contest or assist any other person in contesting the validity, or our and Ultimate Brands' ownership, of the Marks.

B LIMITATIONS ON YOUR USE OF MARKS

You agree to use the Marks as the SALON's sole identification, except that you must identify yourself as its independent owner and operator in the manner we prescribe. You may not use any Mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we license to you), (3) in offering or selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or otherwise in connection with electronic media, or (5) in any other manner we have not expressly authorized in writing. If we discover your unauthorized use

of the Marks, we may require you to destroy all offending items (with no reimbursement from us) You may not use any Mark in advertising the transfer, sale, or other disposition of the SALON or an ownership interest in any entity to which you have assigned this Agreement without our prior written consent, which we will not unreasonably withhold You must display the Marks prominently as we prescribe at the SALON and on apparel, forms, advertising and marketing, supplies, and other materials we designate You must give the notices of trade and service mark registrations that we specify and obtain any fictitious or assumed name registrations required under applicable law

C NOTIFICATION OF INFRINGEMENTS AND CLAIMS

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark or any confusingly similar trademark, and not to communicate with any person other than us, Ultimate Brands and our attorneys, and your attorneys, regarding any infringement, challenge, or claim We and Ultimate Brands may take the action we deem appropriate (including no action) and control exclusively any litigation, U S Patent and Trademark Office proceeding, or other proceeding concerning any Mark You agree to sign any documents and take any other reasonable action in any litigation or Patent and Trademark Office or other proceeding or otherwise that, in the opinion of counsel to Ultimate Brands and us, are necessary or advisable to protect and maintain the interests of Ultimate Brands and us in the Marks We or Ultimate Brands will reimburse your costs for taking any requested action

D DISCONTINUANCE OF USE OF MARKS

If it becomes advisable at any time in our opinion for us and/or you to modify, discontinue using, and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Mark, you agree to comply with our directions within a reasonable time after we deliver notice to you

E INDEMNIFICATION FOR USE OF MARKS

We agree to reimburse you for all damages, claims, and expenses that you incur or for which you are liable in a proceeding challenging your right to use any Mark or our other Intellectual Property under this Agreement, provided your use has been consistent with this Agreement, the Operations Manual, and System Standards communicated to you, and you have timely notified us of, and comply with our directions in responding to, the proceeding At our option, we and/or Ultimate Brands may defend and control the defense of any proceeding arising from your use of a Mark or our other Intellectual Property under this Agreement

6 CONFIDENTIAL INFORMATION

A We and Ultimate Brands possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the "**Confidential Information**"), which relates to the development and operation of 1818 Salons, including

- (1) site selection criteria,

- (2) specifications for Approved Products and 18|8 Branded Products,
- (3) training and operations materials and manuals,
- (4) methods, formats, specifications, standards, systems, procedures, specifications for the Services and the Products, sales and marketing techniques, knowledge, and experience used in developing and operating 18|8 Salons,
- (5) marketing and advertising programs and materials for 18|8 Salons,
- (6) specifications for and suppliers of Operating Assets, Approved Products, 18|8 Branded Products, and other items,
- (7) computer software or similar technology that is proprietary to us, our affiliates, or the 18|8 System, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology,
- (8) knowledge of the operating results and financial performance of 18|8 Salons other than the SALON,
- (9) customer communication and retention programs and data used or generated in connection with those programs, and
- (10) graphic designs and related intellectual property

B You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to use it during the Term as we specify while operating the SALON, and that Confidential Information is proprietary, includes the trade secrets of Ultimate Brands and us, and is disclosed to you only on the condition that you agree, and you hereby do agree, that you

- (1) will not use Confidential Information in any other business or capacity,
- (2) will keep confidential each item deemed to be a part of Confidential Information, both during and after the Term (after the Term for as long as the item is not generally known in the salon industry),
- (3) will not make unauthorized copies of Confidential Information disclosed via electronic media or in written or other tangible form,
- (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to SALON personnel and others and using non-disclosure and noncompetition agreements with those having access to Confidential Information, and
- (5) will not sell, trade, or otherwise profit in any way from Confidential Information except as authorized by this Agreement

C Confidential Information does not include information, knowledge, or know-how that you can demonstrate lawfully came to your attention before we disclosed it to you, that, at the time we disclosed it to you, already had lawfully become generally known in the salon industry through publication or communication by others (without violating an obligation to us or Ultimate Brands), that, after we disclose it to you, lawfully becomes generally known in the salon industry through publication or communication by others (without violating an obligation to us or Ultimate Brands), or that you independently develop without access to or reliance on our Confidential Information. However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove one of the exclusions provided in this paragraph.

D All ideas, concepts, techniques, or materials relating to an 18|8 Salon, whether or not protectable intellectual property and whether created by or for you or your owners (if applicable) or employees, must be promptly disclosed to us and will be deemed to be the exclusive property of Ultimate Brands and us, part of the 18|8 System, and “works made-for-hire” for us and Ultimate Brands. To the extent an item does not qualify as a “work made-for-hire” for us and Ultimate Brands, by this paragraph you assign ownership of and all related rights to that item to us and Ultimate Brands and agree to take whatever action (including signing assignment or other documents) we request to evidence our and Ultimate Brands’ ownership or to help us and Ultimate Brands obtain intellectual property rights in the item.

7 EXCLUSIVE RELATIONSHIP

You acknowledge that we have granted you the Franchise in consideration of and reliance upon your agreement to deal exclusively with us in the salon industry. You therefore agree that, during the Term, neither you, nor your spouse, nor any of your direct or indirect owners (if applicable), nor any of those owners’ spouses will

- (a) have a direct or indirect controlling interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business, wherever located or operating,
- (b) have a direct or indirect non-controlling interest as an owner - whether of record, beneficially, or otherwise - in a Competitive Business, wherever located or operating (except that less than a 2% equity ownership interest in a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not violate this subparagraph),
- (c) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating,
- (d) recruit or hire any person then employed, or who was employed within the immediately preceding 12 months, as a General Manager or unit-level manager by us, any of our affiliates, or another 18|8 Salon franchisee, or any other person who was employed by us, any of our affiliates, or another 18|8 Salon franchisee within the immediately preceding 6 months without obtaining the existing or former employer’s prior written permission,
- (e) divert or attempt to divert any actual or potential business or customer of the SALON to a Competitive Business, or

- (f) engage in any other activity that might injure the goodwill of the Marks and 18|8 System

The term “**Competitive Business**” means (i) a salon or other business that offers high-end end men’s hair cutting and coloring services, and/or related salon services in an environment catering to male customers, or (ii) a business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than an 18|8 Salon operated under a franchise agreement with us)

You agree to obtain similar covenants from the personnel we specify, including General Managers, Salon Managers, and other employees attending our training program or having access to Confidential Information, as well as all officers, directors and owners of any entity to which this Agreement is assigned

8 SYSTEM STANDARDS

A COMPLIANCE WITH SYSTEM STANDARDS

You agree at all times to operate and maintain the SALON in compliance with all System Standards, as we periodically issue, modify, and supplement them. We retain the right to establish and periodically modify System Standards. You retain the right to control, and are responsible for, the SALON’s day-to-day management and operation and implementing and maintaining System Standards at the SALON. System Standards may cover one or more of the following

- (1) SALON design, layout, decor, appearance, and lighting, periodic maintenance, cleaning, and sanitation, periodic remodeling, painting, and decorating, replacement of obsolete or worn-out leasehold improvements and Operating Assets, and use of interior and exterior signs, emblems, lettering, and logos,
- (2) Approved Products, 18|8 Branded Products, and services, unauthorized and prohibited products and services,
- (3) designated and approved suppliers (“Approved Suppliers”) of Operating Assets, Approved Products, 18|8 Branded Products, and other items and services,
- (4) supply and supplier approval procedures and criteria. You acknowledge that we have the right to receive allowances, rebates, or other consideration from Approved Suppliers based on franchisee purchases of products and services,
- (5) sales, marketing, advertising, and promotional programs and materials and media used in these programs,
- (6) use and display of the Marks at the SALON and on apparel, forms, and other materials,
- (7) issuance and honoring of gift certificates, coupons, and gift, loyalty, and affinity cards and administering loyalty, affinity, and similar programs,

- (8) recommended staffing levels for the SALON, identifying the SALON's personnel, and minimum employee qualifications, training, dress, and appearance (although you have sole responsibility and authority for employment-related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training, and working conditions),
- (9) days and hours of operation (including your obligation to operate the SALON every day of the week, except as we otherwise permit),
- (10) customer complaint resolution procedures,
- (11) acceptance of credit and debit cards, other payment systems, and check verification services,
- (12) recommended bookkeeping, accounting, data processing, and recordkeeping systems and forms, formats, content, and frequency of reports to us of sales, revenue, product mix, financial performance, and condition, and providing us with copies of tax returns and other operating and financial information for the SALON,
- (13) types, amounts, terms, and conditions of insurance coverage required for the SALON. As of the Effective Date, required insurance coverage includes the following: worker's compensation or other employer's liability insurance policy that meets state law requirements, motor vehicle liability insurance, all risk property insurance, including fire and extended coverage on the Salon and its contents, and business interruption insurance. We also may require you to purchase and maintain key man life insurance policies on one or more of your principal owners, business interruption insurance, employment practices liability insurance, data theft and cybersecurity coverage, and other insurance coverage that will be specified in the Operations Manual. All policies must contain a waiver of subrogation in our favor, and must name us and any additional parties we designate as additional insureds,
- (14) to the extent allowed by applicable law, the prices for Approved Products sold by the SALON, including your required participation in 18|8 System-wide discount programs,
- (15) recommendations for adhering to good business practices, and observing high standards of honesty, integrity, fair dealing, and ethical business conduct in all dealings with customers, government officials, suppliers,
- (16) participation as we require (including by payment of required dues and expenses) in a franchisee advisory or other councils we establish for the 18|8 System, and
- (17) other aspects of operating and maintaining the SALON that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and 18|8 Salons

B MODIFICATION OF SYSTEM STANDARDS

We periodically may modify System Standards and you agree to implement any changes in System Standards. However, we will not obligate you to remodel the Salon to comply with new

System Standards (such as changing flooring, wall treatments, signage, stylist stations, and other physical elements) more frequently than every 5 years

9 MARKETING

A MARKET INTRODUCTION

You must conduct a market introduction program in compliance with our guidelines beginning 30 days before and continuing 60 days after the SALON opens for business. You must spend at least \$12,500 for this program, which we will help you develop.

B SYSTEM MARKETING

Recognizing the value of advertising and marketing to the goodwill and public image of 18|8 Salons, we will promote the 18|8 System through advertising, marketing, customer relationship management ("CRM"), and public relations programs and materials and brand building and protection activities we deem appropriate to enhance the 18|8® brand. 18|8 Salons that we and our affiliates own and operate will not pay Marketing Fees. We will direct all marketing activities and will give you samples of advertising, marketing and promotional formats and materials that we produce at no additional cost to you. We will sell you multiple copies of these materials at the direct cost of producing them, plus any related shipping, handling, and storage charges.

We intend to market the 18|8 System to maximize recognition of the Marks, enhance system protection of the Marks, and increase patronage of 18|8 Salons. Although we will try to use our marketing activities to benefit all 18|8 Salons, we need not ensure that marketing expenditures in or affecting any geographic area are proportionate or equivalent to the Marketing Fees received from 18|8 Salons operating in that geographic area or that any 18|8 Salon benefits directly or in proportion to its Marketing Fees. We will not use Marketing Fees to develop materials and programs used principally to solicit franchisees. However, media, materials, and programs, including the 18|8 System Website, prepared using Marketing Fees may describe our franchise program, reference the availability of franchises and related information, and process franchise leads.

We have the sole right to determine how we spend the Marketing Fees. The aggregate of Marketing Fees paid to us by franchisees does not constitute a trust or "advertising fund" and we are not a fiduciary with respect to Marketing Fees paid to us by you and other franchisees. If not all Marketing Fees are spent in the fiscal year in which they accrue, the remaining amount will be carried forward to the following year.

We may at any time defer or reduce Marketing Fees of an 18|8 Salon franchisee and, upon thirty (30) days' prior written notice to you, reduce or suspend Marketing Fees for one or more periods of any length.

C YOUR LOCAL MARKETING

In addition to your Marketing Fee obligation under Section 3 D above, you must adequately market and promote your SALON locally. Your local advertising, marketing, and promotion

must follow our guidelines and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we periodically prescribe

Before you use them, you must send us or our designated agency for approval samples of all advertising, promotional, and marketing materials that we have not prepared or approved and must cease using any materials after we deliver notice that those materials no longer may be used. If you have not received our written approval within 14 days after we (or our designated agency) have received the proposed samples, then we will be deemed to have disapproved them. We may require that you purchase certain marketing and promotional materials from us or our designated supplier.

D AREA BRAND COOPERATIVE

If the general market area in which the SALON is located encompasses (in our opinion) at least two 18|8 Salons (including the SALON, other franchised 18|8 Salons and/or 18|8 Salons owned by us and our affiliates) and the owners of the Salons in the market area believe that collaborative brand building activities among all franchisees (and us and our affiliates) in that area would be appropriate to promote 18|8 Salons, you agree with our advice and reasonable assistance to form a cooperative or collaborative brand building association (an "Area Cooperative") with other franchisees and us and/or our affiliates to advertise, market, and promote collectively 18|8 Salons in that general market area. Each Area Cooperative will be organized and governed in a form and manner we determine, operate pursuant to the agreements, bylaws, and other documents we may prepare, and begin operating on a date determined by a majority vote of the open and operating Salons in the market area. The Area Cooperative's members will include all 18|8 Salons open and operating in that area. If an Area Cooperative has been established as of the Effective Date for the general market area in which the SALON is or will be located, you automatically become a member of that Area Cooperative when you sign this Agreement (although the contributions below do not begin until you commence operation).

If an Area Cooperative is or has been established, you agree (1) to join, participate in, and actively support the Area Cooperative in compliance with its governing documents, and (2) to contribute a specific percentage of the SALON's monthly Gross Sales to the Area Cooperative. A simple majority (i.e., in excess of 50%) of the 18|8 Salons that are members of a particular Area Cooperative will determine each member's Gross Sales percentage contribution, with each open and operating 18|8 Salon having one (1) vote. Salons owned and operated by us or our affiliates will contribute to the Area Cooperative on a pro rata basis, based on revenues to the Area Cooperatives where the salons operated by us or our affiliates are located. The SALON's Area Cooperative contributions are in addition to, and not a replacement for, the Marketing Fee under Section 3 E above.

If the Area Cooperative's members cannot agree on any aspect of the Area Cooperative's formation, administration, operation, or expenditures and the disagreement continues for twenty (20) days after written notice to us that a disagreement exists, we have the authority to resolve the matter. Our decision will be final and binding on all Area Cooperative members.

E 18|8 SYSTEM WEBSITE

We and our affiliates will maintain one or more websites to advertise, market, and promote 18|8 Salons (including the SALON), the Products and/or the 18|8 Salon franchise opportunity, and for other purposes we determine are appropriate or necessary for the 18|8 System (each an "18|8 System Website") We will own all intellectual property and other rights in the 18|8 System Website and all information it contains

You may not establish a website, landing page or other presence on the Internet relating to your Salon or referring to the Marks We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce, applications to be used on mobile devices, such as iOS or Droid apps, and co-branding arrangements All social media channels and review sites, including Facebook, Twitter, LinkedIn, You Tube, Google Plus, Pinterest, Instagram, SnapChat, etc , will be monitored by Ultimate Franchises, and you may be required to delete content that does not comply with System Standards

F FRANCHISEE ADVISORY BOARD

We have the right (but no obligation) to form an advisory board ("Franchisee Advisory Board") composed of franchisees and our representatives, and the right to determine how such a council, if formed, will be selected, funded and governed We will retain the sole discretion to adopt, modify, or reject any recommendations made by the Franchisee Advisory Board

10 RECORDS, REPORTS AND FINANCIAL STATEMENTS

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to our standards and formats, including using the chart of accounts that we specify You must use a Computer System to maintain sales data and other information and to generate the reports we require You agree to give us in the manner and format we periodically prescribe

- (a) reports of the SALON's Gross Sales, discounts, net sales, service mix, transaction count, average ticket, and productivity,
- (b) within 20 days after the end of each calendar month/period, the operating statements, unaudited financial statements, statistical reports, and other information we request regarding you and the SALON covering the previous calendar month/period and the calendar year to date,
- (c) within 60 days after the end of the SALON's fiscal year, annual profit and loss and source and use of funds statements and a balance sheet for the SALON as of the end of that fiscal year (all unaudited),
- (d) within 15 days after our request, exact copies of federal and state income tax returns, sales tax returns, purchase records, and other forms, records, books, and other information we periodically require relating to the SALON and the Franchise, and

- (e) such other reports as we request from time to time

You agree to preserve and maintain all records in a secure location at the SALON during the Term and for at least five (5) years after their preparation (or longer if required by law),

11 INSPECTIONS AND AUDITS

A OUR RIGHT TO INSPECT THE SALON

To determine whether you and the SALON are complying with this Agreement and all System Standards, we and our designated agents and representatives (including "mystery" or "secret" shoppers) may at any time and without prior notice to you

- (1) inspect the SALON,
- (2) photograph the SALON and observe and videotape its operation for consecutive or intermittent periods we deem necessary,
- (3) remove samples of any Products and supplies (including Approved Products and 18/8 Branded Products),
- (4) interview the SALON's personnel and customers, and
- (5) inspect and copy any books, records, and documents relating to the SALON's operation

You agree to cooperate fully with us and our agents and representatives in such activities. We may hire outside consultants and vendors to perform certain types of audits. In exercising any of these rights, we will not interfere unreasonably with the SALON's operation.

B OUR RIGHT TO AUDIT

We may at any time during your business hours, and without prior notice to you, examine the business, bookkeeping, and accounting records, sales and income tax records and returns, and other records of you and the SALON. You agree to cooperate fully with our representatives and independent accountants in any examination. We may require you to send records off-site for our review away from the Premises. If an examination discloses an understatement of the SALON's Gross Sales, you agree to pay us, within 15 days after receiving the examination report, the Royalty, Marketing Fee and Area Cooperative contributions due on the amount of the understatement, our late fee, and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or if our examination reveals a Royalty, Marketing Fee or Area Cooperative contribution understatement exceeding 3% of the amount you actually reported to us for the period examined, you must reimburse our costs for the examination, including the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12 TRANSFER

A BY US

We may change our ownership or form and/or assign this Agreement and related agreement to a third party without your consent or approval. This Agreement shall inure to the benefit of, and be binding on, our successors and assigns.

B BY YOU

You understand and acknowledge that the rights and duties this Agreement creates are personal to you (and your owners, if applicable) and that we have granted you the Franchise in reliance upon our perceptions of your collective character, skill, aptitude, attitude, business ability, and financial capacity (and that of your owners, if applicable). Accordingly, you may not transfer this Agreement (or any interest in this Agreement), the SALON or substantially all of its assets, if applicable, an ownership interest in you or in an entity owning a controlling ownership interest (50.01% or more) in you, or actual management control of the SALON's operation without our prior written approval, which we will not unreasonably withhold if

- (1) the transferee has the necessary business experience, aptitude, and financial resources to operate the SALON,
- (2) you have paid all Royalty, Marketing Fee and Area Cooperative contributions, and other amounts owed to us, our affiliates, and third party vendors, and are otherwise in substantial compliance with this Agreement,
- (3) neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business, wherever located or operating,
- (4) the transferee's general manager and unit-level managers (if different from your General Manager and Salon Manager(s)) satisfactorily complete required training within the timeframe we specify,
- (5) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or in an Entity that owns a controlling ownership interest in you), sign our then-current form of franchise agreement and related documents, provided, however, that the Protected Area definition and the Royalty and Marketing Fee will remain the same as those in this Agreement and the term of the new franchise agreement signed will be equal to the initial term of 18 Salon franchises we then are granting,
- (6) you or the transferee pays us a \$12,500 transfer fee. If our sales department facilitates the transfer, you or the transferee also must pay us a \$10,000 sales support fee. Our transfer fee and sales support fee are separate from and do not include other fees and expenses that you may incur in negotiating and completing a transfer, including attorneys' fees and third-party broker fees,

(7) you and the transferee follow all other transfer procedures described in the Manual, including designating us or our affiliate as the escrow agent to manage and administer the transfer

(8) you (and, if applicable, your transferring owners) sign a general release,

(9) if you or your owners (if applicable) finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the SALON are subordinate to the transferee's obligation to pay the Royalty, Marketing Fee, and other amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement,

(10) you have corrected existing SALON deficiencies of which we have notified you on a punch-list or in other communications, and

(11) you and your transferring owners (if applicable) agree in writing that you and they will not, for 18 months beginning on the transfer's effective date, engage in any of the activities proscribed in Section 15 D below

C TRANSFER TO A WHOLLY-OWNED CORPORATION OR LIMITED LIABILITY COMPANY

Despite Section 12 B above, you may transfer this Agreement to an entity that conducts no business other than the SALON (and, if applicable, other 18|8 Salons), in which you (and, if applicable, your owners) maintain management control, and of which you and/or your current owners own 100% of the equity and voting power of all issued and outstanding ownership interests. You and the transferee must sign an assignment form under which the new entity agrees with us to comply with all of the terms of this Agreement

D DEATH OR DISABILITY

Upon your death or disability of (or, if applicable, that of any of your owners), the executor, administrator, conservator, guardian, or other personal representative of the deceased or disabled person must transfer the Franchise Agreement (or if you are an entity, the deceased or disabled owner's ownership interest in you) to a third party whom we approve (which may be the deceased or disabled person's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed 9 months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12. Upon the General Manager's death or disability, a new General Manager must be appointed within 30 days and must promptly and satisfactorily complete our required training program

E OUR RIGHT OF FIRST REFUSAL

If at any time you or an owner (if applicable) determines to sell or transfer an interest in this Agreement and the SALON, (or, if applicable, an ownership interest in you or in the entity that owns a controlling ownership interest in you, other than to or among your current owners or between a current owner and his or her immediate family member, which are not subject to this Section 12 E), then you (or your owners) must obtain from a responsible and fully disclosed

buyer, and send us, a true and complete copy of a bona fide, executed written offer (which may include a letter of intent) relating exclusively to this Agreement, the SALON or the ownership interest, as applicable. You must promptly provide any additional information we may request concerning the proposed transfer. We may, by written notice delivered to you (or the selling owner(s)) within thirty (30) days after we receive a copy of the offer (or, if applicable, the additional information requested), elect to purchase the interest offered for the price and on the terms and conditions contained in the offer. If we do not exercise our right of first refusal, you (or your owners) may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with, and you (and your owners) and the transferee comply with the conditions in, Section 12 B above.

13 YOUR RIGHT TO ACQUIRE A RENEWAL FRANCHISE

If you (and each of your owners if you are an entity) have substantially complied with this Agreement during the Term, you may acquire a renewal franchise to operate the SALON as an 18|8 Salon for up to 2 additional terms of 5 years each on the following conditions:

- (a) You give us written notice of your intent to acquire a renewal franchise no more than 1 year and no less than 180 days before this Agreement is scheduled to expire.
- (b) Before we grant you a renewal franchise, you must correct existing deficiencies of the SALON or in your operation of the SALON and must be current in all Royalty, Marketing Fee and Area Cooperative contributions, and other amounts owed to us, our affiliates, and third party vendors.
- (c) You sign the franchise agreement we then use to grant franchises for 18|8 Salons. The terms and conditions of the renewal franchise agreement, including Royalty and Marketing Fee, may differ materially from this Agreement. The first renewal franchise agreement will grant you the right to enter into an additional 5-year renewal franchise so long as you have complied with that renewal franchise agreement.
- (d) You must pay us a \$5,000 renewal franchise fee.
- (e) You and your owners (if you are an entity) must also sign general releases, in a form satisfactory to us, of any and all claims against us and our owners and other related parties.
- (f) If you do not sign a successor Franchise Agreement before the expiration of this Agreement and continue to accept the benefits of this Agreement after the expiration of this Agreement, then, at our option, we may treat this Agreement either as (i) expired as of the Expiration Date, (and you as operating without a franchise agreement and in violation of our rights), or (ii) continued on a month-to-month basis ("Interim Period") until one party provides the other with written notice of such party's intent to terminate the Interim Period, in which case the Interim Period will terminate 30 days after receipt of the notice to terminate the Interim Period. In the latter case, all of your obligations shall remain in full force and effect during the Interim Period as if this Agreement had not expired, and all obligations and

restrictions imposed on you upon expiration or termination of this Agreement shall be deemed to take effect upon termination of the Interim Period

14 TERMINATION OF AGREEMENT

A BY YOU

If you (and if applicable, your owners) are in full compliance with this Agreement, you may terminate this Agreement under the following conditions we materially fail to comply with this Agreement and (a) we do not correct the failure within 30 days after you deliver written notice of the material failure to us, or (b) if we cannot correct the failure within 30 days, we do not provide reasonable evidence of our effort to correct the failure within a reasonable time within 30 days of your notice Termination of the Agreement under this Section 14 A will be effective 30 days after you deliver to us written notice of termination Your termination of this Agreement other than according to this Section 14 A will be deemed a termination without cause and a breach of this Agreement

B BY US

We may terminate this Agreement, effective upon delivery of written notice of termination to you, if

- (1) you abandon or fail actively to operate the SALON for 3 or more consecutive business days, unless you close the SALON for a purpose we approve or because of casualty or government order,
- (2) you do not find and secure the SALON's site within the time period specified in Section 2 A above,
- (3) you do not open the SALON for business within the time period specified in Section 2 E above, or you open the SALON for business before we notify you that the SALON meets our standards and specifications,
- (4) you surrender or transfer control of the SALON's operation without our prior written consent,
- (5) you fail to maintain required insurance coverage and do not correct the failure within 10 days after we deliver written notice of that failure to you,
- (6) you fail to maintain any licenses or permits required to operate the SALON, as a result of which you are legally obligated to cease operations, and you fail to secure such licenses and permits within the timeframe mandated by law,
- (7) you engage (or, if you are an entity, any of your owners engages) in an illegal, dishonest, unethical, immoral, or similar conduct as a result of which your (or his or her) association with the SALON (or the owner's association with you) could, in our reasonable opinion, have a material adverse effect on the goodwill associated with the Marks,

- (8) you (or, if you are an entity, any of your owners) are or have been convicted by a trial court of, or plead or has pleaded no contest to, a felony,
- (9) you make (or, if you are an entity, any of your owners, or the owner of a controlling ownership interest in an entity owning a controlling ownership interest in you makes) an unauthorized assignment of this Agreement, the SALON, or (if applicable) a controlling ownership interest in you or in an entity owning a controlling ownership interest in you,
- (10) you lose the right to occupy the Premises,
- (11) you (or, if you are an entity, any of your owners) knowingly make any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information,
- (12) you violate any health, safety, or sanitation law, ordinance, or regulation, or operate the SALON in an unsafe manner, and do not begin to cure the violation immediately after delivery of notice (from us or a government agency), or fail to correct the violation within the timeframe mandated by law,
- (13) you fail to pay us (or our affiliates) any amounts due under this Agreement or another agreement with us or our affiliates and do not correct the failure within 10 days after we deliver written notice of that failure to you,
- (14) you understate the SALON's Gross Sales (a) 3 times or more over a 3-year period by more than 2% on each occasion or (b) by more than 10% on any one occasion,
- (15) you lose the right to occupy the Premises (but not because of your Lease default), or the Premises are damaged to such an extent that you no longer can operate the SALON at the Premises over a 30 day period, and you fail both to relocate the SALON to a substitute site we accept and to begin operating the SALON from that substitute site within 180 days from the date you could not occupy the Premises,
- (16) you (or, if you are an entity, any of your owners) (a) fail on 3 or more separate occasions within a 12-month period to comply with this Agreement, whether or not you correct the failures after our delivery of notice to you, or (b) fail on 2 or more separate occasions within a 6-month period to comply with the same obligation under this Agreement, whether or not you correct the failures after our delivery of notice to you,
- (17) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due, you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property, the SALON is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days, or any order appointing a receiver, trustee, or liquidator of you or the SALON is not vacated within 30 days following the order's entry,
- (18) your (or, if you are an entity, any of your owners') assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you or any of your owners otherwise violate any such law, ordinance, or regulation,

(19) you fail to pay when due any federal or state income, service, sales, or other taxes due on the SALON's operation, unless you are in good faith contesting your liability for those taxes or you have received an extension from the applicable government agency of the time within which to make payment,

(20) we terminate or have the right to terminate a franchise agreement or other agreement between you and us, or

(21) you (or any of your owners) fail to comply with any other provision of this Agreement or any System Standard and do not correct the failure within 30 days after we deliver written notice of the failure to you

C ASSUMPTION OF MANAGEMENT

We have the right (but no obligation), under the circumstances described below, to enter the Premises and assume the SALON's management (or to appoint a third party to assume its management) for any time period we deem appropriate. If we (or a third party) assume the SALON's management under subparagraphs (1) and (2) below, you must pay us (in addition to the Royalty, Marketing Fee, and other amounts due under this Agreement) 5% of the SALON's Gross Sales for up to 60 days after we assume management.

If we (or a third party) assume the SALON's management, you acknowledge that we (or the third party) will have a duty to use only reasonable efforts and, provided we are not grossly negligent and do not commit an act of willful misconduct, will not be liable to you or your owners for any debts, losses, or obligations the SALON incurs, or to any of your creditors for any supplies, products, or other assets or services the SALON purchases, while we (or the third party) manage it.

We (or a third party) may assume the SALON's management under the following circumstances: (1) if you abandon or fail actively to operate the SALON, (2) if you fail to comply with any provision of this Agreement or any System Standard and do not cure the failure within the time period we specify in our notice to you, but only for as long as it takes us, using reasonable commercial efforts, to correct the failure that you failed to cure, (3) you or your General Manager dies or becomes disabled, or (4) if this Agreement expires or is terminated and we are deciding whether to exercise our option to purchase the SALON under Section 15 E below. Exercise of our management rights will not affect our right to terminate this Agreement under Section 14 B above.

15 OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT

A PAYMENT OF AMOUNTS OWED TO US

(1) You agree to pay us within 15 days after this Agreement expires or is terminated, or on any later date we determine the amounts due to us, the Royalty, Marketing Fees, late fees and interest, and other amounts owed to us (and our affiliates) that then are unpaid.

(2) You agree to pay us all damages (including lost future royalties), costs, and expenses (including reasonable attorneys' fees, court costs, and related expenses) that we incur as a result of your default under this Agreement

B MARKS

When this Agreement expires or is terminated

(1) you may not directly or indirectly at any time or in any manner (except with other 18|8 Salons you lawfully own and operate) identify yourself in any business as a current or former 18|8 Salon or as one of our current or former franchisees, use any Mark, any colorable imitation of a Mark, or other indicia of an 18|8 Salon in any manner or for any purpose, or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us,

(2) you agree, within fifteen (15) days, to cancel all fictitious or assumed name or equivalent registrations relating to your use of any Mark,

(3) unless we exercise an option to purchase the assets of the SALON under Section 15 E below, you agree to destroy all signs, sign-faces, sign-cabinets, marketing materials, forms, and other materials we request containing any Mark or otherwise identifying or relating to an 18|8 Salon,

(4) unless we exercise an option to purchase the assets of the SALON under Section 15 E below, you agree alter the appearance of the SALON to distinguish it clearly from its former appearance and from other 18|8 Salons, and

(5) you agree, within 15 days, to notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, facsimile, or other numbers and telephone directory listings associated with any Mark, to authorize, and not to interfere with, the transfer of these numbers and directory listings to us or at our direction (including pursuant to a Conditional Assignment of Telephone Number(s), in the form attached as Exhibit B, previously executed by you), and/or to instruct the telephone company to forward all calls made to your numbers to numbers we specify

C CONFIDENTIAL INFORMATION

When this Agreement expires or is terminated, you must immediately cease using any of our Confidential Information in any business or otherwise and return to us all copies of the Operations Manual and any other confidential materials to which we gave you access. You may not sell, trade, or otherwise profit in any way from any Confidential Information at any time after the expiration or termination of this Agreement

D COVENANT NOT TO COMPETE

Upon the termination or expiration of this Agreement (unless we and you sign a renewal franchise agreement), you (and, if you are an entity, your owners) agree that, for 18 months beginning on the effective date of termination or expiration or, in the case of any particular

person restricted by this Section 15 D , beginning on the date on which that restricted person begins to comply with this Section 15 D , whichever is later, neither you nor any of your owners, as the restricted persons, will have any direct or indirect interest as an owner, investor, partner, director, officer, employee, consultant, representative, or agent in any Competitive Business (defined in Section 7 above) located or operating (a) at the Premises, (b) within the Protected Area, (c) within three (3) miles of any other 18|8 Salon in operation or under construction on the Effective Date, or (d) within three (3) miles of any other 18|8 Salon in operation or under construction on the later of the effective date of this Agreement's termination or expiration or the date on which the restricted person begins to comply with this Section 15 D

E OUR RIGHT TO PURCHASE SALON

Upon the termination or expiration of this Agreement, we have the right to purchase from you some or all of the assets of the SALON The purchase price for the SALON's assets will be their fair market value If we and you cannot agree on fair market value, fair market value will be determined by one (1) independent accredited appraiser upon whom we and you agree If we and you cannot agree on the appraiser, he or she will be chosen by the American Arbitration Association

F CONTINUING OBLIGATIONS

All of our and your (and, if applicable, your owners') obligations that, expressly survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full

16 RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

A INDEPENDENT CONTRACTORS

You and we understand and agree that this Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venture, partner, or employee of the other for any purpose You agree to identify yourself conspicuously in all dealings with customers, suppliers, public officials, SALON personnel, and others as the SALON's independent owner and operator under a franchise we have granted and to place notices of independent ownership on the forms, business cards, stationery, advertising and marketing, and other materials we periodically require

B NO LIABILITY FOR ACTS OF OTHER PARTY

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchisee We will not be obligated for any damages to any person or property directly or indirectly arising out of the SALON's operation or the business you conduct under this Agreement

C TAXES

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or the SALON, due to the business you conduct (except for our income taxes) You must pay these taxes and reimburse us for any taxes we must pay to any state taxing authority on account of either your operation or payments you make to us (except for our income taxes)

D INDEMNIFICATION

(1) You agree to indemnify, defend, and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the "Indemnified Parties") against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the SALON's operation, the business you conduct under this Agreement, or your breach of this Agreement For purposes of this indemnification, "claims" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, and other expenses of litigation This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination

(2) We agree to indemnify, defend, and hold harmless you, your affiliates, and your and their respective owners, directors, officers, employees, agents, successors, and assignees (the "Franchisee Indemnified Parties") against, and to reimburse any one or more of the Franchisee Indemnified Parties for, all claims (as defined in subparagraph (1) above) that the Franchisee Indemnified Party incurs in an action or proceeding asserted by a third party as a result of our contract defaults with or intentional misconduct or negligence toward that third party This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination

17 ENFORCEMENT

A SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable If any covenant that restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant may be "blue penciled" and enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity

If an applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to enter into a renewal franchise agreement, or requires some other action that this Agreement does not require, or if, under an applicable and binding law or rule of any jurisdiction, a provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we

may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by a promise or covenant imposing the maximum duty the law permits that is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

B WAIVER OF OBLIGATIONS

We and you will not waive or impair any right, power, or option this Agreement reserves because of any custom or practice that varies from this Agreement's terms, our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement.

C COSTS AND ATTORNEYS' FEES

In any proceeding brought by us to enforce our rights under this Agreement, we will be entitled to reimbursement of our costs and expenses (including attorney, witness and accountant fees).

D YOU MAY NOT WITHHOLD PAYMENTS DUE TO US

You agree that you will not withhold payment of any amounts owed to us or our affiliates on the grounds of our alleged nonperformance of our obligations under this Agreement or for any other reason, and you specifically waive any right you have at law or in equity to offset any funds you owe us or our affiliates or to fail or refuse to perform any of your obligations under this Agreement.

E RIGHTS OF PARTIES ARE CUMULATIVE

The rights under this Agreement are cumulative, and the exercise or enforcement by you or us of any right or remedy under this Agreement will not preclude the exercise or enforcement of any other right or remedy that we or you are entitled by law to enforce.

F GOVERNING LAW

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et seq.*) or other federal law, this Agreement will be governed by and interpreted under the laws of the state of California.

G CONSENT TO JURISDICTION

Subject to Section 17 L below, you (and, if you are an entity, each of your owners) irrevocably submit to the exclusive jurisdiction of the state or federal court of general jurisdiction for the district that includes our then-current principal business address (currently Orange County, California), agree that any lawsuit filed in a court of law by you or your owners against us, our affiliates, and/or our or our affiliates' respective shareholders, officers, directors, agents, and/or employees shall be filed only in the state or federal court of general jurisdiction for the district that includes our then-current principal business address (currently Orange County, California), and waive any objection you (or your owners) might have to either the jurisdiction of or venue in

those courts. Nonetheless, you and your owners agree that we may file suit against you in the federal or state courts for the district(s) in which you are domiciled or the Salon is located.

H WAIVER OF EXEMPLARY DAMAGES AND JURY TRIAL

EXCEPT FOR OUR AND YOUR OBLIGATION TO INDEMNIFY THE OTHER FOR THIRD PARTY CLAIMS UNDER SECTION 16 D ABOVE, WE AND YOU (AND, IF YOU ARE AN ENTITY, YOUR OWNERS) WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY EXEMPLARY, PUNITIVE, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US.

I BINDING EFFECT

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. This Agreement may not be modified except by a written agreement signed by both you (or your duly authorized officer if you are an entity) and our duly-authorized officer.

J LIMITATION OF CLAIMS

Except for the parties' indemnification obligations under Section 16 D, and except for claims arising from your non-payment or underpayment of amounts you owe us, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a legal proceeding (in the required or permitted forum) is commenced within 18 months from the date on which the party asserting the claim knew or should have known of the facts giving rise to the claims.

K CONSTRUCTION

This Agreement constitutes our and your entire agreement, and, except for any Area Development Agreement to which we and you are parties, there are no other oral or written understandings or agreements between us and you, and, except as provided in our Franchise Disclosure Document, no oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or the SALON (any understandings or agreements reached by you and us, or any representations made by us, before this Agreement are superseded by this Agreement). You may not rely on any alleged oral or written understandings, agreements, or representations not contained in this Agreement (except for representations contained in our Franchise Disclosure Document). Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. In order to account for inflation, all financial amounts expressed as a fixed dollar figure shall be adjusted for inflation by increasing such fee by the

percentage by which the Consumer Price Index for All Urban Consumers (CPI-U) published the U S Department of Labor has increased from the Effective Date to the date on which such fee is due and payable

L FACE-TO-FACE MEETING

If you and we are unable to resolve a claim, dispute or controversy arising out of or relating to this Agreement through informal negotiation, you and we will make a good faith effort to resolve the dispute at a face-to-face meeting ("**Face-to-Face Meeting**") between your and our representatives authorized to making binding commitments on behalf of their principals. Unless otherwise agreed in writing by you and us, the Face-to-Face Meeting will be held at our then-current headquarters within 30 days after the date of written notice proposing the meeting. If the non-requesting party refuses to schedule and/or fails to appear at the Face-To-Face Meeting, or if the Face-to-Face Meeting does not resolve the dispute, the requesting party may file a demand for mediation pursuant to Section 17 L below.

M MEDIATION

We and you agree to submit any claim, controversy or dispute arising out of or relating to this agreement (and exhibits) or the relationship created by this agreement to non-binding mediation before bringing a claim, controversy or dispute in an arbitration or before any other tribunal. The mediator shall be experienced in the mediation of disputes between franchisors and franchisees and agreed upon by the parties. In the absence of an agreement within a reasonable period of time after either party has notified the other of its desire to seek mediation of any claim, controversy or dispute (not to exceed thirty (30) days), mediation shall be held at a location selected by the mediator within 20 miles of our then-current corporate headquarters (currently Orange County, California). If we cannot agree on a mediator, then the mediation will be conducted through the American Arbitration Association (or its successor organization) in accordance with its rules governing mediation. The costs and expenses of mediation, including compensation and expenses of the mediator are to be shared by the parties equally, except that each party shall bear its own attorneys' fees. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then the matter must be submitted to arbitration in accordance with section 17 M to resolve the claim, controversy or dispute, unless the time period is extended by written agreement of the parties. Notwithstanding the foregoing, franchisor may bring in a court having jurisdiction (without first submitting that action to mediation) an action (1) for money owed, (2) for injunctive or other extraordinary relief it deems necessary to protect the 1888 system or the marks, or (3) to obtain possession of or to secure other relief relating to the premises.

N ARBITRATION

We and you agree that all controversies, disputes, or claims between us, our affiliates and our and our affiliates' respective shareholders, officers, directors, agents, and/or employees, on the one hand, and you (and/or your owners, guarantors, affiliates, and/or employees), on the other hand, arising out of or related to (1) this Agreement or any other agreement between you and us, (2) our relationship with you, or (3) the validity of this Agreement or any other agreement

between you and us, must be submitted for binding arbitration to the American Arbitration Association. The arbitrator(s) will be appointed in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("AAA Commercial Rules"). The number of arbitrators will be one, unless the parties agree otherwise in accordance with the AAA Commercial Rules. The arbitration will be at a location selected by the arbitrator(s) that is within 20 miles of our then-current principal place of business (currently Orange County, California) and, except as this Section 17 N otherwise provides, according to the then current AAA Commercial Rules. The arbitrator(s) shall be persons experienced in resolving disputes between franchisors and franchisees. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction. We and you agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. **WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT WE (AND/OR OUR AFFILIATES AND OUR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES) AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) SHALL BE THE ONLY PARTIES TO ANY ARBITRATION PROCEEDING DESCRIBED IN THIS SECTION 17 M AND THAT NO SUCH ARBITRATION PROCEEDINGS MAY BE CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, NOR SHALL ANY OTHER PERSON BE JOINED AS A PARTY TO SUCH ARBITRATION PROCEEDING.** Despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section. The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

18 NOTICES

All written notices permitted or required to be delivered by this Agreement will be deemed delivered

- (a) at the time delivered by hand,
- (b) 1 business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery, or
- (c) 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid

Any notice to us must be sent to the address specified on the first page of this Agreement, although we may change this address for notice by giving you 15 days' prior notice by any of the means specified in subparagraphs (a) through (c) above. Any notice we send you may be sent to

the one (1) person identified on Exhibit A at the email or postal address specified on Exhibit A
You may change the person and/or address for notice only by giving us fifteen (15) days' prior
notice by any of the means specified in subparagraphs (a) through (c) above

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates
noted below, to be effective as of the Effective Date

FRANCHISOR

ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE

_____,
a _____ resident, individually

By _____

Name W Scott Griffiths

Title Chief Executive Officer

Date _____

Date _____

EXHIBIT A TO FRANCHISE AGREEMENT

FRANCHISEE INFORMATION

Effective Date This Exhibit A is current and complete as of _____, 20____

A Name and Address of Person to Receive Notices for Franchisee

- (1) Name
- (2) Postal Address
- (3) E-mail Address

B Site Selection Area and Protected Area

1 Premises The "Premises" as defined in Section 1 B is _____

2 Site Selection Area The "Site Selection Area" defined in Section 2 A is _____

3 Protected Area The "Protected Area" defined in Section 1 B is _____

FRANCHISOR
ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE
_____,
a _____ resident, individually

By _____

Name W Scott Griffiths

Title Chief Executive Officer

Date _____

Date _____

EXHIBIT B TO FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBER(S)

This Assignment relates to _____ [name of Franchisee]
Salon Address _____
Telephone & Facsimile Numbers _____
_____ [to be inserted once Franchisee obtains service]

For valuable consideration, the Franchisee identified above ("Franchisee") assigns and transfers to ULTIMATE FRANCHISES, INC , a California corporation ("Company"), all of Franchisee's rights and interests in each and all of the telephone numbers that Franchisee has obtained and/or will obtain for its 18|8 Salon (the "Numbers") Franchisee authorizes Company to file, this Assignment with the telephone company that issued the Numbers to establish Company's claim to and right to designate the user of the Numbers Franchisee acknowledges that Company may insert the Numbers into the space above as soon as they have been identified and that Franchisee need not re-sign or initial this Assignment after the Numbers have been inserted in order for this Assignment to be in full force and effect By signing below, Franchisee intends that this Assignment be fully enforceable immediately according to its terms Franchisee irrevocably constitutes and appoints Company as Franchisee's agent and attorney-in-fact to (i) sign and deliver any Transfer of Service Agreement or comparable document the telephone company requires to transfer the rights in the Numbers from Franchisee to Company or its designee, and (ii) cancel and revoke any call-forwarding or similar instructions Franchisee has issued to the telephone company with respect to any of the Numbers, with full power to sign Franchisee's name and otherwise to act in Franchisee's name, place and stead Franchisee agrees to reimburse Company the full amount of any local service and long distance charges the telephone company requires Company to pay to obtain the Numbers Franchisee represents and warrants to Company that Franchisee will obtain the Numbers in his or her own name and will be the person of record the telephone company will recognize as registered user or "owner" of the Numbers until Company exercises its right under this Assignment

[FRANCHISEE]

Name _____

Date _____

EXHIBIT C TO FRANCHISE AGREEMENT

AUTHORIZATION FOR PRE-ARRANGED PAYMENTS (DIRECT DEBIT)

Account Owner _____

SSN / TIN _____

The undersigned ("**Depositor**") hereby authorizes Ultimate Franchises, Inc ("**Ultimate Franchises**") to initiate debit entries and/or credit correction entries to Depositor's checking and/or savings account(s) indicated below and further authorizes the depository designated below to debit or credit such account(s) pursuant to the instructions of Ultimate Franchises

Depository _____

Branch _____

City/State/ZIP _____

Bank Transit/ABA Number _____

Account Number _____

This authorization will remain in full and force and effect until 60 days after Ultimate Franchises has received written notification from Depositor of its termination

Depositor _____

Print Name _____

Date _____

GUARANTY AND ASSUMPTION OF OBLIGATIONS

This Guaranty and Assumption of Obligations ("Guaranty") is given this ____ day of _____, 20__

In consideration of, and as an inducement to, the execution by Ultimate Franchises, Inc ("us," "we" or "our") of the Franchise Agreement between us and _____ ("Franchisee") (the "Franchise Agreement"), and if applicable, an Area Development Agreement between us and Franchisee ("ADA"), each of the undersigned personally and unconditionally (a) guarantees to us and to our successors and assigns, for the term of the Franchise Agreement and ADA (including extensions) and afterward as provided in the Franchise Agreement and ADA, that Franchisee will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Franchise Agreement and ADA, as it may be amended or modified by the parties, and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement and ADA (including any amendments or modifications of the Franchise Agreement or ADA), including (i) monetary obligations, (ii) obligations to take or refrain from taking specific actions and to engage or refrain from engaging in specific activities (including the non-competition, confidentiality, and transfer provisions), and (iii) the enforcement and other provisions in Sections 16 and 17 of the Franchise Agreement

Each of the undersigned consents and agrees that (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors, (2) he or she will render any payment or performance required under the Franchise Agreement and ADA upon demand if Franchisee fails or refuses punctually to do so, (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person, (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence that we may from time to time grant to Franchisee or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during and after the term of the Franchise Agreement and ADA (including extensions) for so long as any performance is or might be owed under the Franchise Agreement or ADA by Franchisee or its owners and for so long as we have any cause of action against Franchisee or its owners, and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Franchise Agreement and ADA and despite the transfer of any interest in the Franchise Agreement or ADA or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers

Each of the undersigned waives (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty, and (ii) acceptance and notice of acceptance by us of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled

If we prevail in a legal proceeding to enforce this Guaranty, we shall be entitled to reimbursement of our costs and expenses, including reasonable accountants' fees, attorneys' fees, arbitrators' fees and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur even if we do not commence a legal proceeding.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Franchise Agreement was executed by Franchisee.

GUARANTOR

Name _____
Date _____

GUARANTOR

Name _____
Date _____

GUARANTOR

Name _____
Date _____

GUARANTOR

Name _____
Date _____

EXHIBIT C
AREA DEVELOPMENT AGREEMENT

EXHIBIT C

ULTIMATE FRANCHISES, INC AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is entered into this ____ day of _____, 20____ ("Effective Date") by and between ULTIMATE FRANCHISES, INC., a California corporation ("we," "us" or "our") and _____, a _____ resident ("Developer," "you" or "your")

1 Our affiliate Ultimate Brands, Inc ("Ultimate Brands") has developed (and continues to develop and modify) a system for the construction, operation, identification, and promotion of high-end salons under the "18|8®" service mark and related commercial symbols (collectively, the "Marks"), which cater to male customers and offer professional hair cutting and coloring services, beard and mustache cutting and coloring services, highlights, weaves, foot, face and scalp treatment services, massages, and other authorized services (collectively, the "Services") and certain hair and skin treatment products and other related products (the "Products") Ultimate Brands has authorized us to create, develop, and offer a franchise opportunity for 18|8 Salons An "18|8 Salon" is a full-service, high-end salon that offers the Services and Products using the Marks and the distinctive business formats, methods, procedures, signs, designs, layouts, standards, and specifications developed by Ultimate Brands and us (collectively, the "18|8 System"), all of which we and Ultimate Brands may improve, further develop, and otherwise periodically modify

2 We grant franchises to qualified individuals to operate an 18|8 Salon using the 18|8 System

3 You have applied for the right to develop two or more 18|8 Salons under separate franchise agreements with us

NOW THEREFORE, you and we agree as follows

1 Term The term of this Agreement shall begin on the Effective Date and end on the earlier of (a) the date the final 18|8 Salon to be developed under this Agreement is opened or (b) the date specified in Exhibit A ("Expiration Date"), unless the Agreement is terminated sooner pursuant to its terms

2 Development Rights We grant you the right, and you accept the obligation, to develop and open a specified number of 18|8 Salons in the geographic area specified in Exhibit A ("Development Area") according to the schedule specified in Exhibit A ("Development Schedule") Each of the 18|8 Salons will be opened and operated under the terms of our then-current franchise agreement for 18|8 Salons ("Franchise Agreement") To maintain your rights under this Agreement, you must (a) sign Franchise Agreements for, and open and operate within the Development Area, the number of 18|8 Salons specified in the Development Schedule, and (b) operate each 18|8 Salon continuously in substantial compliance with its Franchise Agreement

3 Development Fee At the time of signing this Agreement, you will pay to us a fee as specified in Exhibit A ("**Development Fee**") The Development Fee is consideration for the development rights and limited exclusivity granted to you under this Agreement, and is fully earned and non-refundable at the time of signing There will be no additional Initial Franchise Fee due at the time of signing of each Franchise Agreement for the Franchise Agreements contemplated by this Agreement

4 Limited Exclusivity If you (and, to the extent applicable, your affiliated entities to which you have assigned any Franchise Agreements with us) are fully complying with your obligations under this Agreement and all Franchise Agreements between us and you (and, to the extent applicable, your affiliated entities), then, during the term of this Agreement, we (and our affiliates) will not develop and operate, or grant to others the right to develop and operate, another 18|8 Salon the physical premises of which are located in the Development Area

5 Rights Reserved Except as described in Section 4 above, this Agreement does not impose any restrictions on our (and our affiliates') activities This means that, except as these rights may be limited by a Franchise Agreement between us and you, we and our affiliates have the right to engage in any other activities of any nature whatsoever, including

a the right to own and operate (and to license or franchise others to operate) 18|8 Salons at locations outside the Development Area, regardless of proximity to any actual or potential 18|8 Salon location in the Development Area,

b the right to own and operate (and to license or franchise others to operate) businesses other than 18|8 Salons using the Marks, inside or outside the Development Area,

c the right to own and operate (and to license or franchise others to operate) high-end salons catering to male customers and other businesses under other names, trade names, trademarks or service marks, inside or outside the Development Area,

d the right to advertise the Marks, Services, Products and 18|8 System to any person anywhere, including in the Development Area, and

e the right to offer and sell Products and Services through alternative channels of distribution (for example, Internet, e-mail, digital cellular networks and retail stores) to customers located anywhere, inside or outside the Development Area, under the Marks or under any other names, trade names, trademarks or service marks You will not receive any compensation as a result of such activity

After the expiration or termination of this Agreement, except as our rights may be limited by any then-existing Franchise Agreement between us and you, we and our affiliates have the right to engage in any activities we desire, inside or outside the former Development Area

6 Execution of Individual Franchise Agreements When you are ready to begin developing your next 18|8 Salon, but at least 60 days before the deadline, listed in the Development Schedule for the signing of each Franchise Agreement, you shall notify us that you are ready to begin development Upon receipt of your notice, if you are then in substantial compliance with this Agreement and your existing Franchise Agreements with us, we will

transmit to you our then-current Franchise Disclosure Document ("FDD") and execution copies of our then-current Franchise Agreement and related documents, pursuant to our then-current policies and procedures for new franchisees. You will immediately return to us a signed copy of the FDD Receipt showing the date that you received the FDD. After the passage of the applicable holding period, you will execute and return the Franchise Agreement and related documents to us. We will then execute the Franchise Agreement. If at the time of our receipt of your notice that you are ready to begin development, we are unable to deliver an FDD to you, because our franchise registration has lapsed or expired or we are amending the registration or for any reason beyond our reasonable control, we may delay transmitting the FDD until we are able to do so. If any such delay in providing the FDD causes you not to be able to sign the Franchise Agreement within the time specified in the Development Schedule, we will extend the signing deadline by the number of days during which we are unable to deliver the FDD.

7 Marks The Marks are the sole property of Ultimate Brands. You acquire no right, title or interest in or to the Marks by virtue of this Agreement. This Agreement does not grant you the right to use the Marks in connection with the operation of an 18|8 Salon.

8 No Subfranchising Rights This Agreement does not give you any right to license or subfranchise others to operate 18|8 Salons. Only you (and, to the extent applicable, your affiliated entities to which you have assigned any Franchise Agreements with us) may develop and open 18|8 Salons pursuant to this Agreement.

9 Non-Competition During the term of this Agreement, neither you, your spouse, the direct or indirect owners of any affiliated entity to which you assign this Agreement, nor the spouse of any such owner will (a) have a direct or indirect controlling interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business, wherever located or operating, (b) have a direct or indirect non-controlling interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business, wherever located or operating (except that less than a 2% equity ownership interest in a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not violate this subparagraph), (c) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating, (d) recruit or hire any person then employed, or who was employed within the immediately preceding 12 months, as a General Manager or unit-level manager by us, any of our affiliates, or another 18|8 Salon franchisee without obtaining the existing or former employer's prior written permission, (e) divert or attempt to divert any actual or potential business or customer of any 18|8 Salon to a Competitive Business, or (f) engage in any other activity that might injure the goodwill of the Marks and 18|8 System. The term "**Competitive Business**" means (i) a salon or other business that offers high-end end men's hair cutting and coloring services, and/or related salon services in an environment catering to male customers, or (ii) a business granting franchises or licenses to others to operate the type of business specified in subparagraph (i) (other than an 18|8 Salon operated under a franchise agreement with us). You agree to obtain similar covenants from the personnel we specify, including officers, directors, general managers, managers, and other employees attending our training program or having access to Confidential Information.

10 Assignment

a We have the right to assign or transfer our rights and obligations in whole or in part under this Agreement to any person or entity we reasonably believe has the ability to fulfill our obligations under this Agreement

b You may not transfer, assign or otherwise dispose of all or part of your interest in this Agreement (or any interest in an affiliated entity to which you have assigned this Agreement) without our prior written consent which we will not unreasonably withhold if

(i) the transferee has the necessary business experience, aptitude, and financial resources to develop the Development Area,

(ii) you have paid all amounts owed to us, our affiliates, and third party vendors, and are otherwise in substantial compliance with this Agreement,

(iii) neither the transferee nor its owners or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business, wherever located or operating,

(iv) the transferee shall (if the transfer is of this Agreement), or you shall (if the transfer is of a controlling ownership interest in you or in an Entity that owns a controlling ownership interest in you), sign our then-current form of Area Development Agreement and related documents, provided, however, that the Development Area definition and Development Schedule will remain the same as in this Agreement,

(v) you or the transferee pays us a \$5,000 transfer fee per 18|8 Salon to be developed under this Agreement. Our fee is separate from and does not include other fees and expenses that you may incur in negotiating and completing a transfer, including attorneys' fees and third-party broker fees,

(vi) you (and, if applicable, your transferring owners) sign a general release,

(vii) if you or your owners (if applicable) finance any part of the purchase price, you and/or your owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in an open 18|8 Salon are subordinate to the transferee's obligation to pay amounts due to us, our affiliates, and third party vendors and otherwise to comply with this Agreement,

(viii) you and your transferring owners (if applicable) agree in writing that you and they will not, for 18 months beginning on the transfer's effective date, engage in any of the activities proscribed in Section 9 above

11 Force Majeure If you are unable to meet the Development Schedule solely as a result of Force Majeure (including fires, floods, earthquakes and other acts of God) that prevents you from developing or opening 18|8 Salons in the Development Area, and you could not have avoided that result by the exercise of due diligence, then the opening date specified in Exhibit A

for the 18|8 Salons affected by the Force Majeure shall be extended by the amount of time that the Force Majeure exists. Force Majeure does not include your inability to obtain financing, inability to obtain permits or any other similar events unique to you or related to general economic downturn or conditions.

12 Default and Termination You shall be in material default of this Agreement, and we may terminate all of your rights under this Agreement immediately upon written notice to you (without any opportunity to cure) if

a You fail to meet the Development Schedule (as to which the parties agree that time is of the essence),

b You (or your affiliated entity) default under any Franchise Agreement or any other agreement between us and you (or your affiliated entity), or

c You transfer or assign this Agreement or any rights or duties under this Agreement (or any interest in an affiliated entity to which you have assigned this Agreement) without our prior written consent.

Notices shall be deemed properly delivered if sent to the person specified in Exhibit A by hand delivery, via overnight courier or via email. Notice shall be effective upon delivery by hand or overnight courier or 24 hours after being sent by email.

13 Indemnification You shall indemnify, hold harmless and defend us, our affiliates and our respective shareholders, directors, officers, employees, agents, representatives, successors and assignees (the "Indemnified Parties") from and against all claims, liability, obligations and damages arising out of or related to this Agreement and your actions as a developer of 18|8 Salons. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

14 Governing Law Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§1051 *et seq.*) or other federal law, this agreement and all claims arising from the relationship between us and you will be governed by the laws of the state of California.

15 Dispute Resolution

a Consent to Jurisdiction Subject to Sections 15 d and 15 e below, you (and, if you are an entity, each of your owners) irrevocably submit to the exclusive jurisdiction of the state or federal court of general jurisdiction for the district that includes our then-current principal business address (currently Orange County, California), agree that any lawsuit filed in a court of law by you or your owners against us, our affiliates, and/or our or our affiliates' respective shareholders, officers, directors, agents, and/or employees shall be filed only in the state or federal court of general jurisdiction for the district that includes our then-current principal business address (currently Orange County, California), and waive any objection you (or your owners) might have to either the jurisdiction of or venue in those courts. Nonetheless, you and your owners agree that we may file suit against you in the federal or state courts for the district(s) in which you are domiciled or the Salon is located.

b Waiver of Exemplary Damages and Jury Trial EXCEPT FOR YOUR OBLIGATION TO INDEMNIFY US FOR THIRD PARTY CLAIMS UNDER SECTION 13 ABOVE, WE AND YOU (AND, IF YOU ARE AN ENTITY, YOUR OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY EXEMPLARY, PUNITIVE, TREBLE, AND OTHER FORMS OF MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN US AND YOU, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS

WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF US

c Face-to-Face Meeting If you and we are unable to resolve a claim, dispute or controversy arising out of or relating to this Agreement through informal negotiation, you and we will make a good faith effort to resolve the dispute at a face-to-face meeting ("**Face-to-Face Meeting**") between your and our representatives authorized to making binding commitments on behalf of their principals. Unless otherwise agreed in writing by you and us, the Face-to-Face Meeting will be held at our then-current headquarters within 30 days after the date of written notice proposing the meeting. If the non-requesting party refuses to schedule and/or fails to appear at the Face-To-Face Meeting, or if the Face-to-Face Meeting does not resolve the dispute, the requesting party may file a demand for mediation pursuant to Section 15 d below

d Mediation We and you agree to submit any claim, controversy or dispute arising out of or relating to this agreement (and exhibits) or the relationship created by this agreement to non-binding mediation before bringing a claim, controversy or dispute in an arbitration or before any other tribunal. If you and we cannot agree on a mediator, the mediation will be conducted through the American Arbitration Association (or its successor organization) in accordance with its rules governing mediation. The mediator shall be experienced in the mediation of disputes between franchisors and franchisees and agreed upon by the parties. In the absence of an agreement within a reasonable period of time after either party has notified the other of its desire to seek mediation of any claim, controversy or dispute (not to exceed thirty (30) days), mediation shall be held at a location selected by the mediator within 20 miles of our then-current corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator, are to be shared by the parties equally, except that each party shall bear its own attorneys' fees. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then the matter must be submitted to arbitration in accordance with section 15 d to resolve the claim, controversy or dispute, unless the time period is extended by written agreement of the parties. Notwithstanding the foregoing, franchisor may bring in a court having jurisdiction (without first submitting that action to mediation) an action (1) for money owed, or (2) for injunctive or other extraordinary relief it deems necessary to protect the 18/8 system or the marks

e Arbitration We and you agree that all controversies, disputes, or claims between us, our affiliates and our and our affiliates' respective shareholders, officers, directors, agents, and/or employees, on the one hand, and you (and/or your owners, guarantors, affiliates,

and/or employees), on the other hand, arising out of or related to (1) this Agreement or any other agreement between you and us, (2) our relationship with you, or (3) the validity of this Agreement or any other agreement between you and us, must be submitted for binding arbitration to the American Arbitration Association. The arbitrator(s) will be appointed in accordance with the then-current commercial arbitration rules of the American Arbitration Association ("AAA Commercial Rules"). The number of arbitrators will be one, unless the parties agree otherwise in accordance with the AAA Commercial Rules. The arbitration proceedings will be at a location selected by the arbitrator(s) that is within 20 miles of our then-current principal place of business (currently Orange County, California) and, except as this Section 15 d otherwise provides, according to the AAA Commercial Rules. Each party shall select one (1) arbitrator and the third arbitrator shall be mutually agreed by the first two (2) arbitrators, or, if they cannot agree, shall be appointed by the American Arbitration Association. The arbitrators shall be persons experienced in resolving disputes between franchisors and franchisees. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction. We and you agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE, BASIS AND THAT WE (AND/OR OUR AFFILIATES AND OUR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES) AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) SHALL BE THE ONLY PARTIES TO ANY ARBITRATION PROCEEDING DESCRIBED IN THIS SECTION 14 E AND THAT NO SUCH ARBITRATION PROCEEDINGS MAY BE CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING, NOR SHALL ANY OTHER PERSON BE JOINED AS A PARTY TO SUCH ARBITRATION PROCEEDING. Despite our and your agreement to arbitrate, we and you each have the right in a proper case to seek temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, provided, however, that we and you must contemporaneously submit our dispute for arbitration on the merits as provided in this Section. The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

f Costs In any proceeding brought by us to enforce our rights under this Agreement, we will be entitled to reimbursement of our costs and expenses (including attorney, witness and accountant fees)

16 Entire Agreement This Agreement constitutes our and your entire agreement. Except for any Franchise Agreement to which we and you are parties, there are no other oral or written understandings or agreements between us and you (and, except as provided in our Franchise Disclosure Document, no oral or written representations by us) relating to the subject matter of this Agreement, the franchise relationship, or the Salons to be developed under this Agreement (any understandings or agreements reached by you and us, or any representations made by us, before this Agreement are superseded by this Agreement). You may not rely on any

alleged oral or written understandings, agreements, or representations not contained in this Agreement (except for representations contained in our Franchise Disclosure Document) Nothing in this or any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you This Agreement can only be modified by a writing signed by both parties

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date

ULTIMATE FRANCHISES, INC ,
a California corporation

DEVELOPER

_____,
a _____ resident, individually

By _____

Name W Scott Griffiths

Date _____

Title Chief Executive Officer

Date _____

EXHIBIT A

1 Expiration Date (§1) _____ months after the Effective Date

2 Development Area (§2) The entire area located within the following postal codes _____

3 Development Schedule (§2) You agree to develop and open 18/8 Salons in the Development Area according to the following schedule

Salon Number	Franchise Agreement to be Executed by (Date)	Salon to be Opened by (Date)	18/8 Salons to be Open and Operating by Opening Date (in previous column)
#1		12 months from FA Effective Date	1

4 Development Fee (§3) \$ _____ (_____ Dollars)

5 Name, Address and Email of Person to Receive Notices for Developer (§9)

Name _____

Address _____

Email Address _____

[Signatures on following page]

ULTIMATE FRANCHISES, INC ,
a California corporation

DEVELOPER

_____,
a _____ resident, individually

By _____

Name W Scott Griffiths

Date _____

Title Chief Executive Officer

Date _____

EXHIBIT D
ASSIGNMENT AGREEMENT

Exhibit D

Assignment Agreement

This Assignment Agreement ("**Agreement**") is made and entered into as of _____, 20__ ("**Effective Date**") by and between Ultimate Franchises, Inc., a California corporation with a principal place of business at 30821 Seminole Place, Laguna Niguel, California 92677 ("**Ultimate Franchises**," "**we**" or "**us**"), and _____, a _____ resident ("**Franchisee**" or "**you**"), _____, a _____ resident ("**Guarantor**"), and _____, a _____ with a principal place of business at _____ ("**Assignee**")

Background

A Ultimate Franchises and Franchisee are parties to a Franchise Agreement dated _____ (the "**Franchise Agreement**"), pursuant to which Ultimate Franchises granted to Franchisee the right to develop and operate a high-end salon catering to male customers under the "18/8" name

B Franchisee wishes to assign the Franchise Agreement to Assignee for convenience of ownership under Section 12 of the Franchise Agreement. Ultimate Franchises is willing to consent to the assignment

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

1 Assignment and Assumption of Franchise Agreement, Consent of Ultimate Franchises

a Franchisee and Assignee represent and warrant that (i) Franchisee is the sole owner Assignee, and (ii) Assignee conducts no business other than the SALON to be developed under the Franchise Agreement

b Franchisee hereby assigns to Assignee, as of the Effective Date, all of Franchisee's rights and obligations under the Franchise Agreement. Assignee assumes, and agrees to be bound by and comply with, every obligation, covenant, duty and liability owed by Franchisee to Ultimate Franchises under the Franchise Agreement. Notwithstanding the foregoing, Franchisee remains individually and personally liable to Ultimate Franchises for all obligations, covenants, duties and liabilities of Franchisee under the Franchise Agreement, and Guarantor's Guaranty and Assumption of Obligations remains unmodified and in full force and effect

c Ultimate Franchises hereby consents to the assignment of the Franchise Agreement by Franchisee to Assignee

d Except as expressly provided in this Agreement, the Franchise Agreement remains unmodified and in full force and effect

2 Capitalized Terms All capitalized terms not defined in this Agreement will have the meanings assigned to them in the Franchise Agreement

3 Governing Law This Agreement shall be governed by and interpreted and construed in accordance with the laws of the State of California

4 Binding Effect This Agreement shall inure to the benefit of Ultimate Franchises and its successors and assigns, and shall be binding upon Franchisee, Guarantor and Assignee and their respective heirs, successors, assigns and legal representatives

[Signatures on following page]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement (in whole or in counterparts) on the dates noted below, to be effective as of the Effective Date

Ultimate Franchises, Inc ,
a California corporation

_____,
a _____ resident, individually

By _____

Name _____ Date _____

Title _____

Date _____ a _____ resident, individually

Date _____

a _____

By _____

Name _____

Title _____

Date _____

By _____

Name _____

Title _____

Date _____

EXHIBIT E
FRANCHISOR ADDENDUM TO LEASE

EXHIBIT E

**FRANCHISOR ADDENDUM TO THAT CERTAIN LEASE
BY AND BETWEEN _____ ("Landlord")**

and

_____ ("Tenant")

This Franchisor Addendum ("Addendum") is made as of the ____ day of _____, 20____, between Landlord and Tenant

Landlord acknowledges that, pursuant to a Franchise Agreement between Ultimate Franchises, Inc ("Franchisor") and _____ as Franchisee (the "Franchise Agreement"), Tenant intends to operate a salon from the leased Premises under the name 18|8 Fine Men's Salon or other name designated by Franchisor (the "Franchised Business")

Landlord and Tenant desire to amend the Lease in accordance with the terms and conditions contained herein

NOW, THEREFORE, it is hereby mutually covenanted and agreed between Landlord and Tenant as follows

1 Landlord acknowledges the Franchise Agreement Landlord agrees that on the expiration or termination of the Franchise Agreement for any reason, if the Lease has not expired or been terminated, then Franchisor will have the right, but not the obligation, at Franchisor's election and on notice to Landlord (given within 30 days after the expiration or termination of the Franchise Agreement), either (a) to assume the obligations of and replace Tenant as the Tenant under the Lease, (b) to have another franchisee assume the obligations of and replace Tenant as the Tenant under the Lease, or (c) if Franchisor has assumed the obligations of and replaced Tenant as the Tenant under the Lease pursuant to paragraph (a) above, to reassign the Lease to another franchisee Landlord will have the right to approve the proposed franchisee, with landlord's approval not to be unreasonably withheld, delayed or conditioned

2 Landlord agrees that if the Lease contains term renewal or extension rights and the Franchisor has obtained the rights of the Tenant, Landlord will give Franchisor the right to exercise Tenant's renewal or extension rights on the same terms as in the Lease If Franchisor elects to exercise these rights, it will so notify Landlord in writing, whereupon Landlord will sign an agreement with Franchisor or another franchisee (as applicable) whereby at Franchisor's election (a) Franchisor assumes the rights and obligations of and replaces Tenant as the Tenant under the renewed or extended Lease, or (b) another franchisee assumes the obligations of and replaces Tenant as Tenant under the renewed or extended Lease If Franchisor has assumed the obligations of and replaced Tenant as the Tenant under the renewal or extended Lease, Franchisor will have the right later to reassign the Lease to another franchisee Landlord will have the right to approve the proposed franchisee, with landlord's approval not to be unreasonably withheld, delayed or conditioned

3 If at any time during the term or any renewal term of the Lease Landlord alleges Tenant's default under the Lease, Landlord agrees to copy Franchisor (at the address in

paragraph 7) with the written notice to the Tenant, specifying the default and the method of curing the default, and allow Franchisor the same cure period as afforded to the Tenant under the Lease. Franchisor will have the further right, but not the obligation, at its option and on notice to Landlord, either to (a) assume the obligations of and replace Tenant as the Tenant under the Lease, or (b) have another franchisee assume the obligations of and replace Tenant as the Tenant under the Lease. If Franchisor has assumed the obligations of and replaced Tenant as the Tenant, Franchisor will have the right to reassign the Lease to another franchisee. Landlord will have the right to approve the proposed franchisee, with landlord's approval not to be unreasonably withheld, delayed or conditioned.

4 Landlord agrees that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee assumes these obligations as provided above and takes actual possession of the Premises.

5 Tenant agrees that the Lease may not be modified or amended without Franchisor's prior written consent, which Franchisor will not unreasonably withhold. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

6 Landlord agrees that if Franchisor has assumed the obligations of and replaced Tenant as the Tenant under a Lease and/or signed a New Lease, and Franchisor later reassigns the Lease to another franchisee, Franchisor will not be liable for any obligations to Landlord under the Lease after the effective date of the reassignment.

7 All notices under this Addendum will be delivered by certified mail. All notices to Franchisor must be sent to Ultimate Franchises, Inc. at 30821 Seminole Place, Laguna Niguel, California 92677. All notices to Landlord and Tenant must be given to the addresses specified in the Lease. Landlord, Tenant and Franchisor may in writing inform the others of a new or changed address or addressee(s) to which notices under this Addendum should be sent.

8 Notwithstanding anything to the contrary contained in the Lease, Tenant will not be responsible for any alterations in the parking areas, walkways or any other areas of the Shopping Center that are required under the Americans With Disabilities Act or any similar federal, state or local law, ordinance, rule, regulation or court ruling, or changes to any such requirements. All such disability-related requirements shall be the sole responsibility and cost of the Landlord.

9 Landlord agrees that Tenant shall have the right to remodel, equip, paint and decorate the interior of the Premises and to display Franchisor's proprietary marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate a Franchised Business on the Premises.

10 Landlord hereby acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement under which Tenant plans to operate its Franchised Business, and that Tenant would not lease the Premises without this Addendum. If attached,

Landlord also hereby consents to the Collateral Assignment of Lease from Tenant to Franchisor as evidenced by Attachment A

11 Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum with full understanding that it creates no duties, obligations or liabilities of or against Franchisor or any affiliate of Franchisor

12 If requested by Franchisor, Landlord will provide Franchisor with whatever information Landlord has regarding Tenant's sales from its Franchised Business. Landlord acknowledges that the Franchise Agreement grants Franchisor the right of inspection of Tenant's Premises, and Landlord agrees to cooperate with Franchisor's efforts to enforce Franchisor's inspection rights

13 Landlord represents, covenants and warrants that (a) Landlord has lawful title to the Shopping Center and has full right, power and authority to enter into the Lease and this Addendum, (b) the Shopping Center is in compliance with the Americans with Disabilities Act ("ADA") and similar state and local requirements, (c) the permitted "use" of the Premises does not currently violate the terms of any of Landlord's insurance policies, (d) Landlord currently maintains all risk of physical loss coverage for the full replacement cost of the Shopping Center, and shall maintain, throughout the term of the Lease, general liability insurance coverage for the Shopping Center consistent with that being maintained from time to time by reasonably prudent owners of properties similar to the Shopping Center in the same area, and (e) so long as Tenant pays all monetary obligations due under the Lease and performs all other covenants contained herein, Tenant shall peacefully and quietly have, hold, occupy and enjoy the Premises during the term of the Lease and its use and occupancy thereof shall not be disturbed. Landlord covenants and agrees that Landlord shall take no action that will interfere with Tenant's intended usage of the Premises. Landlord shall indemnify and hold harmless Tenant and its officers, partners, agents and employees from and against any loss, cost, liability, damage or expense arising out of (i) Landlord's operation of the Shopping Center, (ii) Landlord's breach in the performance of any of its obligations under the Lease, or (iii) any violation of law by Landlord or any other act or omission of Landlord or its contractors, agents or employees. The foregoing indemnification shall survive expiration or termination of this Lease

14 Tenant shall have the right from time to time during the term of the Lease, and without Landlord's prior approval, to grant and assign a mortgage or other security interest in Tenant's interest under the Lease and all of Tenant's personal property located within the Premises to its lenders in connection with Tenant's financing arrangements and any lien of Landlord against Tenant's personal property (whether by statute or under the terms of the Lease) shall be subject and subordinate to such security interest. Landlord shall execute such documents as Tenant's lenders may reasonably request in connection with any such financing

15 Tenant may close its business once every five (5) years for a reasonable time to refurbish and redecorate the Premises

16 Landlord's consent shall not be required for non-structural or non-mechanical alterations, additions or changes to the Premises

17 No amendment or variation of the terms of the Lease or this Addendum to the Lease shall be valid unless made in writing and signed by the parties hereto

18 If there is any conflict between this Addendum, the Tenant's Addendum or the Lease, the terms of this Addendum will take precedence Except as amended or modified herein, all of the terms, conditions and covenants of the Lease shall remain in full force and effect and are incorporated herein by reference and made a part of this Agreement as though restated in full

19 Landlord and Tenant expressly agree that Franchisor is a third-party beneficiary of this Addendum

LANDLORD

TENANT

a _____

a _____

By _____

By _____

Name _____

Name _____

Title _____

Title _____

Date _____

Date _____

Attachment A
Collateral Assignment of Lease

FOR VALUE RECEIVED, as of the ____ day of _____, 20__ ("Effective Date"), the undersigned ("Assignor") hereby assigns, transfers and sets over to Ultimate Franchises, Inc ("Assignee") all of Assignor's right, title and interest as Lessee, in, to and under that certain lease, a copy of which is attached hereto as Exhibit "A" ("Lease") with respect to the premises located at _____

This Collateral Assignment of Lease ("Assignment") is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment unless Assignee shall take possession of the Premises demised by the Lease pursuant to the terms hereof and shall assume the obligations of Assignor hereunder

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the Premises demised thereby

Upon a default by Assignor under the Lease or under that certain franchise agreement between Assignee and Assignor for an 18|8 Fine Men's Salon ("Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right, and is hereby empowered, to take possession of the Premises demised by the Lease, expel Assignor therefrom, in that event, Assignor shall have no further right, title or interest in the Lease

Assignor agrees it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Through the term of the Franchise Agreement and any extensions thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day that said option must be exercised, unless Assignee otherwise agrees or instructs in writing. Upon failure of Assignee to otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as stated herein, Assignor hereby irrevocably appoints Assignee as its true and lawful attorney-in-fact, which appointment is coupled with an interest, to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of affecting the extension renewal

ASSIGNOR

a _____

By _____

Name _____

Title _____

Date _____

EXHIBIT F
PROJECT MANAGEMENT SERVICES

18|8 PROJECT MANAGEMENT SERVICE PACKAGES

	Silver	Gold
PM Fee (excludes travel cost)	\$8,500	\$15,000
Estimated Travel (trips)	1-2	3-4
General Tasks		
Provide phone & e-mail support to Zs	☆	☆
Interface with landlord on work letter requirements	☆	☆
Manage the design and construction process	☆	
Provide technical oversight	☆	☆
Review the development of construction documents	☆	☆
Vendor Contracts		
Source, qualify, and coordinate bids from architects (including MEP) and contractors	☆	☆
Negotiate, coordinate and manage architect and contractor contracts on your behalf	☆	☆
Negotiate, coordinate and manage signage and low voltage contracts on your behalf (must use 18 8 preferred vendors)	☆	☆
Budget & Schedule		
Assist in the development of a project budget and schedule	☆	☆
Review contractor's schedule and coordinate integration of client vendors and FF&E into schedule	☆	☆
Manage the architect and contractor to the budget and schedule	☆	☆
Plan Development		
Ensure that the plans adhere to your design requirements and projected budget	☆	☆
Recommend substitute materials and/or systems	☆	☆
Work with architect to ensure timely issuance of building permits	☆	☆
Construction Administration		
Establish and direct regularly scheduled project meetings with architect and contractor	☆	☆
Review proposed changes to the work and recommend appropriate action	☆	☆
Oversee and review architect and contractor billings and payments	☆	☆
Coordinate the procurement of furniture, fixtures, and equipment (FF&E)	☆	☆
Ensure the contractor maintains current up to date working drawings ('as built')	☆	☆
Coordinate the preparation of a punch list at the completion of construction	☆	☆

☆ Indicates shared responsibility between Z and 18|8 Project Management

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FINE MEN'S SALONS

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EXHIBIT I
STATE-SPECIFIC ADDITIONAL DISCLOSURES/ADDENDA TO FRANCHISE AGREEMENT & AREA
DEVELOPMENT AGREEMENT

STATE-SPECIFIC ADDITIONAL DISCLOSURES

Each provision of these additional disclosures is effective only to the extent that (i) the state franchise law applies to your franchise without reference to these additional disclosures, and (ii) the provisions requiring the modification are valid statutory requirements at the time of their enforcement

We reserve the right to challenge the applicability of any law that declares provisions in the Franchise Agreement or any other agreement void or unenforceable

INFORMATION REQUIRED BY THE STATE OF CALIFORNIA

The following information is added to the disclosure document for California residents

1 THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT

2 OUR WEBSITE, WWW.EIGHTEEN8.COM, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT WWW.DBO.CA.GOV

3 YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY WITH RESPECT TO ALL CHANNELS OF DISTRIBUTION

4 The following is added to Item 1 of the disclosure document

Franchisees that offer alcohol at their Salons in the state of California must comply with the requirements set forth in the Alcoholic Beverage Control Act and the California Code of Regulations, Title 4 for the sale of alcoholic beverages

5 The following is added to Item 3 of the disclosure document

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. §78a et seq.) suspending or expelling such person from membership in such association or exchange

6 The following is added to Item 12 of the disclosure document

You will not receive an exclusive territory with respect to all channels of distribution

7 The following is added to Item 17 of the disclosure document

California Business & Professions Code sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. §101 et seq.)

The Franchise Agreement provides that we may terminate the Franchise Agreement if you fail to meet your minimum development obligations and schedule

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under California law

The Franchise Agreement requires all litigation to be brought in the courts closest to our principal place of business (currently in California) Prospective franchisees are encourage to consult private legal counsel to determine the applicability of California and federal laws (like Business & Professions Code §20040 5, Code of Civil Procedure §1281 and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California

You must sign a general release if you transfer your franchise or obtain a new franchise for an additional term A release may be void under California law California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000-31516) Business & Professions Code §21000 voids a waiver of your rights under the Franchise Relations Act (Business & Professions Code §§20000-20043)

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise

**INFORMATION REQUIRED
BY THE STATE OF HAWAII**

The following information is added to the disclosure document for Hawaii residents

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE

**INFORMATION REQUIRED
BY THE STATE OF ILLINOIS**

To comply with the requirements of the Illinois Franchise Disclosure Act (Ill Comp Stat §§ 705/1 to 705/44, the "Act"), the disclosure document is amended as follows for use in the State of Illinois

If there is any conflict between any part of the Act and any part of the Franchise Agreement, the provisions of the Act will control

1 Item 17 of the Disclosure Document is amended by adding the following language to the beginning of the Item

"Notice Required By Law

THE TERMS AND CONDITIONS UNDER WHICH YOUR FRANCHISE CAN BE
TERMINATED AND YOUR RIGHTS UPON NON RENEWAL MAY BE AFFECTED BY
ILLINOIS LAW, 815 ILCS 705/19 - 705/20 "

2 The "Summary" section of Item 17 (v) ("Choice of forum"), is amended by adding the following language

(except as required by Illinois law for any claims arising under the Act)

3 The "Summary" section of Item 17 (w) (" Choice of law") is amended by adding the following language

(except as required by Illinois law for any claims arising under the Act)

**INFORMATION REQUIRED
BY THE STATE OF MARYLAND**

The disclosure document is amended as follows for use in the State of Maryland

1 Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following language

The general releases required for an Additional Term or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law

Except with respect to claims arising under the Maryland Franchise Registration and Disclosure Law, the Franchise Agreement permits you to sue only in the jurisdiction in which we maintain our principal place of business

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise

You may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law

2 Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following language to the summary of Provision "h"

Termination upon bankruptcy may not be enforceable under federal bankruptcy law
(11 U.S.C. §101 et seq.)

3 Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following language to the summary of Provisions "v" and "w"

(except for claims arising under the Maryland Franchise Registration and Disclosure Law)

**INFORMATION REQUIRED
BY THE STATE OF MICHIGAN**

The following is added to the disclosure document for Michigan residents

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any document relating to a franchise

(a) A prohibition of the right of a franchisee to join an association of franchisees

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims

(c) A provision that permits a Franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure

(d) A provision that permits a Franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the Franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) The term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of Franchisor's intent not to renew the franchise

(e) A provision that permits the Franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a Franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a Franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the Franchisor's then current reasonable qualifications or standards
- (ii) The fact that the proposed transferee is a competitor of the Franchisor or subfranchisor
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the Franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer

(h) A provision that requires the franchisee to resell to the Franchisor items that are not uniquely identified with the Franchisor. This subdivision does not prohibit a provision that grants to a Franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the Franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the Franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, MI 48913 (517) 373-7117

**INFORMATION REQUIRED
BY THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Franchises Law, Minn Stat §§ 80C 01 through 80C 22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn Rules §§ 2860 0100 through 2860 9930, the Disclosure Document for Ultimate Franchises, Inc. for use in the State of Minnesota shall be amended to include the following:

1 The following paragraph is added to the end of Item 13 ("Trademarks")

Pursuant to Minnesota Stat § 80C 12, Subd 1(g), we will indemnify you for damages or costs you sustain in any proceeding arising from your authorized use of the Marks

2 The following paragraphs are added to the end of Item 17 ("Renewal, Termination, Transfer and Dispute Resolution")

With respect to franchisees governed by Minnesota law, we will comply with Minn Stat § 80C 14, Subds 3, 4, and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld

Pursuant to Minn Rule 2860 4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce

Minn Stat § 80C 21 and Minn Rule 2860 4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes In addition, nothing in the Disclosure Document or agreement(s) 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 the jurisdiction

Pursuant to Minn Stat § 80C 17, Subd 5, any claims arising under the Minn Stat § 80C 17 must be brought within 3 years after the cause of action accrues

**INFORMATION REQUIRED
BY THE STATE OF NEW YORK**

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N Y Comp Code R & Regs tit 13, §§ 200 1 through 201 16), the Disclosure Document for Ultimate Franchises, Inc for use in the State of New York shall be amended as follows

1 The following additional risk factors are added to the State Cover Page

ADDITIONAL RISK FACTORS

INFORMATION COMPARING FRANCHISORS IS AVAILABLE CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS

2 The following replaces the final sentence of Item 3 ("Litigation")

Except as disclosed above, neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has an administrative, criminal or civil action pending against that person alleging a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange, or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent

Accordingly, no other litigation is required to be disclosed in this Item

3 The existing Item 4 ("Bankruptcy") language is deleted and replaced with the following paragraph

Neither we, nor our predecessor or affiliate, nor any of our or their officers or general partners, during the 10-year period immediately before the date of the Disclosure Document (a) filed as debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code, (b) obtained a discharge of its debts under the bankruptcy code, or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U S Bankruptcy Code or that obtained a discharge of its debts under the U S Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership

4 Item 17 ("Renewal, Termination, Transfer and Dispute Resolution") is amended by deleting "d", "j", "w" and substituting the following new "d", "j", "w"

Provision	Section in Franchise Agreement	Summary
d Termination by you	Not Applicable	Pursuant to New York General Business Law, the franchisee may terminate the Agreement upon any grounds available by law
j Assignment of contract by us	§14 A	There are no limits on our assignment rights. No assignment will be made except to an assignee who, in our judgment, is willing and able to assume our obligation under the Franchise Agreement
w Choice of law	§17 B	The law of the state of Delaware. The foregoing choice of law should not be considered as a waiver of any right conferred upon the franchisor or the franchisee by the General Business Law of the State of New York, Article 33

5 We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33

ULTIMATE FRANCHISES, INC REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT

**INFORMATION REQUIRED
BY THE STATE OF NORTH DAKOTA**

The following is added to the disclosure document for North Dakota residents

Item 17, Additional Disclosures The following is added to Item 17

Pursuant to the North Dakota Franchise Investment Law, any provision requiring a North Dakota franchisee to consent to the jurisdiction of courts outside North Dakota, the application of laws of a state other than North Dakota, or the waiver of a trial by jury is void. You are not required to consent to a waiver of exemplary or punitive damages against us under the North Dakota Franchise Investment Law.

You are not required to release any claims you might have against us under the North Dakota Franchise Investment Law.

Covenants not to compete will be subject to Section 9-08-06, N D C C

**INFORMATION REQUIRED
BY THE STATE OF RHODE ISLAND**

The following is added to the disclosure document for Rhode Island residents

Item 17, Additional Disclosure The following is added to Item 17

§ 19-28 1-14 of the Rhode Island Franchise Investment Act provides that "A provision in the 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 "

**INFORMATION REQUIRED
BY THE COMMONWEALTH OF VIRGINIA**

The following is added to the disclosure document for Virginia residents

1 Any provision in any of the contracts that you sign with us provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U S C §101 et seq)

2 Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable

3 Pursuant to Section 13 1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable

**INFORMATION REQUIRED
BY THE STATE OF WASHINGTON**

The following is added to the disclosure document for Washington residents

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash Rev Code §§ 19 100 180, the Disclosure Document for Ultimate Franchises, Inc in connection with the offer and sale of franchises for use in the State of Washington shall be amended as follows

The following paragraphs are added to the end of Item 17 ("Renewal, Termination, Transfer and Dispute Resolution")

The State of Washington has a statute, RCW 19 100 180, which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act (Chapter 19 100 RCW) shall prevail

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions like those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act like a right to a jury trial may not be enforceable.

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

**STATE-SPECIFIC ADDENDA TO
FRANCHISE AGREEMENT & AREA DEVELOPMENT AGREEMENT**

Each provision of these Addenda is effective only to the extent that (i) the state franchise law in question applies to your franchise without reference to the Addenda, and (ii) the provisions requiring the modification are valid statutory requirements at the time of their enforcement

We reserve the right to challenge the applicability and validity of any law that declares provisions in the Franchise Agreement, the Area Development Agreement or any other agreement void or unenforceable

ADDENDUM TO FRANCHISE AGREEMENT (CALIFORNIA)

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of California or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of California, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

4 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

5 **Termination, Nonrenewal and Transfer** California Business and Professions Code Sections 20000 through 20043, the California Franchise Relations Act, provide rights to franchisees concerning termination, nonrenewal or transfer of a franchise. For Franchise Agreements entered into after January 1, 2016, under amendments to this law, and except in the case of specific violations enumerated in Section 20021, including, on the part of the franchisee, bankruptcy, abandonment, material misrepresentation, seizure of or foreclosure on the franchise, failure to pay franchise fee, noncompliance with federal, state or local law or regulation, criminal conviction or danger to public health or safety, a franchise agreement cannot be terminated except for good cause. Good cause is defined as the failure of the franchisee to substantially comply with the lawful requirements of the franchise agreement after being given at least 60 days advance notice and a reasonable opportunity to cure of not less than 60 days from the date of the notice of noncompliance

Upon the lawful termination or nonrenewal of a franchise the franchisor must purchase from the franchisee certain items acquired by the franchisee pursuant to the requirements of the franchise agreement. The franchisor is not obligated purchase certain items from the franchisee if the items are not required in the operation of the franchised business, the franchisee declined a bona fide offer of renewal from the franchisor, the franchisor permits the franchisee to retain the franchisee's principal place of business, the termination or nonrenewal is due to the franchisor's total withdrawal of franchising activity in the geographic area in which the franchise is located or the franchisee and franchisor mutually agree in writing to terminate or not renew the franchise or certain items that are sold by the franchisee between the notice of termination and cessation of operation

The California Franchise Relations Act also provides new provisions concerning a franchisee's right to transfer a franchise agreement, such as requiring that a franchisor communicate to a franchisee its standards for approval of new or renewing franchisees. The Act specifies penalties if a franchisor terminates a franchise agreement in violation of that law, among other things. (See California Business and Professions Code sections 20028 and 20029.) The franchisee should read the entire statute to become familiar with all of its terms since if the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

6 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfy all of the jurisdictional requirements of the California Franchise Relations Act without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, you and we have executed and delivered this Addendum as of the Effective Date of the Franchise Agreement.

FRANCHISOR
ULTIMATE FRANCHISES, INC.,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

7

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(ILLINOIS)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of Illinois or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of Illinois, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

8 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

9 The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provision of the Franchise Agreement that is in conflict with the Act

10 Illinois law shall be applied to, and govern, any claim between the parties

11 Claims arising under Illinois law will be governed by Section 4 of the Act, which provides that "any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of [Illinois] is void, provided that a franchise agreement may provide for arbitration in a forum outside of [Illinois]"

12 Nothing contained in the Franchise Agreement will constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Act or any other Illinois law (as long as the jurisdictional requirements of the Act are otherwise met)

13 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfy all of the jurisdictional requirements of the Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Addendum as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Name _____

Title _____

Date _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(ILLINOIS)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of Illinois or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of Illinois, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 The provisions of the Illinois Franchise Disclosure Act of 1987 (the "Act") shall supersede any provision of the ADA that is in conflict with the Act

3 Illinois law shall be applied to, and govern, any claim between the parties

4 Claims arising under Illinois law may be governed by Section 4 of the Act, which provides that "any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of [Illinois] is void, provided that a franchise agreement may provide for arbitration in a forum outside of [Illinois]"

5 Nothing contained in the ADA will constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of Act or any other Illinois law (as long as the jurisdictional requirements of the Act are otherwise met)

6 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfy all of the jurisdictional requirements of the Act, without considering this Addendum. Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Addendum as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC ,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(MARYLAND)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of Maryland or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of Maryland, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

2 The general release that is required as a condition of a new franchise for an Additional Term and for sale and/or assignment/transfer of the franchise shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law (the "Law")

3 You may bring any claims arising under the Law in a Maryland court

4 Any claims under the Law must be brought within 3 years after the Effective Date

5 Notwithstanding any other provision in the Franchise Agreement, the acknowledgments in the Franchise Agreement are not intended to, nor shall they, act as a release, estoppel or waiver of any liability under the Law

6 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfy all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Addendum as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(MARYLAND)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of Maryland or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of Maryland, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 You may bring any claims arising under the Law in a Maryland court

3 Any claims under the Law must be brought within 3 years after the Effective Date

4 Notwithstanding any other provision in the ADA, the acknowledgments in the ADA are not intended to, nor shall they, act as a release, estoppel or waiver of any liability under the Law

5 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfy all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Addendum as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC.,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(MINNESOTA)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of Minnesota or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of Minnesota, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

2 The general release that is required as a condition of a new franchise for an additional term and for sale and/or assignment/transfer of the franchise will not relieve any person from liability imposed by Minn Stat §§ 80C 01-80C 22 (the "Law") However, the Law does not bar a general release, including claims arising under the Law, given in connection with the voluntary settlement of disputes

3 We will indemnify you against liability to a third party resulting from claims that your use of the Proprietary Marks infringes trademark rights of the third party, provided that your use is in accordance with the requirements of the Agreement and the System

4 The parties agree that our consent to the transfer of the franchise may not be unreasonably withheld

5 The parties agree that, except in certain cases specified under the Law, you must be given 90 days notice of termination (with 60 days to cure) of the Franchise Agreement

6 You agree that we will be entitled to seek injunctive relief (in addition to any other relief that may be available) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions

7 The parties agree that Minnesota Statute § 80C 21 and Minnesota Rule 2860 4400J prohibit us from requiring you to waive any of your rights as provided for in the Law, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota

8 Any claims arising under the Law must be brought within 3 years after the cause of action accrues

9 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this

Addendum Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(MINNESOTA)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc, a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of Minnesota or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of Minnesota, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 The parties agree that our consent to the transfer of a franchise may not be unreasonably withheld

3 The parties agree that, except in certain cases specified under the Law, you must be given 90 days notice of termination (with 60 days to cure) of a franchise

4 You agree that we will be entitled to seek injunctive relief (in addition to any other relief that may be available) against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions

5 The parties agree that Minnesota Statute § 80C 21 and Minnesota Rule 2860 4400J prohibit us from requiring you to waive any of your rights as provided for in the Law, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota

6 Any claims arising under the Law must be brought within 3 years after the cause of action accrues

7 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC ,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(NEW YORK)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of New York or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of New York, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

2 The general release that is required as a condition of a new franchise for an additional term and for sale and/or assignment/transfer of the franchise shall not apply to claims arising under the New York General Business Law and the regulations issued thereunder (collectively, the "Law")

3 The parties agree that nothing in this Agreement should be considered a waiver of any right conferred upon you by the Law

4 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC.,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(NEW YORK)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of New York or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of New York, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 The parties agree that nothing in this Agreement should be considered a waiver of any right conferred upon you by the New York General Business Law and the regulations issued thereunder (collectively, the "Law")

3 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC.,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(NORTH DAKOTA)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of North Dakota or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of North Dakota, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

2 The general release that is required as a condition of a new franchise for an Additional Term and for sale and/or assignment/transfer of the franchise shall not apply to claims arising under the North Dakota Franchise Investment Law (the "Law")

3 Covenants not to compete will be subject to Section 9-08-06, N D C C

4 The Law voids any provision requiring franchisees to consent to the litigation of disputes at a location that is remote from the site of the franchisee's business, the application of laws of a state other than North Dakota, liquidated damages or termination penalties, the waiver of a trial by jury, or the waiver of exemplary or punitive damages

5 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(NORTH DAKOTA)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of North Dakota or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of North Dakota, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 Covenants not to compete will be subject to Section 9-08-06, N D C C

3 The North Dakota Franchise Investment Law (the "Law") voids any provision requiring franchisees to consent to the litigation of disputes at a location that is remote from the site of the franchisee's business, the application of laws of a state other than North Dakota, liquidated damages or termination penalties, the waiver of a trial by jury, or the waiver of exemplary or punitive damages

4 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC.,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(RHODE ISLAND)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of Rhode Island or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of Rhode Island, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

2 Notwithstanding any contrary provision in the Franchise Agreement, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act (the "Act")

3 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Act, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC.,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(RHODE ISLAND)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc, a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of Rhode Island or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of Rhode Island, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 Notwithstanding any contrary provision in the ADA, Rhode Island law governs any claim arising under the Rhode Island Franchise Investment Act (the "Act")

3 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Act, without considering this Addendum Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC ,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO FRANCHISE AGREEMENT
(WASHINGTON)**

This Addendum to Franchise Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc., a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

Recitals

1 You are (a) a resident of the state of Washington or (b) a non-resident who is obtaining a license to use the System to operate an 18|8 Salon at a location and/or in a Protected Area or Site Selection Area in the State of Washington, and you have entered into a Franchise Agreement with us dated as of _____ ("Franchise Agreement")

2 The parties desire to amend the Franchise Agreement as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Franchise Agreement

2 The Washington Franchise Investment Protection Act, RCW 19 100 180 (the "Law"), may supersede the Franchise Agreement in your relationship with us, including with respect to the termination of your franchise. There may also be court decisions which may supersede the Franchise Agreement in your relationship with us, including with respect to the termination of your franchise

3 The general release that is required as a condition of a new franchise for an additional term and for sale and/or assignment/transfer of the franchise shall not apply to claims arising under the Law

4 Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in evaluating, approving and effecting a transfer

5 In the event of a conflict between the Law and the law chosen in the Franchise Agreement, the provisions of the Law shall prevail

6 This Addendum shall have effect only if the Franchise Agreement and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the Franchise Agreement

FRANCHISOR
ULTIMATE FRANCHISES, INC ,
a California corporation

FRANCHISEE

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

**ADDENDUM TO AREA DEVELOPMENT AGREEMENT
(WASHINGTON)**

This Addendum to Area Development Agreement ("Addendum") is made and entered into by and between Ultimate Franchises, Inc, a California corporation ("we" or "us") and _____ ("Developer" or "you")

Recitals

1 You are (a) a resident of the state of Washington or (b) a non-resident who is obtaining the right to develop one or more 18|8 Salons at a location and/or in a Development Area in the State of Washington, and you have entered into an Area Development Agreement with us dated as of _____ ("ADA")

2 The parties desire to amend the ADA as set forth below

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, by the parties, the parties agree as follows

1 All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the ADA

2 The Washington Franchise Investment Protection Act, RCW 19 100 180 (the "Law"), may supersede the ADA in your relationship with us, including with respect to the termination of your franchise There may also be court decisions which may supersede the ADA in your relationship with us, including with respect to the termination of your franchise

3 Transfer fees are collectable to the extent that they reflect our reasonable estimated or actual costs in evaluating, approving and effecting a transfer

4 In the event of a conflict between the Law and the law chosen in the ADA, the provisions of the Law shall prevail

5 This Addendum shall have effect only if the ADA and/or the relationship between us and you satisfies all of the jurisdictional requirements of the Law, without considering this Addendum Except as expressly modified by this Addendum, the ADA remains unmodified and in full force and effect

[Signature page immediately follows]

IN WITNESS WHEREOF, you and we have executed and delivered this Amendment as of the Effective Date of the ADA

ULTIMATE FRANCHISES, INC ,
a California corporation

DEVELOPER

a _____ resident

By _____

Name _____

Title _____

Date _____

Name _____

Date _____

EXHIBIT J
FRANCHISEE REPRESENTATIONS

EXHIBIT J
ULTIMATE FRANCHISES, INC
FRANCHISEE REPRESENTATIONS

Important Instructions Read this document carefully and do not sign it if it contains anything you think might be untrue. If you sign this document, you are confirming that what it says is true, and we will take action in reliance on the truth of your statements.

The undersigned ("Franchisee") is/are interested in acquiring from Ultimate Franchises, Inc ("we," "us" or "our") a franchise for an 18|8 Salon to be operated at a specific location (the "Salon") pursuant to a Franchise Agreement with us. Each of the undersigned represents that all of the following statements are true:

1 Each of the undersigned has conducted his or her own independent investigation of us, the 18|8 System (as used in the Franchise Agreement), the risks, burdens and nature of the business Franchisee will conduct under the Franchise Agreement, the Salon's site (if already selected) and the Franchisee's proposed Protected Area.

2 Each of the undersigned understands that the business Franchisee will conduct under the Franchise Agreement involves risk, and that any success or failure will be substantially influenced by the Franchisee's ability and efforts and the viability of the Salon's location.

3 Each of the undersigned understands that we previously have entered into franchise agreements with provisions different from the provisions of the Franchise Agreement, and may in the future enter into franchise agreements with provisions different from the provisions of the Franchise Agreement.

4 Franchisee has received an executable copy of the Franchise Agreement and all related documents and has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning those documents. If we unilaterally made material changes in Franchisee's final, ready-to-be signed copies of the Franchise Agreement and related documents (other than as a result of our negotiations with Franchisee), Franchisee has had possession of those documents for at least seven (7) calendar days before executing them.

5 Franchisee has received a franchise disclosure document ("FDD") as required by law, at least 14 calendar days before the execution of the Franchise Agreement and at least 14 calendar days before Franchisee's payment of any consideration to us or an affiliate in connection with this franchise, and Franchisee has had ample opportunity to consult with his or her attorneys, accountants and other advisors concerning the FDD.

6 We have made no representation, warranty, promise, guaranty, prediction, projection or other statement, and given no information, as to the future, past, likely, or possible income, sales volume, or profitability, expected or otherwise, of the Salon or any other Salon, except (None, unless something is filled in here) _____

7 Each of the undersigned understands that

7.1 We do not authorize our officers, directors, brokers or employees to furnish any oral or written representation, warranty, promise, guaranty, prediction, projection or other statement or information concerning actual or potential income, sales volume, or profitability, either generally or with respect to any particular 18|8 Salon

7.2 Actual results vary from unit to unit and from time period to time period, and we cannot estimate, project or predict the results of any particular 18|8 Salon

7.3 We have specifically instructed our officers, directors, brokers and employees that, they are not permitted to make any representation, warranty, promise, guaranty, prediction, projection or other statement or give information as to income, sales volume or profitability, either generally or relating to any particular 18|8 Salon

7.4 If any unauthorized representation, warranty, promise, guaranty, prediction, projection or other statement is made or information is given, the undersigned should not (and will not) rely on it and should report it to our management

8 Before signing the Franchise Agreement and any related documents, each of the undersigned has had ample opportunity (A) to discuss the Franchise Agreement, any related document, and the business Franchisee will conduct with his or her own attorneys, accountants and real estate and other advisors, (B) to contact our existing franchisees, and (C) to investigate all statements made and information given by us and our officers, directors, brokers, employees and agents relating to the 18|8 System, the Salon, and any other subject

9 Each of the undersigned understands that the Franchise Agreement grants certain rights for one, and only one, Salon, operated only at the location now specified (or to be specified) in the Franchise Agreement, and that, except as provided in the Franchise Agreement or an Area Development Agreement with us, no "exclusive," "expansion," "protected," "non-encroachable," or other territorial rights, rights of first refusal, or rights of any other kind are granted or have been promised concerning the structure in which the Salon is operated, the contiguous or any other market area of the Salon, or any other existing or potential 18|8 Salon or geographic territory

10 Each of the undersigned understands that the Franchise Agreement (including any exhibits, addenda and related documents) constitutes the entire agreement between the parties and supersedes all prior and contemporaneous oral or written agreements, statements, representations or understandings between us and Franchisee, except representations made by us in the FDD (provided that contract provisions described in the FDD may be modified in the final version of the Franchise Agreement signed by us and Franchisee)

11 Each of the undersigned understands that, except for representations made by us in the FDD (provided that contract provisions described in the FDD may be modified in the final version of the Franchise Agreement signed by us and Franchisee), nothing stated or promised by us that is not specifically set forth in the Franchise Agreement can be relied upon by Franchisee

12 The only state(s) in which each of the undersigned is a resident is/are _____

13 Each of the undersigned understands the importance of the Salon's location. Each of the undersigned has had, or will have, ample opportunity and the means to investigate, review, and analyze independently the Salon's location, the market area and all other facts relevant to the selection of a site for an 18½ Salon, and the lease documents for each location.

14 Each of the undersigned understands that neither our acceptance of any location nor our acceptance of any lease implies or constitutes any warranty, representation, guarantee, prediction or projection that the location will be profitable or successful or that the lease is on favorable terms (it often being the case that leases are available only on very tough terms).

15 Each of the undersigned understands that site selection is a difficult and risky proposition. We have not given (and will not give) any representation, warranty, promise, guaranty, prediction, projection or other statement or information relied upon by the undersigned or Franchisee regarding a location's prospects for success, nearby tenants or other attributes, or the form or contents of any lease. Franchisee will have any lease reviewed by its, his, or her own attorney and other advisors.

16 The covenants and restrictions concerning competition contained in the Franchise Agreement are fair and reasonable and will not impose an undue hardship on Franchisee. Each of the undersigned has other considerable skills, abilities, opportunities, and experience in other matters and of a general nature that enable each of them to derive income that is satisfactory to them from other endeavors.

17 There is no fiduciary or confidential relationship between us and Franchisee. Each of the undersigned expects us to deal, and will act as if we are dealing, with it, him, or her at arm's length and in our own best interests.

18 We have advised Franchisee to consult with his or her own advisors on the legal, financial and other aspects of the Franchise Agreement, this document, the Salon, any lease or sublease for the Salon's location, and the business contemplated by the Franchise Agreement. Each of the undersigned has either consulted with such advisors or deliberately declined to do so.

19 Neither we nor any employee has provided the undersigned or the Franchisee with services or advice that are of a legal, accounting or other professional nature.

20 The statements made in this document supplement and are cumulative to statements, warranties, and representations made by Franchisee in other documents, such as the Franchise Agreement. The statements made in this document or the Franchise Agreement are made separately and independently. They are not intended to be, and will not be, construed as modifying or limiting each other.

[Signatures on following page]

FRANCHISEE

_____,
a _____ resident, individually

Date _____

FRANCHISEE

_____,
a _____ resident, individually

Date _____

**ULTIMATE FRANCHISES, INC
ADDENDUM TO FRANCHISEE REPRESENTATIONS
(MARYLAND)**

This Addendum to Franchisee Representations ("Addendum") is made and entered into by and between Ultimate Franchises, Inc, a California corporation ("we" or "us") and _____ ("Franchisee" or "you")

1 All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

IN WITNESS WHEREOF, you and we have executed and delivered this Addendum as of the Effective Date of the Franchise Agreement

ULTIMATE FRANCHISES, INC

FRANCHISEE

By _____

Name _____

Name _____

Title _____

Date _____

Date _____

EXHIBIT K
SALON MANAGEMENT SERVICES AGREEMENT

EXHIBIT K
SAMPLE SALON MANAGEMENT AGREEMENT

THIS SALON MANAGEMENT AGREEMENT ("Agreement") is made as of _____ ("Effective Date") by and between _____ (collectively, "Franchisee"), on the one hand, and _____ ("Manager"), on the other hand

RECITALS

Pursuant to a franchise agreement dated as of _____ ("Franchise Agreement"), Ultimate Franchises, Inc ("Franchisor") granted Franchisee the right to operate an 18|8 Fine Men's Salon® located at _____ ("Salon")

Franchisee desires to engage Manager to manage and operate the Salon, and Manager is willing to accept such engagement, in accordance with the terms and conditions below

NOW, THEREFORE, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows

1 Appointment Franchisee appoints Manager to manage and supervise the operation of the Salon. Manager accepts the appointment on the terms and conditions of this Agreement. It is understood and agreed that Manager is an independent contractor, and nothing in this Agreement is intended to make either party a subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. Franchisee shall promptly furnish such additional consents and authorizations as Manager may reasonably request for the purpose of managing and operating the Salon. Franchisee shall provide Manager access to all files, databases, contracts, and other information used in the operation of the Salon, including access to all computers, computer programs, point-of-sale systems, and electronic files.

2 Term, Termination The initial term of this Agreement ("Initial Term") shall be for a period of 180 days commencing on the Effective Date. This Agreement will automatically renew for additional terms of 180 days each (each an "Additional Term"), unless either party provides written notice to the other party of its intent not to renew at least 30 days before the expiration of the Initial Term or then-current Additional Term. This Agreement may be terminated by mutual agreement of Franchisee, Manager, and Franchisor. In addition, Franchisee and Manager shall have the right to terminate this Agreement, with cause, upon 30 days' written notice, without opportunity to cure.

3 Cash Receipts and Payments by Manager

A Cash Receipts Manager will collect all cash receipts from the operation of the Salon during the Term.

B Royalty Fees and Advertising Fees For sales during the Term, Manager shall pay to Franchisor the royalty fee, advertising fees, and any other fees as required by the Franchise Agreement.

C Management Fee The Franchisee shall pay to the Manager by electronic funds transfer via automated clearinghouse system (ACH) within 5 business days of the date of invoice a monthly management fee (the "**Management Fee**") in the amount of \$ _____ for the preceding month.

4 Operating Account and Working Capital

A Operating Account. Manager will set up an operating bank account for the Salon that is separate from Manager's other bank accounts. Manager will have complete control over the operating account and Franchisee will have no authority to deposit funds into or withdraw funds from the operating account. Manager may provide copies of documentation relating to the operating account to Franchisee. During the Term, Manager shall collect all revenues from sales at the Salon and Manager will deposit all receipts of into the operating account. Manager shall periodically report to Franchisee and Franchisor regarding the revenues and expenses of the Salon.

B Budget While this Agreement is in effect, Manager will have sole discretion over the operating budget for the Salon and for the expenditures to be made in connection with the operation of the Salon. Manager will pay all costs and expenses associated with the management and operation of the Salon from the operating account for the Salon.

C Use of Funds on Termination or Expiration Upon termination or expiration of this Agreement, any funds in the operating account will be used in the following order to (1) pay all bills, costs and expenses relating to the operation of the Salon, (2) pay any compensation due to Manager, and (3) to pay all amounts owed to Franchisor. If any funds remain, those funds shall be distributed to Franchisee.

5 Duties of Manager Manager shall operate the Salon in strict accordance with the System and the Franchise Agreement. Without limiting the foregoing, Manager shall undertake the following duties:

A Compliance with System Manager shall maintain the Salon at all times in accordance with that of a first-class quality Salon and with all expenses funded by the revenues of the Salon or by the Franchisee in the event of a deficit. Manager shall be directly responsible for the general operations of the Salon and the maintenance necessary for the upkeep of the Salon.

B Reports Manager shall submit such reports as Franchisee or Franchisor may reasonably require from time to time.

C Maintenance and Operation Manager is authorized at the expense of the Franchisee to purchase for the Salon all necessary inventory and supplies, including an adequate supply (as determined by Manager) of products for use in the Salon and for retail sale (including proprietary products developed by or for Ultimate Franchises and/or its affiliates that are offered under marks owned by Ultimate Franchises or its affiliates), enter into all necessary contracts for electricity, gas, telephone, window cleaning, refuse disposal, payroll or staff services, purchase or lease of equipment, extermination, marketing, and for any other utilities or services, which Manager shall reasonably consider necessary and advisable, and to make ordinary repairs and alterations to the Salon as agreed to by the Franchisee.

D Payment of all Operating Costs During the term of this Agreement, the Manager shall pay all costs, fees, taxes, and other related expenses arising from the operation of the Salon out of the Operating Account. Upon the Franchisee's request, the Manager shall promptly furnish the Franchisee with proof of payment of any such operating costs.

E Personnel Franchisee is responsible for selecting, hiring, and training an adequate staff for the Salon and promoting and discharging all such employees.

F Licenses and Filings Franchisee shall obtain all licenses or permits and make all tax, workers' compensation and other filings required by law in connection with the operation of the Salon. Manager will be responsible for filing, preparing and processing any sales, use or excise taxes collected from customers of the Salon.

6 Compliance with Leases If Franchisee has a real estate lease for the real property used in the operation of the Salon, Franchisee has provided or shall provide copies of such leases to Manager. Manager shall operate the Salon in compliance with those leases and pay all amounts owed pursuant to those leases.

7 Specific Limitations on Manager's Authority Manager shall have no authority to enter into any binding agreement on behalf of Franchisee without Franchisee's prior written consent, or to perform any activities in discharging Manager's obligations pursuant to this Agreement which are in violation of any federal, state, or local law, rule, or regulation.

8 No Waiver Manager and Franchisee recognize and agree that the execution of this Agreement shall not constitute a waiver of any claims Franchisor may have against Franchisee or Manager. In addition, a failure of either party to insist upon or enforce any term or provision or to exercise any right, option, or remedy under this Agreement, or to require at any time performance of any provision hereof, shall not be construed as a waiver of any such term or provision. No waiver by either party of any term or provision hereof shall be binding unless made in writing and signed by such party.

9 Notices No notice, demand, request or other communication relating to this Agreement shall be binding on Manager or Franchisee unless the notice is in writing, refers specifically to this Agreement and (A) if to Manager, is addressed to _____ (Facsimile _____) (Email _____), or (B) if to Franchisee, is addressed to _____ (Facsimile _____) (Email _____). If any notice, demand, request or other communication relating to this Agreement is sent, the party sending that notice shall provide a copy to Franchisor addressed to Carl Karcher Enterprises, Inc., _____ (Attention _____) (Facsimile _____) (Email _____). Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section 12. Notices shall be effective upon receipt (or first refusal of delivery) and may be (1) delivered personally, (2) transmitted by facsimile or electronic mail, with electronic confirmation of receipt, (3) mailed in the United States mail, postage prepaid, certified mail, return receipt requested, or (4) mailed via overnight courier.

10 Indemnification by Franchisee The Franchisee shall indemnify and hold manager and its affiliates and their respective officers, directors, agents, employees, representatives, shareholders, affiliates, successors and assigns (collectively, the "Manager Indemnified Parties") harmless from and against from and against any and all claims, demands, damages (including special and consequential damages), liabilities, actions, causes of action, legal proceedings, administrative proceedings, suits, injuries, costs, losses, debts, liens, interest, fines, charges, penalties and expenses (including attorneys', accountants', consultants', and expert witness fees and costs) of every kind and nature (collectively, the "Claims") arising directly or indirectly out of any negligent or willful act or omission of the Franchisee in the performance of its obligations hereunder.

11 No Warranties FRANCHISEE ACKNOWLEDGES THAT MANAGER MAKES NO REPRESENTATIONS, WARRANTIES, PROMISES, GUARANTIES, PREDICTIONS, OR PROJECTIONS AND HAS PROVIDED NO INFORMATION AS TO THE FUTURE, PAST, LIKELY OR POSSIBLE INCOME, SALES VOLUME, OR PROFITABILITY, EXPECTED OR OTHERWISE OF THE SALON.

12 Entire Agreement This Agreement, its attachments, and any agreements executed in furtherance of this Agreement constitute the entire, full and complete agreement concerning the matters covered in this Agreement and supersede any and all prior or contemporaneous negotiations, discussions, understandings or agreements. There are no other representations, inducements, promises, agreements, arrangements, or undertakings, oral or written relating to the matters covered in this Agreement other than those set forth herein. No obligations or duties that contradict or are inconsistent with the express terms of this Agreement may be implied into this Agreement. Except as expressly set forth herein, no amendment, change or variance from this Agreement shall be binding on the parties unless mutually agreed to by the parties and executed in writing.

13 Governing Law This Agreement and any claim or controversy arising out of, or relating to, the rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of California without regard to conflicts of laws principles.

14 Execution This Agreement may be executed in counterparts, and each copy so executed and delivered shall be deemed to be an original.

15 Successors and Assigns The provisions of this Agreement will be binding upon and inure to the benefit of the parties and to their respective successors and assigns. This Agreement may not be assigned by either party without the prior written consent of the other.

16 Severability If any provisions of this Agreement are held to be invalid, illegal, or unenforceable, the remaining provisions shall remain in full force and effect.

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

ATTEST

By _____
Print Name _____
Title _____

ATTEST

By _____
Print Name _____
Title _____

FRANCHISEE

By _____
Print Name _____
Title _____
Date _____

MANAGER

By _____
Print Name _____
Title _____
Date _____

EXHIBIT L
RELEASE

EXHIBIT L

GENERAL RELEASE

THIS GENERAL RELEASE ("Release") is made and entered into this _____ day of _____, 20____ by and between **ULTIMATE FRANCHISES, INC**, a California corporation ("Ultimate Franchises"), and _____ ("Franchisee"), _____ ("Operating Company"), and _____ ("Guarantor")

- 1 Ultimate Franchises and Franchisee entered into a certain Franchise Agreement dated _____ (the "Franchise Agreement"), whereby Ultimate Franchises granted to Franchisee the right to own and operate an "18|8 Fine Men's Salon" located at _____ (the "Franchised Business"),
- 2 Franchisee assigned the operating rights under the Franchise Agreement to Operating Company
- 3 Franchisee, Guarantor, and Operating Company sign this Release as an express condition of either (i) the consent of Ultimate Franchises to Franchisee's transfer of the Franchise Agreement or the transfer of an interest in Operating Company, or (ii) the consent of Ultimate Franchises to mutually terminate the Franchise Agreement

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and other good and valuable consideration, receipt of which are hereby acknowledged, the parties hereto agree as follows

1 Release by Franchisee, Guarantor, and Operating Company Franchisee, Guarantor, and Operating Company, for themselves and their respective successors, assigns, heirs, personal representatives and all other persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasors"), hereby release and forever discharge Ultimate Franchises and its past and present officers, directors, shareholders, members, parents, subsidiaries, affiliates, agents, employees, attorneys, insurers, representatives, predecessors, successors, and assigns, and each of them, from any and all claims, debts, liabilities, demands, obligations, costs, expenses, suits, actions, and causes of action, of whatever nature, known or unknown, suspected or unsuspected, vested or contingent (collectively, "Claims") that the Franchisee Releasors ever had, now have, or may in the future have, arising out of or relating to any act, omission or event occurring on or before the date of this Release

2 Waiver Of Civil Code Section 1542 To the extent California law applies to this Release, the Franchisee Releasors hereby expressly, voluntarily and knowingly waive, relinquish and abandon each and every right, protection and benefit to which they would be entitled, now or at any time hereafter under Section 1542 of the Civil Code of the State of California, as well as under any applicable laws of similar effect to Section 1542, whether now or hereinafter existing under the laws of California or any other applicable federal and state law with jurisdiction over

the parties' relationship. The Franchisee Releasors acknowledge that Section 1542 of the Civil Code of the State of California provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

3 Risk of changed facts The Franchisee Releasors understand that the facts in respect of which the release in Section 1 above is given may turn out to be different from the facts now known or believed by the parties to be true. The Franchisee Releasors hereby accept and assume the risk of the facts turning out to be different and agree that the release shall nevertheless be effective in all respects and not subject to termination or rescission by virtue of any such difference in facts.

4 No prior assignment The Franchisee Releasors represent and warrant that they are the sole owners of all Claims and rights released by them hereunder and that they have not assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim released under Section 1 above.

5 Covenant not to sue The Franchisee Releasors covenant not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any person or entity released under Section 1 above with respect to any Claim released under Section 1 above.

6 Complete defense Franchisee Releasors (i) acknowledge that this Release shall be a complete defense to any Claim released under Section 1 above, and (ii) consent to the entry of a temporary or permanent injunction to prevent or end the assertion of any such Claim.

7 Governing law This Release shall be governed by, and interpreted and construed under, the laws of the State of California.

8 Authorization The person who executes this Release on behalf of Franchisee represents and warrants that Franchisee has authorized that person to enter into this Release on behalf of Franchisee. Franchisee, Guarantor, and Operating Company represent and warrant that they have the authority to enter into this Release on behalf of themselves and the other persons and entities to be bound by their signature.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this General Release on the day and year first above written

ULTIMATE FRANCHISES, INC
a California corporation

By _____
Print Name _____
Title _____
Date _____

FRANCHISEE _____
An individual

By _____
Print Name _____
Date _____

GUARANTOR _____

By _____
Print Name _____
Title _____
Date _____

OPERATING COMPANY

_____, a _____

By _____
Print Name _____
Title _____
Date _____

EXHIBIT M
LIST OF FRANCHISEES

EXHIBIT M
LIST OF FRANCHISEES AS OF MARCH 31, 2017

Open and Operating as of March 31, 2017

Arizona

Dave Doderlein*
2327 N Scottsdale Road
Scottsdale, AZ 85255
480-771-0101
doderlein@eighteneight.com

Tammy Kraemer*
7135 East Camelback Road, Suite 173
Scottsdale, AZ 85251
480-771-0188
kraemer@eighteneight.com

1155 W Ocotillo Road, Suite #7
Chandler, AZ 85248

California

Luke Chang*
5773 E Santa Ana Canyon Road, Suite B
Anaheim, CA 92807
714-591-8188
chang@eighteneight.com

Gary Parsons*
207 W Imperial Hwy, Suite A
Brea, CA 92821
714-784-0188
parsons@eighteneight.com

Irwin Vaz*
513 E Hamilton Avenue
Campbell, CA 95008
408-872-6401
vaz@eighteneight.com

Tom Terry
1835 Newport Blvd, Suite D-150
Costa Mesa CA 92627
949-274-4018
188cmnewportblvd@gmail.com

Larry Banuelos*
11955 Washington Blvd , Suite D
Culver City, CA 90066
310-933-5030
banuelos@eighteneight.com

Gary Rose*
4101-C Dublin Blvd
Dublin, CA 94568
925-778-3200
rose@eighteneight.com

Barbara Goldman*
Bella Terra Center
7631 Edinger Ave , Suite 1500
Huntington Beach, CA 92647
714-373-1888
goldman@eighteneight.com

David Bolton
7407 La Jolla Blvd
La Jolla, CA 92037
858-216-4188
188lajolla@gmail.com

Kara Davidson and Samer Alami*
15 Fiesta Lane
Lafayette, CA 94549
925-297-512
alami@eighteneight.com

1576 Botelho Drive
Walnut Creek, CA 94596
925-231-9118

*Area Developer

Shani & Francis Obedoza*
27241 La Paz Road Ste A
Laguna Niguel, CA 92677
949-643-1818

Monica and Wood Harter*
1818 The Orchard
23626 El Toro Road, Suite C
Lake Forest, CA 92630
949-455-1188/park@eighteneight.com

Lee Short *
12775 W Millennium Drive, Ste 155
Los Angeles, CA 90094
310 648 8151
lee.short@eighteneight.com

Rocco Musumeche*
140 North Milpitas Blvd
Milpitas, CA
408-837-9880
musumeche@eighteneight.com

MJ Patterson*
565 San Antonio Road, Suite 24
Mountain View, CA 94040
650-948-1880
mj.patterson@eighteneight.com

Aly Marei
1312 Bison Avenue
Newport Beach, CA 92660
949-438-2558
marei@eighteneight.com

Chris Clay*
3340 Lakeshore Avenue
Oakland, CA 94610
510-296-0400
chris.clay@eighteneight.com

Craig Howard
1818 at Plaza Antonio
22361 Antonio Pkwy, Suite E130
Rancho Santa Margarita, CA 92688
949-654-0720
howard@eighteneight.com

William Shieh*
1005 Galleria Boulevard, Suite 100
Roseville, CA 95678
916-778-3200
shieh@eighteneight.com

Brian Flanagan & Tanya Lopez*
1980 Kettner Blvd , Suite 50
San Diego, CA 92101
858-225-7088
lopez@eighteneight.com

Geoffrey Sampson
10543 4S Commons Drive, Suite 176
San Diego CA 92127
858-914-5418
188sandiego4S@gmail.com

Bruce Weissman
1 Embarcadero Center
San Francisco CA 94111
415-989-4700

Jonathan Sadowsky
21540 Hawthorne Blvd , Suite 431 B
Torrance, CA 90503
310-661-8118
sadowsky@eighteneight.com

Dwight Teske*
960 South Westlake Blvd, Suite 7
Westlake Village, CA 91361
805-283-4000
teske@eighteneight.com

*Area Developer

Amyr Sachedina*

8615 Santa Monica Boulevard
West Hollywood, CA 90069
310-598-2228
sachedina@eighteenight.com

Petros Boyadzhan
6250 Topanga Canyon Blvd , Suite 1515
Woodland Hills, CA 91367
818-721-9888
deinyan@eighteenight.com

DC

Williams
2200 14th Street, NW
Washington DC 20090
202-838-1118
188fourteenthstreet@gmail.com

Florida

David Schlockman
4787 PGA Blvd
Palm Beach Gardens FL 33418
561-567-0088
188palmbeachgardens@gmail.com

Georgia

Plezco, Inc *
Skip & Nancy Plesnarski
305 Brookhaven Ave, Suite 1140
Atlanta, GA 30319
404-481-5368
plez@eighteenight.com

Morris
1311 Johnson Ferry Rd , Suite 204
Marietta GA 30068
770-691-3100
188eastcobb@gmail.com

Hawaii

Becky Gustafson
660 Ala Moana Blvd, Suite 150
Honolulu HI 96813
808-829-4373
188Hawaii@gmail.com

Illinois

Jeff Eggert*
120 S Hough Street
Barrington, IL 60010
224-633-2188
eggert@eighteenight.com

Ash Seth*
2825A Pfingsten Road
Glenview, IL 60026
224-231-5188
seth@eighteenight.com

Kristine Givens*
314 Yorktown Shopping Center
Lombard, IL 60148
630-495-9575
givens@eighteenight.com

Jeff Forney*
1763 Freedom Drive, Suite 109
Naperville, IL 60563
630-457-1880
Forney@eighteenight.com

Mark Ravenscraft
1245 N Roselle Road
Schaumburg IL 60193
847-892-7188
188schaumburg@gmail.com

*Area Developer

Indiana

Susan Hawkins
14550 Clay Terrace Blvd, Suite 155
Carmel IN 46032
317-763-2188
188Carmel@gmail.com

Kentucky

Jennifer Thauberger*
1301 Herr Lane, Suite 160
Louisville, KY 40222
502-257-0077
thauberger@eighteneight.com

Maryland

Kevin Lancos
1906 Annapolis Towne Centre Blvd
Suite 145
Annapolis, MD 21401
443-295-4188
lancos@eighteneight.com

Michelle Rhodes Brown
8191 Maple Lawn Blvd
Fulton, MD 20759
301-329-2818
rhodesbrown@eighteneight.com

Madieu Williams*
7550 Wisconsin Avenue
Bethesda, MD 20814
301-830-8338
williams@eighteneight.com

Massachusetts

Joe O'Brien*
62 Second Avenue
Burlington, MA 01803
617-966-7155
obrien@eighteneight.com

*Area Developer

David Floyd*
143 University Avenue
Westwood, MA 02090
210-362-1081
Floyd@eighteneight.com

Minnesota

Andrew Hulse*
12063 Elm Creek Blvd N
Maple Grove, MN 55369
763-400-9124
hulse@eighteneight.com

Missouri

Joe Bryan*
10901 Olive Boulevard
Creve Coeur, MO 63141
314-755-1988
jbryan@eighteneight.com

1723 Clarkson Road
Chesterfield, MO 63017
636-778-2700

Nebraska

Michael & Debbie Wohlgemuth*
1920 S 67th Street
Omaha, NE 68106
402-932-2088
wohlgemuth@eighteneight.com

16909 Lakeside Hills Plaza #110
Omaha NE 68130
402-814-2899
wohlgemuth@eighteneight.com

New Jersey

Dan Bunce*
Route 202/206 North #11
Bedminster, NJ 07921
908-857-4002
bunce@eighteneight.com

Chinjal Patel*
87 Vervalen Street
Closter, NJ 07624
201-932-1880
patel@eighteneight.com

18 Park Avenue
Jersey City NJ 07302
201-613-5188
188jerseycity@gmail.com

Charles Vinci*
30 The Promenade
Edgewater, NJ 07020
201-992-8001
cvinci@eighteneight.com

176 Columbia Turnpike
Florham Park, NJ 07932
973-529-8003

266 Center Street
Westwood NJ 07675
201-992-8002
188westwood@gmail.com

Matt Weingast
3535 U S Highway 1, Suite 463A
Princeton NJ 08540
609-527-3188
188princeton@gmail.com

New Mexico

Doug Jones
5901 Wyoming Blvd NE, Suite P6
Albuquerque, NM 87109
505-294-1814
jones@eighteneight.com

New York

Steve Kinnally*
315 Mamaroneck Avenue
Mamaroneck, NY 10543
914 559-2188
kinnally@eighteneight.com

Kenn Stearns
20 Pine Street
New York, New York 10005
646-838-0418
stearns@eighteneight.com

Paul Tessitore*
8285 Jericho Turnpike
Woodbury, NY 11797
516-543-3818
tessitore@eighteneight.com

Ohio

Art Dilger*
27950 Chagrin Blv , Suite 19
Beachwood, OH 44122
440-510-3777
dilger@eighteneight.com

35972 Detroit Road
Avon, OH 44011
440-388-0088

Chris Brown*
3110 Vandercar Way
Cincinnati, OH 45209
513-342-5188
chris.brown@eighteneight.com

Lisa Hamilton
4038 Powell Road
Powell, OH 43065
866-615-6008
188powell@gmail.com

Oregon

John & Barbara Cahill*
4823 Meadows Road, Suite 121
Lake Oswego, OR 97035
503-564-1100
cahill@eighteneight.com

*Area Developer

South Carolina

Marvin Keene*
7719 North Kings Highway
Myrtle Beach, SC 29572
843-781-7188
keene@eighteeneight.com

Tennessee

Rose Mary and Scott Muirhead*
1844 W McEwen Drive, Unit 110
Franklin, TN 37067
615-219-0188
Muirhead@eighteeneight.com

Texas

Keith and Natasha Blanco*
7949 Walnut Hill Lane, Suite 125
Dallas, TX 75230
214-305-2579
blanco@eighteeneight.com

Elizabeth Rogan *
3701 Justin Road, Suite 120
Flower Mound, TX 75028
972-562-5042
rogan@eighteeneight.com

David Klein*
101 Town Center Lane, Suite A-121
Keller, TX 76248
817-753-3100
klein@eighteeneight.com

Albert Marquez*
19431 Preston Road, Suite 1003
Plano, TX 75093
469-331-8225
marquez@eighteeneight.com

Charlene Cullen*
1417 E Renner Road, Suite 330
Richardson, TX 75082
469-289-1880
Cullen@eighteeneight.com

*Area Developer

Marina & Jose Garcia
11745 Interstate Hwy 10, Suite 400
San Antonio, TX 78230
210-462-1705
garcia@eighteeneight.com

Paul & Jen Felsing*
17619 La Cantera, Bldg#2, Suite 210
San Antonio, TX 78257
210-362-1081
felsing@eighteeneight.com

Adriana Alba Suarez
1685 Highway 6, Suite 120
Sugar Land, TX 77478
281-751-9188
188sugarland@gmail.com

John Michael Stern*
2025 Hughes Landing Blvd , Suite 700
The Woodlands, TX 77380
281-393-0118
jmstern@eighteeneight.com

11909 Domain Drive, Suite 160
Austin, TX 78758
512-489-1881

Washington

Ron Barbera*
19122 Beardselee Blvd , Suite 203
Bothell, WA 98011
425-748-7188
barbera@eighteeneight.com

Steve Nordeen*
16345 Cleveland Street, Suite B
Redmond WA 98052
425-880-9900
nordeen@eighteeneight.com

Wisconsin

Erich & Dawn Herman*
12898 West Bluemound Road
Elm Grove, WI 53122
262-910-0188
herman@eighteneight.com

John Shaw*
6317 McKee Road, Unit 100
Fitchburg, WI 53719
608-472-4188
shaw@eighteneight.com

*Area Developer

Franchise Agreement Signed, But Salon Not Yet Open as of March 31, 2017

Last Name	First Name	Address	City	State	Zip	Phone No
Howard	Craig	15 Sherdian	Irvine	CA	92620	949-654-0720
Sampson	Geoffrey	1 Cedar Ridge	Irvine	CA	92603	949-823-1873
Mc Bride	Ed	4931 Geary Way	Palm Springs	CA	92262	415-905-0049
Sachedina	Amy	621 S Pacific Coast Highway, Unit C	Redondo Beach	CA	90277	310-709-1249
Shieh	William	5960 Friar Court	San Jose	CA	95129	408-390-8461
Khanna	Neeraj	1684 Decoto Rd #254	Union City	CA	94587	510-364-3940
Wesley	Mark	313 Caruso Court	Atlanta	GA	30350	404-384-7312
Williams	Madieu	5430 Beach Avenue	Bethesda	MD	20814	301-379-1168
Simpson	Chris	3209 Devonshire Road	Waldorf	MD	20601	301-461-4329
Hulse	Andrew	18862 Concord Street NW	Elk River	MN	55330	612-306-3899
Meyer	Allan	15311 Big Horn Pass NW	Prior Lake	MN	55372	612-819-0681
Brown	Chris	2142 Heather Hill Blvd	Cincinnati	OH	45244	513-348-3177

*Area Developer

Last Name	First Name	Address	City	State	Zip	Phone No
Kozlowski	Walt	2316 James Street	McKeesport	PA	15132	412-999-6858
Soberanis	Adriana	1310 Minnie Drive	Austin	TX	78732	512-507-7628
Alba (Suarez)	Suarez	6615 Misty Creek	Missouri City	TX	77459	832-541-9934

*Area Developer

**Franchisees that were Terminated, Non-Renewed or Otherwise Left the System
During the Last Fiscal Year, or Who Have Not Communicated with Us in the Past 10
Weeks**

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

**1 Franchisees that were Terminated, Non-Renewed or Otherwise Left the System
During the Last Fiscal Year**

Dawn Koslowski
726 Rainbow Drive
Westminster, MD 21157
410-382-7641

Bruce Bunin
8538 Owens River Circle
Fountain Valley CA 92708
714-962-5515

Kimberly Nowell
10537 Keathley Drive
Frisco TX 75035
214-448-9112

Joel Block
37 Mandria
Newport Coast CA 92657
917-334-3311

Ed & Nina Lasseter
2500 Deer Valley Road #1222
San Rafael CA 94903
205-344-0842

Li Kang
10455 Bluffmont Drive
Lone Tree CO 80124
303-204-0212

Charles Vinci
837 Aztec Trail
Franklin Lakes NJ 07417
201-873-3962
(3 units)

Ross Bowen
5658 Seven Oaks Court
Minnetonka MN 55345
952-406-8062

Gavin Case
915 79th Street
North Bergen NJ 07047
646-206-7224

2 Franchisees that Have not Communicated with Us in the Past 10 Weeks

None

*Area Developer

RECEIPT
(Sign and keep this copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Ultimate Franchises, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Ultimate Franchises, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Ultimate Franchises, Inc., 30821 Seminole Place, Laguna Niguel, California 92677, (949) 290-6431. The name, principal business address, and telephone number of the franchise seller offering the franchise is

W. Scott Griffiths, 30821 Seminole Place, Laguna Niguel, California 92677, (949) 290-6431

The issuance date of this Franchise Disclosure Document is July 12, 2017 (with the effective dates in franchise registration states as noted on the 3rd page of this Franchise Disclosure Document).

We authorize the respective state agents identified on Exhibit A to receive service of process for us in those states.

I received a disclosure document from Ultimate Franchises, Inc. dated as of July 12, 2017 that included the following Exhibits:

- A State Franchise Administrators/Agents for Service of Process
- B Franchise Agreement
- C Area Development Agreement
- D Assignment Agreement to Wholly-Owned Entity
- E Franchisor Addendum to Lease
- F Project Management Services
- G Operations Manual Table of Contents
- H Financial Statements
- I State-Specific Additional Disclosures/Addenda to Franchise Agreement & Area Development Agreement
- J Franchisee Representations
- K Salon Management Services Agreement
- L Release
- M List of Franchisees

Date of Receipt _____

Signature _____

Prospective Franchisee Name (Printed) _____

RECEIPT
(Sign and return this copy to us)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Ultimate Franchises, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Ultimate Franchises, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency identified on Exhibit A.

The franchisor is Ultimate Franchises, Inc., 30821 Seminole Place, Laguna Niguel, California 92677, (949) 290-6431. The name, principal business address, and telephone number of the franchise seller offering the franchise is

W. Scott Griffiths, 30821 Seminole Place, Laguna Niguel, California 92677, (949) 290-6431

The issuance date of this Franchise Disclosure Document is July 12, 2017 (with the effective dates in franchise registration states as noted on the 3rd page of this Franchise Disclosure Document).

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states.

I received a disclosure document from Ultimate Franchises, Inc. dated as of July 12, 2017 that included the following Exhibits:

- | | |
|---|---|
| A | State Franchise Administrators/Agents for Service of Process |
| B | Franchise Agreement |
| C | Area Development Agreement |
| D | Assignment Agreement to Wholly-Owned Entity |
| E | Franchisor Addendum to Lease |
| F | Project Management Services |
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| I | State-Specific Additional Disclosures/Addenda to Franchise Agreement & Area Development Agreement |
| J | Franchisee Representations |
| K | Salon Management Services Agreement |
| L | Release |
| M | List of Franchisees |

Date of Receipt _____

Signature _____

Prospective Franchisee Name (Printed) _____