

## FRANCHISE DISCLOSURE DOCUMENT



### V's BARBERSHOP FRANCHISE, LLC

An Arizona limited liability company

2320 W. Mission Lane, #3

Phoenix, Arizona 85021

(602) 414-4800

[renaeg@vbarbershop.com](mailto:renaeg@vbarbershop.com)

[www.vbarbershop.com](http://www.vbarbershop.com)

The franchised business is an upscale barbershop that provides high-quality haircuts, old-fashioned shaves, and men's facial services in a uniquely masculine environment under the V's Barbershop® service marks and trademarks.

The total investment necessary to begin operation of a V's Barbershop® is between \$195,200 and \$363,250. This includes \$22,500 to \$30,000 for the initial franchise fee that must be paid to us.

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 Disclosure 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 Renae Germinaro at V's Barbershop Franchise, 2320 W. Mission Lane, #3, Phoenix, Arizona 85021; (602) 414-4800 (ext. 5); [renaeg@vbarbershop.com](mailto:renaeg@vbarbershop.com).

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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, N.W., Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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.

Issuance Date: **March 24, 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 FRANCHISE 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 MEDIATION, ARBITRATION AND, IN LIMITED CASES, LITIGATION ONLY IN ARIZONA. OUT-OF- STATE MEDIATION, ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE, ARBITRATE OR LITIGATE WITH US IN ARIZONA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT ARIZONA 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. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE MAKING YOUR SPOUSE INDIVIDUALLY LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT. THE GUARANTEE WILL PLACE YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.
4. THE TERRITORY IS NOT EXCLUSIVE. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM FRANCHISOR OWNED OUTLETS OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS FRANCHISOR CONTROLS.
5. THE FRANCHISE AGREEMENT CONTAINS PROVISIONS THAT LIMIT FRANCHISEE'S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.
6. We 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 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-SPECIFIC  
EFFECTIVE DATES**

<b>State</b>	<b>Status</b>	<b>Effective Date</b>
California	Pending	
Illinois	Pending	
Indiana	Pending	
Minnesota	Pending	
New York	Pending	
Washington	Pending	
Wisconsin	Pending	

## TABLE OF CONTENTS

ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	1
ITEM 2: BUSINESS EXPERIENCE.....	2
ITEM 3: LITIGATION.....	3
ITEM 4: BANKRUPTCY .....	3
ITEM 5: INITIAL FEES.....	3
ITEM 6: OTHER FEES.....	3
ITEM 7: ESTIMATED INITIAL INVESTMENT .....	10
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	14
ITEM 9: FRANCHISEE'S OBLIGATIONS .....	17
ITEM 10: FINANCING.....	19
ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	20
ITEM 12: TERRITORY.....	27
ITEM 13: TRADEMARKS.....	30
ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	32
ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....	33
ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....	34
ITEM 17: THE FRANCHISE RELATIONSHIP .....	34
ITEM 18: PUBLIC FIGURES.....	38
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS.....	39
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION .....	40
ITEM 21: FINANCIAL STATEMENTS .....	43
ITEM 22: CONTRACTS .....	43
ITEM 23: RECEIPT.....	43

## **EXHIBITS**

- A. List of Agents for Service of Process/State Administrators
- B. Financial Statements
- C. Table of Contents of Operation Manual
- D. List of Franchisees
- E. Form of Franchise Agreement (including exhibits)
- F. Agreement to Be Bound and Guarantee
- G. Form of Principal, Director and Officer Agreement
- H. Form of Manager and Employee Agreement
- I. Form of Preauthorization to Debit Funds
- J. Form of Addendum to Lease
- K. Form of Multi-Unit Agreement
- L. General Release (Specimen)
- M. Form of Franchisee Disclosure Questionnaire
- N. Additional Disclosures Required by Certain State Laws
- O. Receipts

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

V's Barbershop Franchise, LLC (sometimes referred to as "V's" or "we") is an Arizona limited liability company organized on November 17, 2006. The only name under which we do business is V's Barbershop Franchise, LLC. Our website is located at [www.vbarbershop.com](http://www.vbarbershop.com). Our agents for service of process are identified in Exhibit A.

We are in the business of granting franchises to operate V's Barbershop locations, which are upscale barbershops that provide high-quality haircuts, old-fashioned shaves and men's facial services in a uniquely masculine environment under the V's Barbershop service marks and trademarks (a "V's Barbershop" or the "Franchised Business"). Catering to patrons of all ages, V's Barbershops combine the best of the traditional neighborhood barbershop with modern professional services, updated venue amenities and sophisticated operational practices. The franchisee (sometimes referred to as the "Franchisee" or "you") will operate a V's Barbershop.

Although the market for hair care is mature, the market for upscale barbershops is growing. Competition comes primarily from "mom and pop" barbershops that have operated for many years and chain beauty salons catering to women, but serving men as well. Other competitors fall within the relatively new concept of sports-themed, low-priced barbershops. In addition, there are other upscale barbershops, also a relatively new concept, most of which differ from V's Barbershop in various respects. Some of your competitors may include V's Barbershops operated by V's Barbershop Holdings or V's other franchisees, including businesses which may be located in the same area as your V's Barbershop franchise. See Item 12. Existing or new competitors in the market may offer similar services and goods and engage in aggressive promotions that may include significant coupons, discounts, promotions and offers that may impact your business.

There are state and local laws, regulations and ordinances applicable to the operation and management of a barbershop, including barber, hairstylist, cosmetologist, management and barbershop licensing and operational requirements. You are advised to investigate the laws, regulations and ordinances applicable to your V's Barbershop. Information regarding the licensing and operational requirements in other states can be obtained by contacting the appropriate regulatory agencies in those states.

We began offering V's Barbershop franchises in March 2007. We are not engaged in any other business and we do not directly operate businesses of the type being franchised. However, our parent company, V's Barbershop Holdings, LLC, an Arizona limited liability company ("V's Barbershop Holdings"), has operated V's Barbershops since January 2012 and presently operates 1 V's Barbershop in Phoenix, Arizona. See Item 20.

V's Ventures, Inc., an Arizona corporation and an Affiliate<sup>1</sup> (as defined below) of V's, operated V's Barbershops between November 1999 and January 2012 when it transferred its assets to V's Barbershop Holdings.

In February 2007, our predecessor, V's Franchising Corporation, an Arizona corporation, sold us all of its assets, including assigning to us certain proprietary information and other intellectual

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<sup>1</sup> For purposes of this Disclosure Document, the term "Affiliate" means any person or entity controlling, controlled by, or under common control with another person or entity. Our Affiliates include, among other persons, our shareholders, directors, officers, employees, representatives and agents. Your Affiliates include, among other persons, your Principals, managers and employees.

property and the franchise agreements that V's Franchising Corporation had previously executed with its franchisees. In addition, V's Ventures, Inc. assigned to us the V's Barbershop service marks and trademarks and certain proprietary information and other intellectual property. See Items 13 and 14. V's Franchising Corporation has not, and does not operate businesses of the type being franchised. V's Franchising Corporation offered franchises of the type being franchised between September 2005 and February 2007 and sold 2 franchises. See Item 20.

We do not have any Affiliates that offer franchises in any line of business or that provide products or services to our franchisees. Except as stated above, we do not have any predecessors (persons from whom we acquired, directly or indirectly, the major portion of our assets).

Neither V's, V's Barbershop Holdings, V's Ventures, Inc. nor V's Franchising Corporation has offered, or currently offers, any franchise in any other line of business. The principal business address of V's, V's Barbershop Holdings, V's Ventures, Inc. and V's Franchising Corporation is 2320 W. Mission Lane, #3, Phoenix, Arizona 85021.

## **ITEM 2: BUSINESS EXPERIENCE**

### **Diego Valenzuela II, Managing Member and CEO**

Diego Valenzuela II ("Jim Valenzuela") has been the Managing Member of V's since its organization in November 2006 and has been the Chief Executive Officer of V's since February 2007. He has also been the President and Chief Executive Officer, and the Director, of V's Ventures, Inc. since February 1999. He was the President and Secretary, and the Director of V's Franchising Corporation, our predecessor between March 2005 and February 2007. He has been the Managing Member of V's Barbershop Holdings since January 2012.

### **Chris Mitchell, Vice President of Finance and Treasurer**

Chris Mitchell has been our Vice President of Finance and Treasurer since February 2007. He has also been the Chief Financial Officer of V's Ventures, Inc. since October 2003. Prior to February 2007 (since March 2005), he was the Vice President and Treasurer of V's Franchising Corporation.

### **Emily Brown, Director of Store Operations and Franchisee Support**

Ms. Brown has been our Director of Operations since February 2007. Between January 2006 and February 2007, she was the Director of Administration for V's Franchising Corporation, based in Phoenix, Arizona. Between February 2003 and January 2006, she was the Accounting and Operations Manager for the Make-A-Wish Foundation of Arizona.

### **Renaë Germinaro, Franchisee Support**

Ms. Germinaro has been Franchisee Support since September of 2014. Between August 1994 and August 2014 she was a Legal Assistant/Paralegal at the tax and estate planning firm of Olsen-Smith, Ltd.

### **Boaz Alvarado, Master Barber**

Mr. Alvarado has been our Master Barber since February 2017. From March 2016 through February 2017, Mr. Alvarado served as an inspector for the State of Arizona Board of Barbers. Between 2006 and February 2017, Mr. Alvarado worked as a licensed barber at various barbershops and salons in the state of Arizona. He has held an instructor license with the State of Arizona since 2012.

### ITEM 3: LITIGATION

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

#### Franchise Fee - \$22,500 to \$30,000

The Initial Franchise Fee for your first V's Barbershop is \$30,000, payable when you sign the Franchise Agreement. If this is your second or subsequent V's Barbershops or if you are currently in, or have been honorably discharged from the U.S. armed forces, the Initial Franchise Fee will be \$27,000 provided that the Initial Franchise Fee may be lower if you are acquiring multiple units.

If you are an existing franchisee and you are purchasing no less than two (2) additional franchise agreements from us, the Initial Franchise Fee for those two (2) additional franchise agreements will be \$22,500 each.

If you sign the Multi-unit Agreement and you pay the entire Initial Franchise Fee for at least three (3) units upon execution of the Multi-unit Agreement, the Initial Franchise Fee for the first franchise agreement will be \$30,000 and the Initial Franchise Fee for the second and third franchise agreements (and any additional franchise agreements that you pay for upon execution of the Multi-unit Agreement) will be \$22,500 per additional franchise agreement. See Exhibit K.

The training fee for up to two (2) people during the same timeframe is included with your Initial Franchise Fee.

Initial Franchise Fees are not refundable and will be used for our general purposes.

Except as stated above, Initial Franchise Fees are presently the same for all new franchises of V's Barbershops.

#### **Training (Only applicable in conjunction with transfer, renewal or relocation)-\$1,000 per attendee.**

If you are required to, or desire to, attend our training program in connection with your second or subsequent Franchise Agreements, in connection with a renewal, relocation, or transfer, or if you desire additional people to attend our training program, the fee will be \$1,000 per additional training program per person. The fee is not refundable.

### ITEM 6: OTHER FEES

Type of Fee <sup>1</sup>	Amount	Due Date
<b><u>WEEKLY FEES</u></b>		
Royalties <sup>2,3</sup>	5% of Gross Sales up to \$500,000; 2.5% of Gross Sales above \$500,000	Payable weekly. May be lower if you sign a Multi-Unit Agreement or execute 3 or more franchise agreements.

Type of Fee <sup>1</sup>	Amount	Due Date
Advertising Payment <sup>2,4</sup>	Between 1% and 3% of Gross Sales	Payable weekly. If your Advertising Payment is less than 3%, you must spend the difference between your Advertising Payment and 3% of your Gross Sales on local store marketing in a manner consistent with our requirements.
<b><u>MONTHLY FEES</u></b>		
Computer Software Maintenance Fee	\$160 - \$200 per month	Payable monthly to our third party provider. This fee includes support and updates to your required POS software. See Item 8.
<b><u>PERIODIC OR ONE TIME FEES</u></b>		
Inventory, Trademarked Items and Certain Other Items <sup>6</sup>	Will vary	Payable upon ordering.
Real Estate Broker's Fee	Will vary (estimated to be up to \$10,000), but is usually paid by the landlord	Paid to real estate broker on our approved list, or otherwise approved by us, upon signing lease.
Training Fee <sup>7</sup>	\$1,000 per V's training program per person	Payable prior to attending training if you request or we require: (i) you to complete or recomplete the training program; or (ii) additional individuals to complete or recomplete the Training Program; or (iii) you are executing the franchise agreement in connection with a renewal, relocation or transfer of the V's Barbershop
Extension Fee <sup>8</sup>	\$5,000 per Franchise Agreement to extend the deadline to open your V's Barbershop by one (1) year.	Payable if you wish to extend the deadline in the Franchise Agreement to open.
On-site Consultation Fee <sup>9</sup>	Will vary, depending upon the circumstances, and from time to time.	Payable as incurred
Transfer Fee <sup>10</sup>	\$5,000 or our expenses in connection with the transfer, whichever is greater.	Payable upon request for transfer
Renewal Fee	1/3 of then-current initial franchise fee, but not more than \$30,000.	Payable upon request for renewal
Relocation Fee	\$5,000.	Payable upon your request for relocation of your business

Type of Fee <sup>1</sup>	Amount	Due Date
		premises
Interest	18% per annum on royalties, advertising payments and other amounts unpaid within 10 days; on amounts paid by us or our Affiliates on your behalf.	Payable as incurred
Document Late Fee <sup>11</sup>	\$50/week or part thereof.	Payable as incurred
Late Fee	5% of the unpaid amount or \$100, whichever is greater, on royalties, advertising payments and other amounts unpaid within 10 days.	Payable as incurred
POS Communication Fee	\$25 per week for each week, or portion of a week, that your POS system is not maintained with the current approved software and required internet connection so that we can access your sales data with our standard access software.	Within 10 days of the end of the week that we cannot access your Computer System.
Lost Operation Manual Fee, Training DVD or other printed operational materials <sup>12</sup>	\$2,500	Payable as incurred
Store Resale Assistance Fee <sup>13</sup>	5% of sales price with a minimum fee of \$5,000 and a maximum fee of \$10,000.	Payable upon the closing of the sale of your store if you request us to assist you with the sale of your store.
Expenses of Correction or Disposal <sup>14</sup>	Will vary under the circumstances.	Payable as incurred
Expenses of Examining and/or Testing <sup>15</sup>	Will vary under the circumstances.	Payable as incurred
Audit Fee	Costs & expenses of the audit plus 18% per annum interest on the underpayment if the audit reveals that you have us or our Affiliates or submitted financial information to us that is inaccurate in any material respect.	Payable promptly after the audit
Broker Commission Fee <sup>16</sup>	Will vary. Payable if the buyer of your Franchised Business was identified and/or introduced to you by a party to whom a commission is due, whether that party is a third party, independent contractor, employee of Franchisor, or an Affiliate of Franchisor.	Payable as incurred.
Interim Operating Fee <sup>17</sup>	As determined by us, in our discretion.	Payable as incurred

Type of Fee <sup>1</sup>	Amount	Due Date
Liquidated Damages upon Breach of Restrictive Covenant	\$30,000 for each site operated in breach plus 10% of the sales from all services and products sold by or from a site operated in breach.	Payable as incurred
Liquidated Damages upon Breach of Covenant Against Hiring	An amount equal to the compensation paid by us or any of our Affiliates during the prior year.	Payable as incurred
Liquidated Damages upon Breach of Covenant Against Soliciting Vendors, Suppliers and Customers	An amount equal to 50% of the amount received by you (or the person with which you are associated) from the vendor, supplier or customer, or the amount paid to the vendor, supplier or customer.	Payable as incurred
Reimbursement of Amount Expended by V's or its Designee to Cure your Breaches of your Lease	Will vary under the circumstances; payable if V's or its designee assumes any of your obligations under your lease.	Payable as incurred
Indemnification of V's for Damages Suffered or Incurred for your Actions or Omissions or in connection with your V's Barbershop	Will vary under the circumstances.	Payable as incurred
Currency <sup>18</sup>	Costs of conversion to U.S. dollars.	Payable as incurred
Taxes <sup>19</sup>	Sales, use, gross receipts & similar taxes.	Payable within 10 days

**NOTES:**

1. All fees other than royalties may be modified by us from time to time without your approval, but will be no greater than the fees then being charged to new franchisees. All fees in the above table are imposed by V's and, except as stated, will be payable to and collectible by V's. All fees in the above table are not refundable. If the proposed transferee is disapproved by us, 75% of the transfer fee, less all of our out-of-pocket expenses relating to the proposed transfer, will be refunded to you.

If the Franchisee is a married individual, the Franchisee's spouse must sign the Spousal Consent to the Franchise Agreement. Each person (and his/her spouse), corporation, partnership, limited liability company or other entity that owns, directly or indirectly, a 5% or greater equity interest in the franchised entity (a "Principal") must sign an agreement, in the form of Exhibit F to the Franchise Disclosure Document in which he agrees to pay, perform and guarantee all of the franchisee's obligations to us and our Affiliates contained in the Franchise Agreement.

2. The term "Gross Sales" means the aggregate amount of sales of all products and services, and all other receipts or receivables whatsoever, from all business conducted either: (i) upon or originating from the premises of your V's Barbershop; or (ii) Under the Trademarks

(as defined below), whether or not upon or originating from the premises of the Franchised Business, without deduction for uncollected or uncollectible credit accounts and without allowances for bad debts. In addition, the term “Gross Sales” includes the proceeds received or realized by you or your Affiliates in connection with any business interruption insurance maintained by or for the benefit of you or your Affiliates. The term “Gross Sales” will not, however, include the amount of any taxes imposed by any governmental taxing authority directly on sales and collected from customers (if such tax is added to the selling price and actually paid by you to such taxing authority), any credit granted by us to you under any coupon redemption or similar promotion or any refund or credit given with respect to any products returned or exchanged by a customer (provided that the sales price thereof was included in Gross Sales). The term “Gross Sales” will also not include receipts or receivables with respect to gift cards, as sales of products and services paid for with gift cards will be included in Gross Sales at the time such sales occur.

You are required to sign a preauthorization form to enable us to draw against your bank account for the full amount of the royalties, advertising payments and any other amounts that you owe to us or our Affiliates or your advertising cooperative. The form of that authorization is contained in Exhibit I to this Disclosure Document.

We may require you to submit an operating statement, in the form specified by us, which includes Gross Sales figures for the prior week, together with such other information as we may reasonably require. If the required operating statement has not been submitted by 9:00 a.m. (Phoenix, Arizona time) on Wednesday of a particular business week and we do not have complete Gross Sales information from you, the amount drawn against your bank account as the royalties and advertising payments with respect to that business week will be the amount drawn the previous business week plus 10%, as an estimate of that business week’s royalties and advertising payments and you may be assessed a \$50 (per week or part thereof) document late fee.

Since royalties will typically be drawn automatically from your bank account, they would not be paid late unless there are inadequate funds in your bank account. In that event, royalties will be increased to up to 15% of Gross Sales with respect to any period during which you are in breach of your financial obligations under the Franchise Agreement. (The royalties paid or owing to us with respect to the period during which you are in breach are referred to as “Breaching Royalties.”) Breaching Royalties will be charged for a minimum 14-day period, regardless of the length of the actual breach.

**3.** We offer discounted Royalties: (i) to new franchisees that sign a Multi-unit Agreement and pay us the full Initial Franchise Fee for each of their 3 or more V’s Barbershop locations upon execution of the Multi-unit Agreement; and (ii) to existing franchisees that agree, whether through a Multi-unit Agreement or the execution of multiple franchise agreements, to open 2 additional V’s Barbershop locations, and pay us the Initial Franchise Fee for each of those 2 additional V’s Barbershop locations. Royalties are generally uniformly imposed although we may, in our discretion, modify the Royalties payable by a franchisee with respect to one or more V’s Barbershop locations.

If you enter into a Multi-unit Agreement with us where you: (i) pay us the applicable Initial Franchise Fee with respect to each V’s Barbershop location contemplated by the Multi-unit Agreement upon execution of the Multi-unit Agreement; and (ii) agree to open no less than 3 V’s Barbershops within an agreed upon time frame (the “development deadlines”) (generally you will have 1 year to open each of your V’s Barbershop locations), we will reduce the Royalties payable with respect to each of your 3 V’s Barbershop locations to 4% of Gross Sales. The Royalties payable for each of your V’s Barbershop locations will increase to 5% if you fail to

meet the development deadlines with respect to your additional units.

If you are an existing V's Barbershop franchisee and you execute a Multi-unit agreement where you: (i) (A) pay us the applicable Initial Franchise Fee with respect to each V's Barbershop location contemplated by the Multi-unit Agreement; or (B) execute no less than 2 additional franchise agreements with us including the payment of the Initial Franchise Fee for each location; and (ii) agree to open no less than 2 additional V's Barbershop locations by the development deadlines for each of those locations, we will reduce the Royalties payable with respect to your existing V's Barbershop location to 4% of Gross Sales. The Royalties payable for your existing V's Barbershop location will increase to 5% if you fail to meet the development deadlines with respect to your additional units.

**4.** Your Advertising Payment will be between 1% and 3% of your Gross Sales as determined by us in our sole discretion and may be modified by us up to a maximum of 3% at any time upon 30 days written notice to you. Other franchisees' advertising payments may be calculated at a different rate or on a different basis. See Item 11 with respect to how the advertising payments will be used. If your Advertising Payment to us is less than 3% of your Gross Sales, you will be required to expend the difference between your Advertising Payment and the amount equal to 3% of your Gross Sales on local store marketing. You must submit to us, on an annual basis, no later than 30 days after the end of each calendar year, reports detailing your local store marketing expenditures to confirm that you are expending no less than required amount on local store marketing. Those reports will be submitted in the same manner and same time as other reports required by the Franchise Agreement but only once per year.

Although no local or regional advertising cooperatives presently exist, they may be established at some point in the future. You must participate in the advertising cooperative in your marketing area, as designated by us. The V's Barbershops within each marketing area will administer the advertising cooperative, which may assess a fee for administration or advertising, in addition to the advertising payments paid to us. V's (or its Affiliates) will be entitled to one vote per V's Barbershop that it owns. (Therefore, V's (or its Affiliates') voting power will depend upon the number of V's Barbershops owned by V's (or its Affiliates) in relation to the total number of V's Barbershops in your marketing area). See Item 11.

In addition, if V's or your advertising cooperative includes your V's Barbershop in yellow pages advertising or online directories including social media websites in its marketing area, you must reimburse V's or your advertising cooperative, respectively, for your pro rata portion of the cost of that advertising or placement.

There may be additional advertising requirements contained in your lease agreement. The extent of such advertising requirements in your lease may or may not be subject to negotiation; consequently, the extent of any such advertising obligation, if any, may be unknown to V's.

**5.** In connection with your grand opening, you must conduct a grand opening marketing and advertising campaign in accordance with a plan approved by us prior to the grand opening. You must spend at least \$5,000.

**6.** See Items 5, 7 and 8.

**7.** You, the franchisee (or, if the franchisee is a corporation, partnership, limited liability company or other entity, a designated member of Franchisee's management team), must attend and complete, to our satisfaction, our training program. Although we generally permit franchisees to train their managers, we may require your manager to attend and complete, to our satisfaction, our training program. See Item 11.

If you sign the Franchise Agreement with respect to a transfer of an existing franchise or with respect to your second and subsequent franchise agreements or in connection with a renewal or relocation, you are not entitled to attend and participate in our training program at our expense. If we require you, in our discretion, or you desire to, attend our training program in connection with those Franchise Agreements, or if you desire additional people (more than 2) to attend our training program, the fee will be \$1,000 per additional training program per person. Training of the additional people may or may not be held at the same time as training of the initial 2 people, at our election.

In addition, all training program attendees bear their own travel, lodging and meal expenditures in connection with attending our training program.

Additional training programs and refresher courses may be required upon renewal and from time to time. We may charge a fee for your attendance. You will be required to bear your own travel, lodging and meal expenditures in connection with attendance. In addition, you must attend, at your expense, all annual and other meetings and conference calls of franchisees that we determine are mandatory for all franchisees, or certain groups of franchisees (as designated by us), such as franchisees within a particular geographic region.

**8.** You are required to open your V's Barbershop Franchised Business within 12 months of signing the Franchise Agreement. You may extend the deadline to open your V's Franchised Business by 1 year by paying us the Extension Fee. The Extension Fee currently being charged is \$5,000 per Franchise Agreement. We reserve the right to modify, increase, decrease or waive the Extension Fee in our sole and absolute discretion.

**9.** You will not be charged for our on-site visits and inspections that we may schedule in the ordinary course of business, but will be charged if you or we determine that additional on-site consultation is necessary. The fee will be an hourly rate (up to \$50), including consultation time and travel time, plus travel, lodging & meals.

**10.** If the proposed transferee is disapproved by us, 75% of the transfer fee, less all of our out-of-pocket expenses relating to the proposed transfer, will be refunded to you.

**11.** If you fail to deliver or provide to us any statement, report or other document or information required to be delivered (for example, certificates of insurance and financial statements), by the applicable deadline, you will be assessed a late fee per week, or part thereof (until that statement, document or other information has been delivered or provided).

**12.** Payable if your copy of the Operation Manual, Training DVDs or other materials (including printed copies of web or cloud -based documents) are lost or stolen, or if for any other reason you cannot demonstrate to us that your copy of the Operation Manual, Training DVDs or other materials provided to you in conjunction with this Agreement are in your possession or you cannot or will not return your copy of the Operation Manual to us upon the expiration or termination of the Franchise Agreement.

**13.** We and/or our Affiliates will, upon your request, assist you in identifying a buyer for your V's Barbershop Franchised Business. If you retain us and/or our Affiliates to assist you in identifying a Buyer for your V's Barbershop Franchised Business, you will pay us a Finder's Fee equal to 5% of the purchase price for your V's Barbershop Business. The Finder's Fee will be paid, in full, at the closing of the transaction regardless of any financing terms that you may agree to with the Buyer unless we agree, in our sole and absolute discretion, to allow you to pay us or our Affiliate the Finder's Fee over time.

14. If any products or other tangible items located at the premises of your V's Barbershop, or any conditions on the premises, may be considered unhealthy, unsafe, unsanitary or immoral, or otherwise reflect adversely upon the goodwill associated with your V's Barbershop, the franchise system and/or the Trademarks, we may require you to remove those products or items from the premises and correct that condition. If you do not do so immediately, we may do so at your expense.

15. If you request that we approve certain vendors, suppliers or items, we may require you to submit samples or specifications for examination or testing, at your expense, to determine if the requested vendor, supplier or item meets our standards and specifications. See Item 8.

16. You are responsible for any commissions payable to brokers in conjunction with the transfer of your Franchised Business. This includes commissions payable to third parties, our employees, or our affiliates. Commissions are generally payable if the broker introduces a third party to you to whom you transfer your Franchised Business. Your payment of all applicable commissions is required before we will approve any proposed transfer of your Franchised Business.

17. Payable if you abandon or otherwise fail to properly operate your V's Barbershop and we elect to operate your V's Barbershop for a reasonable period on your behalf. However, if you finance your investment in a V's Barbershop through an SBA-guaranteed loan, our right to operate your V's Barbershop will be limited as stated in the Franchise Agreement.

18. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by our primary bank on the date on which payment is made.

19. You will be required to reimburse us for any taxes that we pay, other than income taxes on our net income, based upon the operation of your Franchised Business.

## ITEM 7: ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Payment	Amount		Method	When Due	To Whom Payment is to be Made
	Low	High			
Initial Franchise Fee <sup>1</sup>	\$22,500	\$30,000	Lump sum	Upon signing Franchise Agreement	V's
Training Fee <sup>2</sup>	\$0	\$2,000	Lump sum	Upon signing of Franchise Agreement if you are acquiring your V's Barbershop through a transfer or this is not your first V's Barbershop	V's
Travel & Living Expenses While Training	\$0	\$2,000	As Incurred	As incurred	Airlines, hotels & restaurants (see Item 11)

Your Attorneys' Lease Review Fee	\$4,500	\$4,500	Lump sum	Before signing lease	V's approved attorney
Space Planner Fee <sup>4</sup>	\$750	\$750	Lump sum	Upon order of millwork from approved third party vendor	V's approved Space Planner
Architect Fees <sup>5</sup>	\$2,000	\$6,000	As incurred	Paid to V's approved architects and space planners	V's approved architect
Initial Real Estate Expenses <sup>3</sup>	\$2,500	\$12,500	Lump sum	Upon signing lease	Landlord
Leasehold Improvements <sup>6</sup>	\$30,000	\$100,000	As incurred	As incurred	Contractor selected by you and approved by V's
Furniture, Fixtures, Equipment, in-store artwork and Signage <sup>7</sup>	\$105,000	\$141,000	Lump sum	Prior to ordering; before shipment	V's or V's approved vendors & suppliers
Computer Hardware and Software	\$6,500	\$7,500	Lump sum	Prior to ordering; before shipment	V's or V's approved vendors & suppliers
Initial Barber Supplies and Inventory <sup>8</sup>	\$12,000	\$16,000	As incurred	Upon ordering; before shipment	Approved vendor
Employee Uniforms	\$250	\$500	Lump sum	Upon ordering; before shipment	Approved vendor
Grand Opening Advertising	\$5,000	\$5,000	As incurred	Within one month prior to opening and 3 months after opening	Media, etc.
Initial Insurance Premiums <sup>9</sup>	\$200	\$1,000	Lump sum	Before opening	Insurance carrier
Permits and Licenses	\$500	\$2,000	Lump sum	Before opening	State Barber Board and other governmental entities
Utility Deposits & Installation	\$500	\$1,500	Lump sum	Before opening	Utility companies
Miscellaneous <sup>10</sup>	\$1,500	\$6,000	As incurred	As incurred	Attorney, marketing kit, misc. vendors, suppliers, etc.
Additional Funds/Working Capital-3 months <sup>11</sup>	\$1,500	\$25,000	As incurred	As incurred	Vendors, suppliers, etc.
<b>Total<sup>12</sup></b>	<b>\$195,200</b>	<b>\$363,250</b>			

The amounts of all of the non-fixed expenditures, other than the permits and licenses, will be determined when you contact and negotiate with the respective vendor, supplier, etc. The costs of permits and licenses will be determined by contacting the appropriate governmental entity.

None of these expenditures, other than the rental security deposit, the telephone and utility deposits and the insurance premiums, is refundable. The rental security deposit will be refunded in accordance with the terms of the lease. The utility deposits will generally be refundable in accordance with the terms fixed by the utility companies. The insurance premiums may be refundable for future periods in accordance with the terms fixed by the insurance carrier.

No part of your initial investment in the franchise will be financed by us.

**NOTES:**

**1.** The Initial Franchise Fee for your first V's Barbershop is \$30,000, payable when you sign the Franchise Agreement. If this is your second or subsequent V's Barbershops or if you are currently in, or have been honorably discharged from the U.S. armed forces the Initial Franchise Fee will be \$27,000 provided that the Initial Franchise Fee may be lower if you are acquiring multiple units.

If you are an existing V's Barbershop franchisee and you are purchasing no less than 2 additional franchise agreements from us, the Initial Franchise Fee for those 2 additional franchise agreements will be \$22,500 each.

If you sign the Multi-unit Agreement and you pay the entire Initial Franchise Fee for at least 3 units upon execution of the Multi-unit Agreement, the Initial Franchise Fee for the first franchise agreement will be \$30,000 and the Initial Franchise Fee for the second and third franchise agreements (and any additional franchise agreements that you pay for upon execution of the Multi-unit Agreement) will be \$22,500 per additional franchise agreement. See Exhibit K.

**2.** The training fee for up to 2 people is included with your Initial Franchise Fee. If you are executing a franchise agreement for your V's Barbershop in conjunction with a transfer of any kind or a renewal and we require you in our sole discretion to complete our Training Program, you will be obligated to pay us a Training Fee of \$1,000 per person. This does not include any travel related expenses that you may incur in getting to our offices in Phoenix, Arizona or staying here during the Training Program.

**3.** You must lease the premises for your V's Barbershop. Typical locations are upscale strip/lifestyle shopping centers with close proximity to parking lots. The typical V's Barbershop has between 1,000 and 1,500 square feet. Your real estate costs will vary, depending upon your geographic area and the location of your V's Barbershop. Rental rates have typically ranged from \$2,500 to \$6,250 per month depending upon the geographic market, market conditions, and the location you select for your V's Barbershop. When required, the security deposit has typically been equal to one month's rent.

In addition, you will be required to engage a real estate broker on our approved list, or otherwise approved by us, to assist you in selecting a site and negotiating the letter of intent for the lease. The real estate broker's fee, which is estimated to be up to \$10,000, is usually paid by the landlord. If any portion of the broker's fee is not paid by the landlord, you may be required to pay the broker's fee.

**4.** You are required to retain our approved space planner to assist you in the placement and allotment of space, equipment and fixtures in your V's Barbershop location. Our approved

space planner will charge you a flat fee for these services.

5. You are required to retain an architect approved by us to design your leased location in a manner consistent with our standards and specifications. The cost of retaining an architect approved by us will vary depending upon your location, market conditions, and other business related factors.

6. You will be required to use a licensed and bonded contractor selected by you and approved by us for the construction of the premises. (Your millwork will be purchased from our approved vendor and the fabrication of your millwork will not be part of your contractor's work.) In order to avoid excessive construction costs, we recommend that you obtain a minimum of three competitive bids from contractors. These expenses may be higher if additional work is required, depending upon the size and configuration of your premises and other factors.

7. This figure represents an estimate of the expenses associated with purchasing the furniture, fixtures, equipment, and signage required before you can open your V's Barbershop for business. The exact furniture, fixtures and signage required is detailed in the Manuals.

8. Includes the purchase of an initial supply of grooming supplies and other items (including, without limitation, hair, face, shave and other retail and back bar products, gift cards and holders and trademarked items (such as barber uniforms, t- shirts and capes).

9. You will need to secure insurance in types and amounts that meets our requirements, as we amend them from time to time. We may amend the required coverages at any time. If we require you to obtain additional insurance coverages or to increase the amounts of available coverage with respect to insurance coverage, your premiums may increase, perhaps dramatically. Insurance premiums may also be impacted by factors beyond yours and/or our control. The current insurance coverage requirements for V's Barbershop Franchised Businesses are:

Type of Coverage	Minimum Coverage Amount
General Liability - Per Occurrence	\$2,000,000
General Liability - Aggregate	\$4,000,000
Business Personal Property Limit	\$275,000 or Replacement Cost
Professional Liability	\$1,000,000
Liquor Liability (if applicable)	\$1,000,000
Fire Damage Legal Liability	\$300,000
Medical Payments	\$10,000
Property Deductible	No more than \$2,500
Business Interruption	Actual Loss Sustained - 12 Months
Employment Practices Liability	\$100,000
Workers' Compensation	Per state requirements
Stop Gap or Employers Liability	\$1,000,000
Hired, Owned & Non-Owned Auto	\$1,000,000

10. Includes miscellaneous items, such as legal fees and expenses in connection with

incorporating, non-barber store supplies and initial store cash and initial marketing kits.

**11.** Includes additional barber supplies and inventory (not included in initial inventory), salaries for barbers and shoeshine personnel, additional rent, additional insurance premiums, utility expenses and other working capital items. Does not include any amount for your compensation. Assumes that you personally manage your V's Barbershop. Will vary depending upon the level of sales in the franchise during your initial operating period. See Item 6 regarding weekly royalties and advertising payments.

**12.** All costs (other than the royalties and advertising payments) will be up to 200% higher in Alaska, Hawaii and some urban/metropolitan areas. We relied upon our Affiliate's and our franchisees' experience operating V's Barbershops to compile these figures.

## **ITEM 8:RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **Purchases from or through us and Our Approved Vendors and Suppliers**

In order to maintain the high standards of service and product quality and consistency associated with the Trademarks, and the uniformity of the franchise system, you must purchase certain equipment, inventory, trademarked items, grooming supplies and other items (including, without limitation, grooming supplies and related accessories, hair, face, shave and other retail and back bar products, gift cards and holders and trademarked items (such as barber uniforms, t-shirts and capes)) from us or our approved vendors and suppliers prior to the opening of your V's Barbershop. We may be your only approved vendor/supplier for certain items. The quantity of certain equipment and other items that you must purchase from us or our approved vendors and suppliers will vary, in part, depending upon the layout of the premises of your V's Barbershop.

There is currently no equipment or inventory that you must purchase from us or our Affiliates. There is equipment that you may, in your discretion, purchase directly from us or our Affiliates and from which we will generate revenue.

You must engage a real estate broker on our approved list, or otherwise approved by us, to assist you in selecting a site and negotiating the letter of intent for the lease. You must also engage: (i) an approved space planner; and (ii) an approved local architect in connection with the review and preparation of preliminary and final plans that comply with our specifications as well as state and municipal regulations in which your V's Barbershop may be located.

We require you to purchase an accounting software program that we specify or that meets our standards and specifications (such as QuickBooks®) from us or an approved vendor or supplier and/or we may require you to use obtain accounting services from a provider of those services that we specify or an approved provider of those services.

You will be required to purchase certain computer hardware and software from our approved supplier or suppliers of such equipment. Currently, the only approved supplier of certain barber shop specific computer hardware and software that you are required to purchase is Shortcuts USA in Huntington Beach, CA. Except for its agreement to supply V's Barbershop franchisees with computer hardware and software, we are not affiliated with Shortcuts USA and do not derive any income from your purchase of computer hardware and software from Shortcuts USA. See Item 11 for more information on the computer hardware and software that you are required to purchase.

You must purchase your audio and video content (such as cable and satellite television, music

systems and entertainment systems) and credit card and gift card processing services from our approved vendors and suppliers and/or in accordance with our standards and specifications. If we include a series of interior pages on our web site that identify you and other franchisees and/or configure our web site to accommodate your web page and we may permit you to customize and/or post certain information to your web page, you must engage our webmaster to do so, at your expense. See Item 12.

You must use us or our approved vendors to provide marketing, pay per click ("PPC"), Search Engine Optimization ("SEO"), and Search Engine Marketing ("SEM") inclusive but not limited to online display ads, Social Media, placement or development, and/or website development work unless we approve an alternative supplier of such services.

You may, but are not obligated, to purchase refurbished antique barber chairs from us. If you do not purchase antique barber chairs from us, you must purchase them from our approved third party supplier of barber chairs. If you purchase barber chairs from us, we may mark them up from our cost in connection with our sale of the chairs to you. The estimated cost of barber chairs is included in the Furniture, Fixtures and Signage line item of Item 7.

We may make a profit, or receive a rebate or other consideration, in connection with certain items purchased from us, our Affiliates or our designated vendors and suppliers. Our officers do not presently own an interest in any vendor or supplier; however, they may own an interest at some time in the future. We do not currently seek or accept rebates, commissions or any other payments or consideration from approved vendors although we reserve the right to do so in the future. Some vendors may contribute to the cost of hosting annual or area meetings for franchisees, if and when such meetings are held. In this case, we may accept contributions and will deposit the contribution into our general operating account.

### **Purchases in Accordance with our Standards and Specifications**

In addition to the items described above that you must purchase from or through us and/or our approved vendors and suppliers, all of which must comply with our standards and specifications, before you open your V's Barbershop, we will review and approve, or deny approval of, the site, within the area designated in the Franchise Agreement, that you have chosen for your V's Barbershop. You must provide to us a letter of intent, a site plan or layout and any additional materials requested by us. The letter of intent must include the terms of the Addendum to Lease, in the form attached to this Disclosure Document as Exhibit J (the "Addendum to Lease").

In addition, we will, within 30 days after we receive the proposed lease (and the letter of intent, signed by both you and the landlord, with respect to the site, together with any additional materials required by us), review and approve, or deny approval of, the lease. The lease must include the Addendum to Lease. In addition, we may require the lease to contain additional provisions that we deem necessary or appropriate. See Item 11.

As described above, your lease is subject to the Company's approval. In order to obtain our approval, the lease must include the following provisions:

1. The premises are used exclusively as a V's Barbershop Franchised Business.
2. The Company will have the right to enter the premises to make any modifications necessary to protect our Proprietary Marks.
3. Upon the written request of the Company, the landlord will supply us with a written copy

of the lease, your account information, sales reports and any other related information.

4. The Lease Addendum. Included in the Lease Addendum will be language giving the Company the option, but not the obligation, to assume the lease and occupy the business premises, with the right to sublease to another franchisee, upon the default, termination or expiration of the Franchise Agreement or lease agreement. The Landlord will be required to provide the Company with written notice of any default of the lease agreement and provide the Company no less than 30 days upon termination of your rights under the lease to exercise its option to assume the lease agreement.

5. The lease may not be amended, assigned or sublet without the Company's prior written approval.

Your V's Barbershop must be constructed, built out, equipped and decorated in strict compliance with our requirements (including the number of barber chairs required by Franchisor). You must obtain appropriate construction documents, and all mechanical, plumbing, electrical and architectural plans must be sealed and stamped, as we may require, even if the site's local government does not require that those documents be sealed and stamped. In addition, a set of "as built" plans must remain on site after construction completion for reference and/or transfer purposes.

### **Other Items**

We also reserve the right to require you to purchase certain inventory and other items from us, from our approved vendors and suppliers and/or in accordance with our standards and specifications, should they change or be modified, amplified, or improved, on an ongoing basis and/or the right to centralize the ordering and/or purchasing of certain furniture, fixtures, equipment, inventory, supplies, private label items and other items on an ongoing basis.

### **Selection of Vendors and Suppliers and Standards and Specifications**

Our approved vendors and suppliers and our standards and specifications for certain items, to the extent that they have been formulated, have been selected and/or formulated based upon our evaluation of each vendor, supplier and/or item and the experience of our Affiliates and franchisees. To the extent that criteria for vendor or supplier approval, or any standards and specifications, have been formulated, they are included in our Operation Manual.

You may request that we approve certain vendors, suppliers or items by notifying us in writing. We may require you to submit samples or specifications for examination or testing, at your expense, to determine if the requested vendor, supplier or item meets our standards and specifications. We will notify you whether we have approved or rejected that vendor, supplier or item, in our discretion, within 60 days after receipt of all applicable information. Any approval granted may be revoked upon written notice to you.

We do not derive revenue or other material consideration from required purchases or leases by franchisees.

In connection with establishing your V's Barbershop, approximately 92% of your purchases and leases of goods and services will be for items purchased or leased from us, from vendors and suppliers approved by us and/or in accordance with our specifications. In connection with operating your V's Barbershop, approximately 10-15% of your purchases and leases of goods and services will be for items purchased or leased from us, from vendors and suppliers approved by us and /or in accordance with our specifications.

## Purchase Arrangements and Cooperatives; Material Benefits

We have negotiated purchase arrangements with various vendors and suppliers for the benefit of franchisees, and may do so in the future. We have not established any purchasing or distribution cooperatives. We do not provide any material benefits to you based upon your use of designated or approved sources.

### ITEM 9:FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

Obligation	Section in Agreement*	Item in Disclosure Document
a. Site selection and acquisition/lease	2, 4, 6, 16; Exhibit J (Addendum to Lease)	8, 11, 12
b. Pre-opening purchases/leases	2, 4, 16; Exhibit J (Addendum to Lease);	5, 6, 7, 8, 11
c. Site development and other pre-opening requirements	2, 3, 4, 8, 16; Exhibit J (Addendum to Lease)	5, 6, 7, 8, 11
d. Initial and ongoing training	3, 4, 16	5, 6, 7, 11, 12, 15
e. Opening	3, 4, 16	5, 6, 7, 8, 11
f. Fees	2, 3, 4, 5, 7, 12, 16, 17; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement); Exhibit I (Preauthorization to Debit Funds); Exhibit J (Addendum to Lease); Exhibit K (Multi-unit Agreement)	5, 6, 7, 8, 11, 12
g. Compliance with standards and policies/ Operation Manual	4, 5, 8, 9, 16, 17, 23, 25; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement); Exhibit I (Preauthorization to Debit Funds); Exhibit K (Multi-unit Agreement)	5, 6, 7, 8, 11, 12, 13, 14, 15, 16
h. Trademarks and proprietary information	4, 6, 8, 9, 10, 11, 16, 17; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement)	1, 5, 6, 8, 11, 12, 13, 14, 16
i. Restrictions on products/services offered	4, 8, 16; Exhibit J (Addendum to Lease)	5, 6, 8, 12, 13, 16
j. Warranty and customer service requirements	4, 16	Not applicable

<b>Obligation</b>	<b>Section in Agreement*</b>	<b>Item in Disclosure Document</b>
k. Territorial development and sales quotas	Not applicable	Not applicable
l. Ongoing product/ service purchases	4, 7, 16	5, 6, 8, 16
m. Maintenance, appearance and remodeling requirements	4, 8, 16	6, 8, 17
n. Insurance	4, 5, 16	6, 7
o. Advertising	4, 7, 8, 16	6, 7, 11, 13, 14
p. Indemnification	8(e), 13, 16; Exhibit I (Addendum to Lease)	6, 13, 14
q. Owner's participation/ management/ staffing	4, 11, 16; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement)	6, 7, 8, 11, 13, 14, 15
r. Records and reports	4, 7, 12, 16	7, 8
s. Inspections and audits	4, 12, 16	6
t. Transfer	3, 14, 16; Exhibit J (Addendum to Lease); Exhibit K (Multi-unit Agreement);	5, 6, 11, 17
u. Renewal	3, 15(b)	5, 6, 11, 17
v. Post-termination obligations	8, 9, 10, 11, 14, 17, 19; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement); Exhibit J (Addendum to Lease)	6, 11, 13, 14, 17
w. Non-competition covenants	10, 11, 14; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement)	6, 15, 17
x. Dispute resolution	28; Exhibit K (Multi-unit Agreement) – Section 3	17
y. Other		
z. Spousal Consent	4, 11, 14, Spousal Consent; Exhibit J (Addendum to Lease); Exhibit K (Multi-unit Agreement)	6, 15
aa. Principals' Guarantee	4, 11, 14; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee)	6, 15
bb. Amendments	4, 7, 23; Exhibit K (Multi-unit Agreement) – Section 3	6, 11, 17

\* Section reference is to Franchise Agreement, unless stated otherwise.

## ITEM 10:FINANCING

Our affiliates that own corporate locations may provide direct financing to a prospective franchisee in its acquisition of an existing, operating V's Barbershop Business although this is not a routine part of our business. We do not guarantee any of your obligations. Our affiliates financing of your purchase of an existing V's Barbershop would include the following terms.

Item Financed	Source of Financing	Payment Terms	Potential Liabilities Upon Default	Legal Rights Waived.
<b>Purchase of an Existing V's Barbershop Location</b>	V's Barbershop Holdings or its affiliates	Varies. Depends on amount financed	Accelerated Payment of Entire Amount of Debt	Franchisee must waive certain legal defenses related to the Loan including presentment and demand for payment, notice of non-payment, notice of dishonor, protest of dishonor, and notice of protest.
	No third party financing	Monthly. 8%-10% Interest	Obligation to Pay V's Barbershop Attorneys' Fees and Court Costs incurred in collecting unpaid amounts.	All sums due under the Note shall be without relief from valuation and appraisal laws.
	We do not intend to sell, assign or discount all or part of the financing arrangement to a third party		Default and Potential Termination of Franchise Agreement	Franchisee must grant V's Barbershop and its affiliates a General Release for all claims demands, liabilities and causes of action Franchisee has or had against us prior to the execution of the Loan Agreement.
		Security Interest in the Barbershop		Punitive and Exemplary Damages

Franchisor has not and does not intend to sell, assign or discount any loan made to a franchisee in conjunction with its acquisition of an existing V's Barbershop location.

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

### Assistance of V's

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

#### Before Your V's Barbershop Opens

**1. Site and Lease Approval.** It is your responsibility to locate and evaluate the site for your V's Barbershop. However, before you open your V's Barbershop, we will review and approve, or deny approval of, the site, within the area designated in the Franchise Agreement that you have chosen for your V's Barbershop. You must provide to us a letter of intent, a site plan or layout and any additional materials requested by us. The letter of intent must include the terms of the Addendum to Lease, in the form attached to this Disclosure Document as Exhibit J, and be signed by you and the landlord. We will consider some or all of the following criteria: the potential customer base, the rental costs, competition, traffic patterns, population density and composition, visibility, proximity to other V's Barbershops, layout of the proposed space and other business factors of the site in determining whether to grant our approval of the site. We will notify you of our decision within 30 days after we have received all required materials. We will not unreasonably withhold our approval of the site. Our review and approval of your lease and proposed location for your V's Barbershop is not a warranty or guarantee of success for your V's Barbershop Franchised Business. Our approval of the site is only affirmation that the site meets our minimum requirements. We do not verify the strength of co-tenants or the likelihood that the co-tenants may vacate the shopping center in the future. We do not research highway department plans for roads in the area, and highway construction may affect the accessibility of your location. We do not research city, county, state or federal plans for future development in your area.

In addition, we will, within 30 days after we receive the proposed lease (and the letter of intent, signed by both you and the landlord, with respect to the site, together with any additional materials required by us), review and approve, or deny approval of, the lease. The lease must include the Addendum to Lease. In addition, we will require the lease to contain provisions that we deem necessary or appropriate. Although we have the right to approve or deny approval of the lease, the terms of the lease (other than those required by us) are your decision. We will not unreasonably withhold our approval of the lease.

You must provide to us additional documentation and information regarding the proposed site that we may request, the proposed lease, current financial statements and such other financial documentation and information regarding your financial condition and your Principals' financial condition as we may request. However, if we determine that you do not have the financial capacity to perform your obligations with respect to the site or the lease, we may deny approval of the site and/or lease, and that denial will be deemed reasonable. In that event, we or our Affiliates may operate a V's Barbershop at that site or may permit another franchisee to do so.

Although there is no deadline by which you must select a site that is approved by us, if you do not open your V's Barbershop within one year after the effective date of the Franchise Agreement or 180 days after the landlord makes the site for your V's Barbershop available to you, whichever occurs first (the "Opening Deadline"), we may terminate the Franchise Agreement provided that you may extend the deadline to open your V's Barbershop for one (1) year by paying the Extension Fee (See Section 7(j) of the Franchise Agreement). The deadlines in the Franchise Agreement will apply even if we have not approved the site that you have chosen for your V's Barbershop or the proposed lease that you submit to us. Although we will

approve (or not approve) the site and lease you select and present to us, our approval does not guarantee the success of your V's Barbershop. It will be your responsibility to select the premises in which your V's Barbershop will be established and operated. The decision to establish and operate your V's Barbershop at those premises will be yours. (See Section 2 of the Franchise Agreement)

**2. Initial Inventory.** We will sell to you certain inventory, trademarked items and other items prior to the opening of your V's Barbershop. (Section 4(c) of the Franchise Agreement)

**3. Training.** Before you open your V's Barbershop, we will train up to 2 people, at our expense (other than your travel, lodging and meal expenditures in connection with attending training), to operate a V's Barbershop using our operational and business procedures, policies and practices. The training program may include online coursework, in-person training, or both. You will not be entitled to attend the training program at our expense with respect to your second and subsequent franchise agreements, in connection with a transfer of an existing V's Barbershop, or in connection with an agreement signed with respect to a renewal or relocation. You, the franchisee (or, if the franchisee is a corporation, partnership, limited liability company or other entity, a designated member of the Franchisee's management team), must attend and satisfactorily complete the entire training program. Although we generally permit franchisees to train their managers, we may require your manager to attend and complete, to our satisfaction, our training program. Training for more than 2 people will be provided by us if you request that additional people be trained (and we agree to do so). The cost for additional training is \$1,000 per additional training program per person (plus travel, lodging and meal expenditures in connection with attending the training). Training of the additional people may or may not be held at the same time as training of the initial 2 people, at our election.

The Training Program must be completed before you open your V's Barbershop for business.

The following is a summary of the training program. The training program will not include technical training as a barber. The number of hours may vary, depending upon your background and your ability to comprehend the information.

TRAINING PROGRAM	Hours of Classroom Training	Hours of On-the-job Training
Welcome	1	
Introduction to V's Culture	½	
Understanding and Following V's Operation Manual	½	
Pre-Operational Requirements and Protocol	4	
Shortcuts Software	2	4
Barbershop Employees	2	
V's Service Philosophy and Procedures	1	
Managing Your V's Barbershop including Scheduling	1	2
Personnel Management		1
Business Operating Procedures	1	3
Introduction and Where to Buy Supplies	1	1
Marketing & Brand Management	3	1
Opening Your V's Barbershop	1	2
Questions & Answers	1	1
On-site Operations	1	8
Total	20	23

The training program will be conducted on an as-needed basis and includes both online and phone support and training and on-site training at our corporate office and at one or more of the V's Barbershops in the Phoenix, Arizona metropolitan area (or at other locations designated by us). If you are opening a new V's Barbershop location, the training program will begin after your lease has been signed and before your V's Barbershop build-out has been completed, at a time selected by us. If you are acquiring an existing V's Barbershop location in conjunction with a transfer, the training program will begin after the transfer has been completed at a time acceptable to us. The instructional materials may include our Operation Manual and certain resources available through our intranet and/or online classroom environment. Our instructors will be Jim Valenzuela, Chris Mitchell, Emily Brown, Renae Germinaro and Boaz Alvarado. Jim Valenzuela and Chris Mitchell have been training franchisees in their respective areas since V's Franchising Corporation began franchising in September 2005. Emily Brown has been training franchisees in her area since January 2006. Renae Germinaro has been training since 2015 and Boaz Alvarado since 2017. See Item 2 with respect to their prior experience. A final exam may be administered during the training program and, if given, must be passed to our satisfaction. Neither you, nor anyone else attending the training program, will be deemed to be an employee of V's Barbershop for any purpose.

If you, the franchisee (or, if the franchisee is a corporation, partnership, limited liability company or other entity, a designated member of Franchisee's management team), fail to satisfactorily complete the training program, in our discretion, we may terminate the Franchise Agreement. In that event, you must return to us all materials delivered to you in connection with the Franchise and you must otherwise comply with your obligations under the Franchise Agreement. If your manager is required to attend the training program and he fails to satisfactorily complete it, in our discretion, you must select another person as your manager, and you may be asked to pay an additional training fee to repeat the training program.

The Company does not currently hold local, regional or national franchise meetings but may do so in the future. If and when the Company holds these types of meetings on a local, regional or national basis you and your Manager will be required to attend. We may charge you an attendance fee to attend these meetings, but in no case will the attendance fee exceed \$1,000 per person per year during the term of your Franchise Agreement. (Section 3 of the Franchise Agreement)

**4. On-site Opening Assistance.** In connection with your first V's Barbershop, one of our management team members and our Master Barber will assist you in your opening preparations and/or operations for a minimum of 2 days during business hours during the week before and/or after the opening of your V's Barbershop. (Section 3(f) of the Franchise Agreement)

**5. Consultation.** Before you open your V's Barbershop, we will consult with you by telephone, Monday through Friday, 8:00 a.m. to 5:00 p.m. (Phoenix, Arizona time), with respect to all aspects of starting and operating a V's Barbershop. We may, in our discretion, and depending upon the geographic proximity between you and us, provide on-site consultation at your request at our then-current hourly rate (including consultation and travel time), plus travel, lodging and meal expenditures, at times agreed upon between you and us. See Item 6. (Section 3(g) of the Franchise Agreement)

**6. V's Operations Manual.** Before you open your V's Barbershop, we will loan to you a copy of our Operation Manual and/or provide you access to the digital version of our Operations Manual via our intranet site to which franchisees are granted access and which contains the most recent version(s) of the Operations Manual. We may, from time-to-time, modify the Operation Manual. Our Operations Manual contains, among other things, standards of operations, operating and business policies and procedures, the equipment and fixtures

required to operate your V's Barbershop, lists of approved vendors and suppliers and specifications. Our Operation Manual presently contains 180 pages. The table of contents of our Operation Manual is contained in Exhibit C to this Disclosure Document.

You must operate your V's Barbershop strictly in accordance with our policies and procedures, as contained in our Operation Manual, as it may be amended from time to time. Our Operation Manual is **strictly confidential** and must be returned promptly to us upon the expiration or termination of the Franchise Agreement. (Section 4(a) of the Franchise Agreement)

**7. Pricing.** As a service to you and our other franchisees, we may, but are not obligated to, utilize our experience and the data obtained from our Affiliates and franchisees to establish and maintain a suggested schedule of prices for products and services at your V's Barbershop and, subject to applicable law, we may designate certain pricing and pricing policies with respect to the services or products offered, provided and sold at your V's Barbershop, which prices and policies you will be required to comply with. In addition, we and/or our approved vendors and suppliers may establish, or have established, required maximum prices for products and services at your V's Barbershop and, if so established, you will be required to comply with those maximum prices. Further, we and/or our approved vendors and suppliers will be entitled to exercise the maximum level of control over resale prices and practices permitted by applicable law and, to the extent that we and/or they exercise our/their right, you will be required to comply with those controls.

#### **After Your V's Barbershop Opens.**

**1. Consultation.** See the section entitled "Before Your V's Barbershop Opens-Consultation" above. We may conduct periodic investigations, both with notice and without notice, of your V's Barbershop. These inspections may include inspections by employees of the Franchisor, third party providers of inspection services, and mystery shopping services, of our choosing, to regularly "shop" your barbers and your V's Barbershop in order to allow us to continually provide feedback regarding the upkeep, maintenance and presentation of the premises itself, as well as your adherence to V's policies and procedures. This will also apply to the employee providing the service at the time of the inspection. Mystery shopping services may be performed anonymously, and the results will be shared with the franchisee. Shortly after the inspections are performed, the results will be shared with the franchisee (either in-person or by electronic transmission).

**2. V's Operation Manual.** See the section entitled "Before Your V's Barbershop Opens-V's Operation Manual" above.

**3. Pricing.** See the section entitled "Before Your V's Barbershop Opens-Pricing" above.

**4.** At any time that you (or any of your Affiliates) are in breach of the obligations under the Franchise Agreement (for example, your failure to pay royalties), or any other agreement with us or any of our Affiliates, we and our Affiliates may defer the performance of our respective obligations under the Franchise Agreement (for example, our obligation to approve your site in a timely manner) or such other agreement, or defer the opening of your V's Barbershop, until your (or your Affiliate's) breach has been cured. Our (or our Affiliate's) exercise of that right will not constitute a waiver of our rights under the Franchise Agreement or such other agreement, including, without limitation, our (or our Affiliate's) right to terminate the Franchise Agreement or such other agreement. (Section 23(e) of the Franchise Agreement).

#### **Time between Signing Franchise Agreement and the Opening of your V's Barbershop**

We estimate that the typical length of time between signing the Franchise Agreement and the opening of a V's Barbershop will be between 6 and 12 months. The factors that will affect the length of time for your V's Barbershop to open include, among other things, whether the site is built or needs to be completed, the difficulty of obtaining and negotiating a lease for a satisfactory site, delivery and installation of equipment and signage, the amount and nature of leasehold improvements required, the length of time necessary to complete leasehold improvements, compliance with local ordinances and building codes, obtaining all required permits and licenses, scheduling and completion of our training program, the length of time necessary to hire skilled and experienced barbers and your own time commitments.

## **Advertising**

Advertising payments collected from you and other franchisees will be used to pay promotional, marketing, public relations, brand development and advertising expenses, including hiring marketing, public relations and advertising agencies, expenses associated with internet and social media sites, production of circulars, media, advertisements, coupons and promotional materials (including point of purchase materials), mystery shopping programs, and other expenditures that promote, enhance or further the V's Barbershop brand or system. We are not required to spend any particular percentage of the advertising payments in the area in which any particular franchisee is located.

We charge an advertising fee of between 1% and 3% of Gross Sales on a weekly basis. The Advertising Payment will be determined by us in our sole discretion and may be modified by us up to a maximum of 3% at any time upon 30 days written notice to you. Other franchisees' advertising payments may be calculated at a different rate or on a different basis. See Item 11 with respect to how the advertising payments will be used. If your Advertising Payment to us is less than 3% of your Gross Sales, you will be required to expend the difference between your Advertising Payment and the amount equal to 3% of your Gross Sales on local store marketing. We may request that you provide reports detailing your local store marketing expenditures to confirm that you are expending at least the required amount on local store marketing. Those reports will be submitted in the same manner and same time as other reports required by the Franchise Agreement. Other franchisees' advertising payments may be calculated at a different rate or on a different basis and, under limited circumstances, certain franchisees may not be required to pay advertising payments. We and our Affiliates are not required to contribute to the advertising payment fund, but our Affiliate presently does contribute to the advertising payment fund. No part of the advertising payment fund will be used for advertising that is principally for soliciting new franchisees.

We will administer the advertising payment fund. We will have no fiduciary or other duty to you with respect to the use of advertising payments. We are not required to prepare audited or other financial statements for the advertising payment fund, or to provide an accounting of how the advertising payment fund is spent. However, if financial statements are prepared, we will make them available to you within a reasonable period of time after your request. Any amounts in the advertising payment fund not spent the fiscal year during which they are collected will be used during the following (or, if a deficit exists, prior) fiscal years; any amounts expended for advertising purposes in excess of the amount in the advertising payment fund during any fiscal year (together with amounts not expended during prior fiscal years) will be debited from the following years' or the prior years' advertising payment fund. We may receive payments from the advertising payment fund in connection with providing goods and services for advertising, public relations or marketing.

Print, radio, online, television and other advertising media may be used, depending upon the total volume of advertising payments generated. Advertising coverage is expected to be local in

the near future; however, if and as the geographic locations of V's Barbershops expand, regional and/or national advertising may be used. Advertising generated by us or by local, regional or national advertising agencies is expected to be used.

We collected \$216,367, in advertising payments from franchisees and our Affiliates during 2016, which were spent as follows:

Production	24%
Media Placement	66%
Administrative Expenses	10%
Total	100%

In connection with your grand opening, you must conduct a grand opening marketing and advertising campaign in accordance with a plan approved by us prior to the grand opening. You will be required to spend at least \$5,000 in connection with that grand opening marketing and advertising campaign.

You are encouraged to spend additional funds for your own additional advertising.

You may use your own advertising and promotional materials, provided that all materials are approved by us prior to distribution and that your use of the Trademarks is otherwise in accordance with the Franchise Agreement. In addition, all advertising and promotional materials generated by or for you will be subject to V's prior approval, must be completely factual and must conform to the highest standards of ethical advertising. You may not advertise or solicit customers outside of the Applicable Radius (as defined below) without our consent.

Although no local or regional advertising cooperatives presently exist, they may be established at some point in the future. You will be required to participate in the advertising cooperative in your marketing area, as designated by us. The V's Barbershops within each marketing area will administer the advertising cooperative, which may assess a fee for administration or advertising, in addition to the advertising payments paid to us. We may change, dissolve or merge any of the advertising cooperatives. We will not require advertising cooperatives to prepare periodic financial statements or operate from written governing documents, but the advertising cooperatives may elect to do so. If we so elect, we and/or our Affiliates may participate in one or more of the advertising cooperatives, as a voting member based upon our (or our Affiliates') ownership of V's Barbershops or as a non-voting member.

The Company may initiate, in its sole discretion, national and/or local marketing programs intended to enhance sales at your Franchised Business. These may include, by way of illustration and not of limitation, coupons, gift cards, combination or interchange programs with other companies, print advertising, television advertising, direct mail, and email messaging. You are obligated to participate fully in all marketing programs initiated by the Company according to their terms as prescribed by the Company, and you are required to honor discounts and redeem coupons, (excluding Father & Son discounts and Military, Police and Fireman discounts which are everyday mandated discounts and are not part of any new marketing initiatives) that are part of any local, regional or national marketing programs or promotions sponsored or approved by the Company or the Advertising Fund. (Sections 4(a), (j) and (k), 7 and 8 of the Franchise Agreement).

In 2014, we implemented a Franchise Advisory Board (the "VFAB") that will advise us with respect to, among other things, our advertising plans, policies and procedures. The initial 3

members of the VFAB were appointed by us. The appointed VFAB members created a procedure by which subsequent VFAB members will be elected by V's Barbershop franchisees. The VFAB will meet quarterly by telephone, web conference, or in person. Our representative(s) will attend all VFAB meeting as an ex-officio member. The VFAB is a purely advisory board and will have no authority to make any decisions or to demand that we do or not do anything.

### **Electronic Cash Register, the Internet and E-mail**

You must purchase certain computer hardware and software for your V's Barbershop. The computer hardware and software will be used as your Point of Sale (POS) system for your V's Barbershop and will be configured by vendors approved by us. The hardware will include a desktop windows based computer system, a cash drawer, an all-in-one (printer, fax and copy functions) machine, receipt printer, bar code scanner and related accessories. The specifications and requirements of the hardware and software will vary from time to time, depending upon market conditions and other factors. The cost of purchasing and configuring the hardware and software is approximately \$6,500.

You must also enter into a support contract with Shortcuts USA, the only approved supplier for monthly POS computer software maintenance and support. The monthly fee for maintenance and support of your POS System currently ranges from \$160-\$200. The monthly maintenance fee is subject to change dependent upon any additional modules or services you choose to use, with our permission. The monthly maintenance fee is also subject to change as determined by Shortcuts USA.

You will be required to set up a credit card machine in your V's Barbershop and have the machine programmed to accept tips and gift cards that we use from time to time. The charges associated with credit card and gift card transactions are compiled per transaction and, therefore, will vary from store to store. We estimate that the costs associated with credit card transactions will be between 2% and 3% of your gross sales. Gift card transactions currently cost you 17 cents per transaction plus a monthly access fee of \$5. These fees are subject to change based upon market conditions and our ability to negotiate rates on behalf of our franchise system.

The manufacturers of the hardware will provide warranties of various duration. Except as stated above, neither we, nor any third party, are required to provide ongoing maintenance, repairs, upgrades or updates.

You must, at your expense, maintain the computer system, credit card processing system and related equipment, including the hardware and software that we require from time to time. You must, at your expense, replace, upgrade, and/or update the computer system, credit card processing system and related equipment, including the hardware and/or software, when we believe that it is necessary. There are no contractual limitations on the frequency or cost of that obligation. (Section 4(o) of the Franchise Agreement).

You may not install any hardware component or software program without our express consent. (Section 4(o) of the Franchise Agreement).

You must purchase and install video cameras in your V's Barbershop capable of delivering current video images of your V's Barbershop in a manner consistent with our Operations Manual via secure internet connections to computers, smart phones, tablets and other electronic devices. You are obligated to grant us access to the video feeds at all times.

We will have independent access to the financial and other information, records and data

generated by your POS system to gather any appropriate information we deem necessary or to download as we see fit. There are no contractual limitations on our right to access that information, records and data. You will be required to assist and cooperate with us in establishing and maintaining that system, including, at your expense, acquiring any necessary hardware or software and setting the system to automatically transmit data and information designated by us to us. (Section 12(b) of the Franchise Agreement).

You must obtain and maintain continuous high-speed Internet access to the V's Intranet website in a manner that will enable you to download required information (without regard to size) and to otherwise interact with us and other persons, in such manner as we may specify. (Section 4(o) of the Franchise Agreement).

Except as we expressly permit, you may not use, or authorize anyone else to use, the Trademarks to advertise, promote, offer or sell any services and/or products through the Internet. We may include a series of interior pages on our web site that may identify you and other franchisees and/or configure our web site to accommodate your web page. We may permit you, at your expense, to have our webmaster customize and/or post certain information to your web page, subject to compliance with the Franchise Agreement and the Operation Manual and our approval.

We host a web application (Enterprise Live) which allows you to view data and reports from your Store and modify certain settings in your Store remotely via an internet connection. This web application may be accessed using a Microsoft Internet Explorer browser on a PC.

You must maintain an e-mail address designated or approved by us for purposes of communicating with us and other persons. You should check and respond to your e-mail on a timely basis. Texting (or similar application based communications) is not an approved form of communication for you or your employees with respect to V's Barbershop business. You must not and must insure that your barbers do not utilize texting or similar mobile based communication in conjunction with any V's Barbershop business. (Section 4(p) of the Franchise Agreement).

## **ITEM 12: TERRITORY**

### **Franchise Agreement**

You will operate your V's Barbershop at a location you select and we approve. You may not provide services or sell products from a location other than your V's Barbershop, or ship or deliver products from a location other than your V's Barbershop unless approved by us. If you have selected, and we have approved, a location at the time you sign the Franchise Agreement, that location will be identified in the Franchise Agreement. If you have not selected, or we have not yet approved, a location, a geographic area will be identified in the Franchise Agreement; in that case, you must select a location approved by us within that geographic area (See Items 8 and 11). The location that you select, and we approve, is referred to as the "Location."

Except as we expressly permit, you may not use, or authorize anyone else to use, the Trademarks to advertise, promote, offer or sell any services and/or products through the Internet. See Item 11.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own in the future or from other channels of distribution or competitive brands that we control. However, subject to certain conditions, we may not operate, or grant any other person the right to operate, a V's Barbershop within the Applicable Radius of the Location

unless you do not exercise your right of first refusal to establish and operate an additional V's Barbershop at the location at which we desire to operate, or grant another person the right to operate, a V's Barbershop (the "New Location"). You must also sign the then-current franchise agreement in connection with that additional V's Barbershop and pay the then-current franchise fee. The terms of the then-current franchise agreement may differ from the terms of the Franchise Agreement (including, without limitation, the franchise fee, the royalties and the advertising payments). The term "Applicable Radius" means a 5-mile radius or, if less, the radius (rounded up to the next one-half mile) determined by measuring a population of 50,000 around the subject location, based upon the source of the population statistics selected by us. Because population density may change, the Applicable Radius may change.

Your right of first refusal is not contingent upon your achievement of a certain sales volume or market penetration. However, you will not have a right of first refusal if:

1. You or your Affiliates are in breach of any of your obligations under the Franchise Agreement (or any other agreement with us or our Affiliates);
2. Any of the V's Barbershops operated by you or your Affiliates are not in full compliance with all operational and other requirements, rules and policies contained in our Operation Manual;
3. You do not qualify for acceptance as a franchisee under our then-current qualifications (including, without limitation, financial qualifications) for franchisees;
4. You (and your Principals, directors, officers, managers and employees) do not sign the then-current franchise agreement (and such other ancillary agreements and documents as we may then require in connection with the signing of the then-current franchise agreement);
5. You and your Principals do not sign a general release of us and our Affiliates, in the form that we may require;
6. No particular location (an address or an intersection) is identified in the Franchise Agreement (for example, if only a geographic area is identified), no right of first refusal will exist until a lease is signed with respect to a particular location;
7. The New Location is within the Applicable Radius, but is also subject to another person's right of first refusal, or other rights;
8. The New Location is within a dense retail traffic area (such as Las Vegas or Honolulu) or a unique or non-traditional marketplace (such as an airport, train station, hotel, casino, stadium and sports and entertainment venue), as designated by us (a "Special Location"); or
9. The Location is within a Special Location.

In addition, we may market, directly or indirectly, services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) through channels of distribution other than V's Barbershops, including the Internet. We may also market services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) outside of the Applicable Radius, and/or market services and/or products (including, without limitation, identical, similar or other services and products) under trademarks other than the Trademarks within the Applicable Radius.

We presently intend to develop V's Barbershops (including franchised and company-owned units) throughout the United States and, perhaps, internationally. Accordingly, one or more future V's Barbershops may have an adverse effect on the revenues and profitability of existing V's Barbershops, including your V's Barbershops.

Any relocation of your V's Barbershop must be for a legitimate business reason, will be subject to a \$5,000 relocation fee and will require you to sign the then-current form of franchise agreement (except that you will not be required to pay a franchise fee, you will not be entitled to attend our training program at our expense and the term will be the term remaining under the Franchise Agreement). Any relocation of your V's Barbershop will be subject to our approval. In connection with any relocation, your V's Barbershop may not be closed for business for more than 30 days.

If you desire to establish and operate additional V's Barbershop(s), we will evaluate your prior operations of your existing V's Barbershops, your financial condition and other factors that we deem relevant. See also the section below entitled "Multi-unit Agreement."

We do not presently operate or franchise, or have plans to operate or franchise, a business that sells, or will sell, goods or services similar to those that you will offer under trademarks and service marks other than the Trademarks; however, we reserve the right to do so.

### **Multi-Unit Agreement**

If you sign a Multi-Unit Agreement in addition to a Franchise Agreement, you will have the right, subject to certain conditions, to establish and operate the number of additional V's Barbershops specified in the Multi-unit Agreement. We may also grant you discounts on Initial Franchise Fees and Royalties in conjunction with your execution of a Multi-unit Agreement. Those V's Barbershops must be located within the geographic area agreed upon between us (the "Territory"), the size of which will depend upon how many additional V's Barbershops you will open.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own in the future or from other channels of distribution or competitive brands that we control. However, subject to certain conditions, we may not operate, or grant any other person the right to operate, a V's Barbershop within the Territory unless you do not exercise your right of first refusal to establish and operate that unit at the location at which we desire to operate, or grant another person the right to operate, a V's Barbershop. You must also sign the then-current franchise agreement in connection with that additional V's Barbershop and pay the balance of the franchise fee. The terms of the then-current franchise agreement may differ from the terms of the Franchise Agreement (including, without limitation, the royalties and the advertising payments).

You will not have the rights described above, however, if:

1. You or your Affiliates are in breach of any of your obligations under the Multi-unit Agreement, any franchise agreement (or any other agreement with us or our Affiliates).
2. Any of the V's Barbershops operated by you or your Affiliates are not in full compliance with all operational and other requirements, rules and policies contained in our Operation Manual.
3. You do not qualify for acceptance as a franchisee under our then-current qualifications (including, without limitation, financial qualifications) for franchisees.

4. You (and your Principals, directors, officers, managers and employees) do not sign the then-current franchise agreement (and such other ancillary agreements and documents as we may then require in connection with the signing of the then-current franchise agreement).

5. The location that we desire to operate, or grant another person the right to operate, is within a Special Location.

In addition, we may market, directly or indirectly, services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) through channels of distribution other than V's Barbershops, including the Internet. We may also market services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) outside of the Territory, and/or market services and/or products (including, without limitation, identical, similar or other services and products) under trademarks other than the Trademarks within the Territory. We are not obligated to pay you any compensation for orders accepted from customers in your Territory.

### **ITEM 13: TRADEMARKS**

We grant you the nonexclusive right to operate a V's Barbershop under the "V's Barbershop" service mark and trademark, as well as our other current or future trademarks, service marks, trade names, logotypes, Trade Dress (as defined below), product identifiers, selections and/or designations (collectively, the "Trademarks"). The term "Trade Dress" means the trade dress used in connection with V's Barbershops, including, without limitation, the total appearance and image of V's Barbershop, the products and packaging, all related features such as size, texture, shape, color or color combinations, and graphics of V's Barbershops and the products and packaging, and all advertising and marketing techniques used to promote V's Barbershops, as well as specifically including all signage, boards, displays, service descriptions, product configurations and packaging and any color schemes and designs utilized in connection with V's Barbershops, interior walls, counters, chairs and floors.

You must use the Trademarks in connection with the operation of your V's Barbershop. You may not use the Trademarks (or any substantially similar name) in your corporate name. Use of the Trademarks must be accompanied by the registration (®), service mark (SM), trademark (™) or other symbol, as designated by V's, in close proximity to the Trademarks. You must use the Trademarks only in the manner required by V's and in no other manner.

You will not have the exclusive right to use Trademarks, nor will you acquire, by use or otherwise, any right, title or interest in or to the Trademarks, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Trademarks is limited and temporary. Upon expiration or termination of the Franchise Agreement, you may not, directly or indirectly, use the Trademarks in any manner or for any purpose whatsoever, and you may be required by us to renovate the premises of your V's Barbershop to eliminate the Trademarks and de-identify such premises to remove all Trade Dress, returning it to a "vanilla shell," at your expense.

Certain principal Trademarks were registered to V's Ventures, Inc. with the United States Patent and Trademark Office on the Principal Register and were assigned by V's Ventures, Inc. to us on February 5, 2007. The principal Trademarks are as follows:

Mark	Registration Number	Registration Date
V's Barbershop	3091514	May 9, 2006
V's Barbershop & Shoeshine	3091157	May 9, 2006
V's Barbershop Est. 1999 (logo)	3091515	May 9, 2006
V's Barbershop & Shoeshine (logo)	3080584	April 11, 2006
It's a Guy Thing	3206918	February 6, 2007
America's Best Barbershop	3416377	April 22, 2008
The Barbershop is Back	3506057	September 23, 2008
Bringing Back Handsome	4007420	August 2, 2011

V's Ventures, Inc. and Advanced Botanical Research LLC entered into a Mutual Consent to Use Agreement with respect to the mark "It's a Guy Thing," whereby V's Ventures, Inc. agreed not to use that mark in connection with men's aftershave lotion, skin cream, skin toner, cosmetics, skin soaps and perfumery for men (the "ABR Goods"); accordingly, we and you may not use that mark in connection with the ABR Goods. In addition, another person appears to be using the name "V's Barber Shop" in connection with barbershop services in the Nashville Tennessee area and may have been using that name before we began doing so; therefore, that person may have superior prior rights with respect to the name "V's Barber Shop" in the Nashville, Tennessee area.

Except as set forth in the preceding paragraph, there are no agreements currently in effect that significantly limit our rights to use or license the use of the principal Trademarks. Except as set forth in the preceding paragraph, there are no superior prior rights or infringing uses of the principal Trademarks actually known to us, which rights or uses could materially affect your use of the principal Trademarks in any state.

All affidavits required to be filed for the principal Trademarks through the date of this Disclosure Document have been filed. There are no (a) currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or the trademark administrator of any state or any court, (b) pending infringement, opposition or cancellation proceedings or (c) pending material litigation regarding our use or ownership rights in the principal Trademarks.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Trademarks. We will decide, in our discretion, whether to institute any action in connection with infringement of or challenge to the Trademarks, and will control all proceedings and litigation. We are not required to protect your right to use the Trademarks or protect you against claims of infringement or unfair competition arising out of your use of the Trademarks. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your appropriate use of the Trademarks in compliance with the Franchise Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit and you have cooperated with us in connection with such defense. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

We may, in our discretion, modify or discontinue use of any of the Trademarks and/or use one or more additional or substitute service marks or trademarks. If we decide to do so, you must also do so, at your expense.

## ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

V's Ventures, Inc. and V's Franchising Corporation owned certain proprietary information and rights in numerous items, such as service and product offerings, advertising designs, processes, techniques, formats, formulae and information contained in our Operation Manual. V's Ventures, Inc. and V's Franchising Corporation assigned that proprietary information and those rights to us on February 5, 2007. Some of those items are suitable for copyright protection and/or are protectable as trade secrets. To date, none of such information or rights has been registered for copyright protection. However, our copyright protection will extend for 120 years from the date of each item's creation or 95 years from the date of each item's publication, whichever is shorter.

There are no currently effective material determinations of the United States Patent and Trademark Office, the United States Copyright Office or any court regarding the copyrights or the proprietary information. There are no agreements currently in effect that significantly limit our rights to use or license the use of the copyrights and proprietary information. There are no superior prior rights or infringing uses of the principal copyrights and proprietary information actually known to us, which rights or uses could materially affect your use of the principal copyrights and proprietary information in any state.

All advertising, promotional and other materials generated by or for you in connection with your V's Barbershop will be deemed a work-made-for-hire, and all ownership rights, including any copyrights, in such advertising, promotional and other materials will be deemed to be assigned by you to us.

If you or your Principals, directors, officers, managers and employees conceive, invent, create, design and/or develop any ideas, techniques, methods, processes or procedures, formulae, products, packaging or other concepts and features relating to store operations, business practices or cutting or styling hair in connection with the Franchised Business (the "Innovations"), you (or they) will be deemed to have assigned all of your (or their) rights, title and interest in the Innovations, including any intellectual property rights, to us. You and your Principals, directors, officers, managers and employees also must cooperate with us in connection with protecting the Innovations. See Item 15.

If you reproduce any items or materials suitable for copyright protection, you must make sure that each item bears a copyright notice in the form specified by us. You must use the proprietary information only in the manner required by us and in no other manner. This information is **strictly confidential** and you may not disclose to any person, or use, any of that information for any purpose, except disclosure to a person who has signed and delivered to us a confidentiality agreement and use as necessary in connection with the operation of your V's Barbershop. In addition, you must fully and strictly comply with all security measures required by us for maintaining the confidentiality of all information designated by us as trade secrets. See Item 15.

You will not have the exclusive right to use the Innovations or any of V's Barbershop copyrights or proprietary information, nor will you acquire, by use or otherwise, any right, title or interest in or to the Innovations, the copyrights or the proprietary information, other than as expressly contained in, and limited by, the Franchise Agreement. Your right to use the Innovations, the copyrights and the proprietary information is limited and temporary. Upon expiration or termination of the Franchise Agreement, you may not, directly or indirectly, use the Innovations, the copyrights or the proprietary information in any manner or for any purpose whatsoever.

You must immediately notify us of any conduct that could constitute infringement of or challenge to the Innovations, the copyrights and the proprietary information. We will decide, in our

discretion, whether to institute any action in connection with infringement of or challenge to the Innovations, the copyrights and the proprietary information, and will control all proceedings and litigation. We are not required to protect your right to use the Innovations, the copyrights or the proprietary information or to defend you against claims arising from your use of the Innovations, the copyrights or the proprietary information. However, we will indemnify you for all damages for which you are held liable in any lawsuit arising out of your use of the Innovations, copyrights and proprietary information in compliance with the Franchise Agreement, provided that you notify us immediately when you learn about any related claim, proceeding or lawsuit, we have had the opportunity to defend such lawsuit and you have cooperated with us in connection with such defense. We have the right to defend any such claim, proceeding or lawsuit on your behalf, but are not required to do so.

We may, in our discretion, modify or discontinue use of the Innovations, the copyrights and the proprietary information and/or use other information and/or rights in their place. If we decide to do so, you must do so also, at your expense.

Although the Company has not filed an application for a copyright registration for the Operating Manual, we claim a common law copyright and the information is proprietary.

The franchisee and each of his Principals, directors, officers, managers and employees will be bound by certain provisions protecting our proprietary rights. See Item 15.

No patents or pending patent applications are material to the franchise.

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

You, the Franchisee (or, if the franchisee is a corporation, partnership, limited liability company or other entity, a designated member of the Franchisee's management team), must attend and satisfactorily complete our training program.

We do not require that you personally supervise your V's Barbershop. However, if you do not personally supervise your V's Barbershop, the business must be directly supervised "on-premises" by a manager who meets our qualifications and requirements as set forth in the Manuals. Although we generally permit franchisees to train their managers, we may require your manager to attend and complete, to our satisfaction, our training program. Your manager must devote his full-time and best efforts to your V's Barbershop, may not conduct any other business activity on or from your V's Barbershop and must spend at least 40 hours per week on the premises of your V's Barbershop overseeing its operation. Your manager need not have an equity interest in the Franchisee.

We strongly recommend that you personally participate in the supervision of your V's Barbershop and devote a substantial amount of time to your V's Barbershop, whether or not you hire a manager. Franchisees that do not devote their full time efforts to the establishment and operation of their V's Barbershops may have lower gross sales, higher operating costs and lesser name recognition in their areas than those franchisees that do devote their full efforts to their V's Barbershops.

If the Franchisee is a married individual, the Franchisee's spouse must sign the Spousal Consent to the Franchise Agreement. Each Principal (and his spouse) must sign an agreement, in the form of Exhibit E, in which he agrees to pay, perform and guarantee all of the franchisee's obligations to us and our Affiliates contained in the Franchise Agreement. In addition, each Principal, director and officer of Franchisee must sign an agreement in the form of Exhibit G to

this Disclosure Document and each manager and employee must sign an agreement in the form of Exhibit H to this Disclosure Document. Those agreements contain a restrictive covenant, confidentiality provisions and certain other provisions contained in the Franchise Agreement.

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

You must offer, provide and sell at your V's Barbershop all services and products designated by us, in a manner consistent with our comprehensive standards and requirements. In addition, you must offer, provide and sell at your V's Barbershop all new services and products designated by us. If we decide to eliminate certain services or products from V's Barbershops, you must stop offering, providing and selling those services and products. Our right to change the service and product offerings of V's Barbershops is unrestricted.

You may not offer, provide or sell any services or products at or from your V's Barbershop, or conduct any other business at or from your V's Barbershop, unless we specifically approve the offering, provision and sale of those services or products. In addition, you may not offer, provide or sell any products or services specified by us in any configuration, form or manner (including items for resale) other than that specifically approved by us. You may not provide services or sell products from a location other than your V's Barbershop, or ship or deliver products. You may not advertise or solicit customers outside of the Applicable Radius without our consent. However, you may provide services to any customer. You may not offer, provide or sell at your V's Barbershop any service or product that may be injurious to our business, the goodwill associated with the Trademarks or your V's Barbershop.

Except as we expressly permit, you may not use, or authorize anyone else to use, the Trademarks to advertise, promote, offer or sell any services and/or products through the Internet. See Item 12.

We may select certain of our franchisees that are permitted and/or required to participate in new service or product tests, new or modified service or product offerings and other programs, initiatives and campaigns that we may, from time-to-time, develop.

As a service to you and our other franchisees, we may, but are not obligated to, utilize our experience and the data obtained from our Affiliates and franchisees to establish and maintain a suggested schedule of prices for products and services at your V's Barbershop and, subject to applicable law, we may designate certain pricing and pricing policies with respect to the services or products offered, provided and sold at your V's Barbershop, which prices and policies you will be required to comply with. In addition, we and/or our approved vendors and suppliers may establish, or have established, required maximum prices for products and services at your V's Barbershop and, if so established, you will be required to comply with those maximum prices. Further, we and/or our approved vendors and suppliers will be entitled to exercise the maximum level of control over resale prices and practices permitted by applicable law and, to the extent that we and/or they exercise our/their right, you will be required to comply with those controls.

#### **ITEM 17: 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.**

<b>Provision</b>	<b>Section in Agreement*</b>	<b>Summary</b>
a. Length of the franchise term	15(a)	10 years from date you open for business; 5 years if Franchise Agreement is a renewal;

Provision	Section in Agreement*	Summary
		remaining term if signed in connection with a relocation or transfer
	Exhibit K (Multi-unit Agreement)	Deadline to sign the franchise agreement for your last unit
b. Renewal or extension of the term	15(b)	Unlimited 5-year renewal periods provided that Franchisee complies with the renewal obligations;
	Exhibit K (Multi-unit Agreement)	None
c. Requirements for franchisee to renew or extend	15(b)	No breaches; timely notification; payment of renewal fee; remodel and update your V's Barbershop; sign a general release of us and our Affiliates; attend required training programs and refresher courses; sign the then-current form of franchise agreement and related documents (you will be subject to the terms of that franchise agreement, including the royalties, advertising payments and other charges; however, the term will be the remaining Renewal Term).  Upon renewal, the Franchise Agreement to be signed may have materially different terms and conditions from the original Franchise Agreement.
d. Termination by franchisee	Not applicable	Rights under applicable law
e. Termination by franchisor without cause	Not applicable	
f. Termination by franchisor with cause	4, 16; Exhibit J (Addendum to Lease); Exhibit K (Multi-unit Agreement);	See (g) and (h)
g. "Cause" defined - curable defaults	16(a), (b), (e), (i), (q); Exhibit K (Multi-unit Agreement)	Failure to pay outstanding amounts or perform other curable obligations; breach of lease; operation of your V's Barbershop in a manner, or engaging in any other conduct, that may adversely affect our goodwill or reputation, our services or products or the Trademarks, if curable; violation of health, safety or sanitation laws or regulations
h. "Cause" defined - non-curable defaults	16(b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m), (n), (o), (p), (r), (s); Exhibit J (Addendum to Lease); Exhibit K (Multi-unit Agreement)	Failure to perform non-curable non-monetary obligations; repeated failure to perform obligations; loss of possession of your premises; breach of lease; loss of license or permit; underpayment of amounts due to us or our Affiliates; submission of inaccurate financial information; insolvency; operation of your V's Barbershop in a manner, or engaging in any other conduct, that may adversely affect our

Provision	Section in Agreement*	Summary
		goodwill or reputation, our services or products or the Trademarks, if non-curable; failure to open your V's Barbershop within 1 year of the Effective Date or 180 days after your site is available to you (the "Opening Deadline"); transfer (or attempt to transfer) your V's Barbershop in breach of the Franchise Agreement; failure to transfer your V's Barbershop within 90 days of your death, disability or dissolution of marriage; failure to satisfactorily complete our training program; termination of any other agreement between us or our Affiliates and you or your Affiliates; your representations or warranties are untrue; commission of fraud; ceasing operation of, or abandoning, your V's Barbershop; conviction of, or pleading guilty or no contest to, a felony or other crime or offense that may adversely affect our goodwill or reputation, our services or products or the Trademarks; engaging in any conduct that violates any law or regulation; commission of an act of moral turpitude
i. Franchisee's obligations on termination/nonrenewal	8, 9, 10, 11, 17, 19; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement)	Promptly return Operation Manual, all training materials and all other property; cease using the Trademarks, the Copyrights, the Innovations and the Proprietary Information; cancel assumed names and other business registrations; notify the telephone company and other listing agencies of the termination of your right to use the Trademarks and of your assignment of your telephone numbers to us; cease identifying yourself with us and the Trademarks; renovate your business premises to eliminate the Trademarks and de-identify the premises to remove all trade dress; pay all outstanding amounts; if we elect, sell us your assets in accordance with a stated formula; we may assume your lease; see (r)
j. Assignment of contract by franchisor	22; Exhibit K (Multi-unit Agreement)	No restrictions upon our ability to assign our rights
k. "Transfer" by franchisee – defined	14(b), 16(k); Exhibit K (Multi-unit Agreement)	Sale or other transfer (by operation of law or otherwise) of the franchise or your V's Barbershop); assignment of any right granted under the Franchise Agreement; transfer of an equity interest in you (if any entity) (by operation of law or otherwise); merger or consolidation of you (if an entity)
l. Franchisor approval of transfer by	14, 16(k), 22; Exhibit J (Addendum to Lease); Exhibit K (Multi-unit	Our approval is required

<b>Provision</b>	<b>Section in Agreement*</b>	<b>Summary</b>
franchisee	Agreement)	
m. Conditions for the franchisor approval of transfer	14	Prospective transferee must satisfy our then-current qualifications; the financial and other terms of the transfer must not have an adverse impact upon the prospective transferee's operation of your V's Barbershop; no existing breaches; submission of written request for a transfer and other required information; payment of transfer fee; use of you an escrow agent; timely closing; the prospective transferee (and his agents) must sign the then-current franchise agreement (and the ancillary documents); execution of general release; remodel and update your V's Barbershop; pay all outstanding amounts to us; there are certain exceptions in the case of a majority-owned transfer
n. Franchisor's right of first refusal to acquire franchisee's business	14	We may exercise our right of first refusal and purchase your V's Barbershop
o. Franchisor's option to purchase franchisee's business	14, 17(b)	We (or our designee) may purchase your assets in accordance with a stated formula; see also (n)
p. Death or disability of franchisee	14(h); 16(l)	Your V's Barbershop must be transferred in accordance with the Franchise Agreement upon your death or disability; if a transfer is not effectuated on a timely basis, the Franchise Agreement will be terminated
q. Non-competition covenants during the term of the franchise	10, 11; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement)	Non-competition during the term of the Franchise Agreement; applicable to you and your Principals, directors, officers, managers and employees, with certain exceptions
r. Non-competition covenants after the franchise is terminated or expires	10, 11, 14; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement)	Non-competition after the term of the Franchise Agreement and upon transfer; applicable to you and your Principals, directors, officers, managers and employees, with certain exceptions
s. Modification of	4. 23; Exhibit K (Multi-	We may amend the Operation Manual or

<b>Provision</b>	<b>Section in Agreement*</b>	<b>Summary</b>
the agreement	unit Agreement)	change our fees (except for Royalties) without your approval; otherwise, mutual written agreement is required
t. Integration/merger clause	25, 37; Exhibit K (Multi-unit Agreement)	Only the terms of the franchise agreement/multi-unit agreement are binding (subject to state law). Any promises outside the disclosure document and franchise agreement may not be enforceable. No provision in any Franchise Agreement is intended to disclaim the express representations made in this Disclosure Documents.
u. Dispute resolution by arbitration or mediation	28; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement)	Mediation; arbitration
v. Choice of forum	28; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement); Exhibit K (Multi-unit Agreement)	Subject to state law, Maricopa County, Arizona (See Additional Disclosures Required by Certain State Laws at the end of this Disclosure Document)
w. Choice of law	28; Exhibit F to Franchise Disclosure Document (Agreement to be Bound and to Guarantee); Exhibit G (Principal, Director and Officer Agreement); Exhibit H (Manager and Employee Agreement); Exhibit K (Multi-unit Agreement)	Subject to state law, Arizona; waiver by franchisee of right to jury trial, right to class action and punitive, consequential and special damages (See Additional Disclosures Required by Certain State Laws at the end of the Disclosure Document)

\*Section reference is to Franchise Agreement, unless stated otherwise.

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101, *et seq.*).

### **ITEM 18:PUBLIC FIGURES**

We do not use any public figure to promote V's Barbershops or franchises for V's Barbershops.

## 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 chart below reflects historic Unaudited Average Gross Revenue for two (2) company owned and 18 franchise locations that have been open for at least three years as of December 31, 2016. One company owned location was sold to an existing franchisee during 2016. On December 31, 2016, there were a total of 32 V's Barbershops (1 company-owned and 31 franchise-owned) open for business. The table below does not include 12 shops that were not open for at least three (3) years as of December 31, 2016.

### Unaudited Chart Reflecting Reported 2016, 2015, 2014, and 2013 Average Gross Revenue Per Unit for Units Opened at Least Three Calendar Years

	Year			
	2016	2015	2014	2013
Average Gross Revenue	\$451,832	\$419,730	\$376,851	\$379,690
Number of Units	20	20	20	16
Number of Units That Attained or Exceeded The Averages Set Forth Above	9(45%)	9(45%)	10(50%)	7(43.8%)

### Notes to Unaudited Chart Reflecting Reported 2016, 2015, 2014, and 2013 Average Gross Revenue Per Unit for Units Opened at Least Three Calendar Years

1. The above chart reflects reported historic unaudited Average Gross Revenue for two (2) corporate V's Barbershops and 18 franchised V's Barbershops for the calendar years ended December 31, 2016, 2015, 2014 and 2013. One company owned location was sold to an existing franchisee during 2016.
2. Each of the V's Barbershops identified in the chart above were open for at least three (3) calendar years as of December 31, 2016.
3. Your individual results may differ from the results of our company-owned locations and franchise locations. The Company Units and several of the Franchise Units included in the above table are mature businesses, having operated for several years. As a result, they have established significant goodwill and a referral network. There is no assurance a new V's Barbershop will have established goodwill or a referral network and, therefore, its gross sales are likely to differ from the results reflected above. Further, your Gross Sales and your financial results will depend upon, among other things, such factors as how much you follow our methods and procedures; your management skill, experience and business acumen; whether you personally manage your V's Barbershop or hire a manager; the region in which your V's Barbershop is located; local and national economic conditions; whether the premises is in a new or existing center; the physical size and location of your V's Barbershop; the skill and experience of your barber staff; your ability to retain your barber staff; the condition of the

premises and the amount and nature of tenant improvements required; the architectural criteria of the center; the HVAC & electrical systems present or necessary; the local market for the services and products offered by V's Barbershops; the prevailing wage rate; competition and the sales level reached during the initial period. We recommend that you make your own independent investigation to determine whether or not a V's Barbershop may be profitable and that you consult with your business, financial and legal advisors prior to signing the Franchise Agreement.

## ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

We do not directly operate V's Barbershops. However, V's Barbershop Holdings or its predecessor, V's Ventures, Inc., operated V's Barbershops between November 1999 December 2016. V's Barbershop Holdings presently operates one (1) V's Barbershop location.

**Table No. 1  
Systemwide Outlet Summary (For Calendar Years 2014 to 2016)**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	18	20	+2
	2015	20	28	+8
	2016	28	31	+3
Company -owned*	2014	2	2	0
	2015	2	2	0
	2016	2	1	-1
Total Outlets	2014	20	22	+2
	2015	22	30	+8
	2016	30	32	+2

\*Owned by our affiliate, V's Barbershop Holdings, LLC. We do not directly own any V's Barbershops.

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
(For Calendar Years 2014 to 2016)**

State	Year	Number of Transfers
Arizona	2014	0
	2015	0
	2016	1
California	2014	0
	2015	0
	2016	1
Georgia	2014	0
	2015	1
	2016	0
Washington	2014	0
	2015	1
	2016	0

State	Year	Number of Transfers
Total	2014	0
	2015	2
	2016	2

**Table No. 3  
Status of Franchised Outlets (For Calendar Years 2014 to 2016)**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Arizona	2014	6	1	0	0	0	0	7
	2015	7	3	0	0	0	0	10
	2016	10	1	0	0	0	0	11
California	2014	3	0	0	0	0	0	3
	2015	3	2	0	0	0	0	5
	2016	5	1	0	0	0	0	6
Florida	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
Georgia	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Indiana	2014	2	0	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Missouri	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
New Jersey	2014	2	0	0	0	0	0	2
	2015	2	1	0	0	0	0	3
	2016	3	0	0	0	0	0	3
North Carolina	2014	1	1	0	0	0	0	2
	2015	2	0	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Pennsylvania	2014	0	0	0	0	0	0	0
	2015	0	1	0	0	0	0	1
	2016	1	0	0	0	0	0	1
Texas	2014	1	0	0	0	0	0	1
	2015	1	1	0	0	0	0	2
	2016	2	0	0	0	0	0	2
Washington	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Total	2014	18	2	0	0	0	0	20
	2015	20	8	0	0	0	0	28
	2016	28	3	0	0	0	0	31

**Table No. 4  
Status of Company-owned\* Outlets (For Calendar Years 2014 to 2016)**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Arizona	2014	2	0	0	0	0	2
	2015	2	0	0	0	0	2
	2016	2	0	0	0	1	1
Total	2014	2	0	0	0	0	2
	2015	2	0	0	0	0	2
	2016	2	0	0	0	1	1

\*Owned by V's Barbershop Holdings, LLC. We do not directly own any V's Barbershops.

**Table No. 5  
Projected Openings as of December 31, 2016**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets within One Year (1/1/17-12/31/17)	Projected New Company-owned* Outlets within One Year (1/1/17-12/31/17)
Arizona	3	1	0
Arkansas	3	1	0
California	2	0	0
Colorado	2	0	0
Florida	1	1	0
Illinois	1	0	0
Missouri	1	0	0
Nevada	1	0	0
Pennsylvania	1	1	0
South Carolina	3	1	0
Texas	2	2	0
Total	20	7	0

### Existing Company-owned\* Outlets as of December 31, 2016

Owner	Address
V's Barbershop Holdings, LLC	7012 East Greenway Parkway, Suite 120, Scottsdale AZ

\*Owned by our affiliate, V's Barbershop Holdings, LLC. We do not directly own any V's Barbershops.

See Exhibit D for information with respect to our franchisees.

#### **Franchisees that have had their Franchises Terminated, Cancelled, Not Renewed or Otherwise Ceased to do Business During Calendar Year 2016**

There were no franchisees terminated, cancelled or not renewed or that otherwise ceased to do business during calendar year 2016.

#### **Franchisees who have not communicated with Franchisor during the Past Ten Weeks**

**None.**

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the V's Barbershop franchise system.

During the last 3 fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as franchisee in our franchise system.

To our knowledge, there are no trademark-specific franchisee organizations associated with the V's Barbershop franchise system

### **ITEM 21:FINANCIAL STATEMENTS**

Our audited financial statements for the periods ended December 31, 2014, 2015 and 2016 are attached to this Disclosure Document as Exhibit B. Our fiscal year end is December 31.

### **ITEM 22:CONTRACTS**

Attached to this Disclosure Document as Exhibits E through M, respectively, are the form of Franchise Agreement, the form of Agreement to be Bound and to Guarantee, the form of Principal, Director and Officer Agreement, the form of Manager and Employee Agreement, the form of Preauthorization to Debit Funds, the form of Addendum to Lease, the form of Multi-unit Agreement, a specimen of the General Release and the form of Franchisee Disclosure Questionnaire.

### **ITEM 23:RECEIPT**

At the end of this Disclosure Document are 2 copies of a Receipt. One should be signed by you and returned to us. You should keep the other for your files.

**List of Agents for Service of Process/State Administrators**

**List of State Administrators**

**CALIFORNIA:**

Department of Business  
Oversight-1-866-275-2677

**Los Angeles**

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(213) 576-7500

**Sacramento**

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Madison, WI 53703

**V's BARBERSHOP FRANCHISE, LLC FINANCIAL STATEMENTS**



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAconnect.com

V's Barbershop Franchise, LLC  
Phoenix, Arizona

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

CliftonLarsonAllen LLP consents to the inclusion of our report dated February 23, 2017 on our audit of the financial statements of V's Barbershop Franchise, LLC as of and for the years ended December 31, 2016, 2015, and 2014, in the Franchise Disclosure Document of V's Barbershop Franchise, LLC dated March 24, 2017, as it may be amended. This consent should not be regarded as in any way updating the aforementioned report or representing that we performed any procedures subsequent to the date of such report.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
March 23, 2017

**V'S BARBERSHOP FRANCHISE, LLC**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014**

**V'S BARBERSHOP FRANCHISE, LLC  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>3</b>
<b>STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>

## INDEPENDENT AUDITORS' REPORT

Member  
V's Barbershop Franchise, LLC  
Phoenix, Arizona

We have audited the accompanying financial statements of V's Barbershop Franchise, LLC, which comprise the balance sheets as of December 31, 2016, 2015, and 2014, and the related statements of operations and member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Member  
V's Barbershop Franchise, LLC

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of V's Barbershop Franchise, LLC as of December 31, 2016, 2015, and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
February 23, 2017

**V'S BARBERSHOP FRANCHISE, LLC  
BALANCE SHEETS  
DECEMBER 31, 2016, 2015, AND 2014**

	2016	2015	2014
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 477,955	\$ 257,908	\$ 393,598
Accounts and Other Receivables	92,351	65,204	31,289
Due from Related Party	82,907	3,418	-
Capitalized Franchise Costs	182,275	79,525	117,175
Total Current Assets	835,488	406,055	542,062
<b>FIXED ASSETS</b>			
Furniture and Equipment	66,408	58,452	54,660
Software	7,920	-	-
Less Accumulated Depreciation	(56,924)	(52,432)	(47,964)
Total Fixed Assets	17,404	6,020	6,696
<b>OTHER ASSETS</b>			
Deposits	1,759	1,716	1,716
Total Assets	\$ 854,651	\$ 413,791	\$ 550,474
<b>LIABILITIES AND MEMBER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 54,717	\$ 9,918	\$ 16,433
Due to Related Party	-	-	82,728
Deferred Revenue	509,500	212,000	344,000
Total Current Liabilities	564,217	221,918	443,161
<b>MEMBER'S EQUITY</b>			
Total Liabilities and Member's Equity	\$ 854,651	\$ 413,791	\$ 550,474

See accompanying Notes to Financial Statements.

**V'S BARBERSHOP FRANCHISE, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY**  
**YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>REVENUE</b>			
Franchise Fees	\$ 116,500	\$ 242,000	\$ 65,000
Franchise Royalties	587,877	462,300	375,939
Advertising Fees	209,361	168,127	139,307
Total Revenue	<u>913,738</u>	<u>872,427</u>	<u>580,246</u>
<b>EXPENSE</b>			
Operating Expense	810,685	783,400	630,274
Depreciation	4,492	4,468	3,740
Total Expense	<u>815,177</u>	<u>787,867</u>	<u>634,014</u>
<b>NET INCOME (LOSS)</b>	98,561	84,560	(53,768)
Member's Equity - Beginning	191,873	107,313	11,081
Contributions from Member	<u>-</u>	<u>-</u>	<u>150,000</u>
<b>MEMBER'S EQUITY - ENDING</b>	<u><u>\$ 290,434</u></u>	<u><u>\$ 191,873</u></u>	<u><u>\$ 107,313</u></u>

See accompanying Notes to Financial Statements.

**V'S BARBERSHOP FRANCHISE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016, 2015, AND 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss)	\$ 98,561	\$ 84,560	\$ (53,768)
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	4,492	4,468	3,740
(Increase) Decrease in Assets:			
Accounts Receivable and Other Receivables	(27,147)	(33,915)	6,580
Due from Related Party	(79,489)	(3,418)	-
Capitalized Franchise Costs	(102,750)	37,650	(40,050)
Deposits	(43)	-	-
Increase (Decrease) in Current Liabilities:			
Accounts Payable	44,799	(6,515)	(3,557)
Deferred Revenue	297,500	(132,000)	156,500
Net Cash Provided (Used) by Operating Activities	<u>235,923</u>	<u>(49,170)</u>	<u>69,445</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Property	(15,876)	(3,792)	(1,878)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Due to Related Party	<u>-</u>	<u>(82,728)</u>	<u>17,980</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	220,047	(135,690)	85,547
Cash and Cash Equivalents - Beginning	<u>257,908</u>	<u>393,598</u>	<u>308,051</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 477,955</u></u>	<u><u>\$ 257,908</u></u>	<u><u>\$ 393,598</u></u>
<b>SUPPLEMENTAL DISCLOSURE CASH FLOW</b>			
Noncash Equity Contribution through			
Due to Related Party	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 150,000</u></u>

See accompanying Notes to Financial Statements.

**V'S BARBERSHOP FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016, 2015, AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

V's Barbershop Franchise, LLC (the Company) was formed on November 17, 2006, in the state of Arizona. The Company was established for the purpose of selling franchises in V's Barbershop which is an upscale men's barbershop that provides high-quality haircuts, old-fashioned shaves and men's facial services.

Franchisee activity for the year ended December 31, 2016 was as follows:

Store Count as of December 31, 2015	30
Store Openings During 2016	<u>2</u>
Store Count as of December 31, 2016	<u><u>32</u></u>

**Basis of Presentation**

The Company's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

**Accounts and Other Receivables**

Receivables are stated at net realizable value. Accounts are individually analyzed for collectability. Write-offs of receivables occur when all collection efforts have been exhausted. As of December 31, 2016, 2015, and 2014, an allowance was not deemed necessary.

**Capitalized Franchise Costs**

Capitalized franchise costs are costs associated with franchisees that have signed franchise agreements but have not yet opened their location. These costs include commissions paid to sales representatives and consulting services provided by the Company.

**Fixed Assets**

Fixed assets are stated at cost and depreciated using the straight line method over the estimated useful lives of the assets of 5 years. Depreciation expense for the years ended December 31, 2016, 2015, and 2014 was \$4,492, \$4,468 and \$3,740, respectively.

**Deferred Revenue**

Franchise fees received in advance as the result of the sale of the franchise, but prior to the beginning of the franchisee operations have been classified as deferred revenue.

**V'S BARBERSHOP FRANCHISE, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016, 2015, AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Franchisee fee revenue is recognized when all material services or conditions relating to the sale of the franchise have been substantially performed or satisfied. The Company has substantially satisfied all of these conditions at the beginning of franchisee operations. Continuing franchise royalties and advertising fees are based on a defined percentage of franchise revenues and are recognized when earned.

**Advertising Costs**

Advertising costs, including franchise sales marketing and store level advertising costs, are expensed as incurred.

Franchise sales marketing and store level advertising costs were \$29,885 and \$216,367, respectively, for the year ended December 31, 2016, and \$31,417 and \$154,434, respectively, for the year ended December 31, 2015, and \$21,523 and \$182,604, respectively, for the year ended December 31, 2014.

**Income Tax**

As a single member LLC, the Company is considered to be a disregarded entity for tax reporting purposes and as such, does not file a separate income tax return. Accordingly, the member is taxed on the Company's income. Therefore, no provision or liability for income tax is included in the financial statements.

The Company follows the income tax standard for uncertain tax positions. Under this standard, the Company has not recognized a liability for uncertain tax positions for the years ended December 31, 2016, 2015, and 2014, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

**V'S BARBERSHOP FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016, 2015, AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual periods beginning after December 15, 2018. Early adoption is permitted beginning for periods beginning after December 15, 2016. Management is evaluating the impact of the amended revenue recognition guidance on the entity's financial statements.

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 23, 2017, the date the financial statements were available to be issued.

**NOTE 2 RELATED PARTY TRANSACTIONS**

The member owns and operates one V's Barbershops in the Phoenix, Arizona metropolitan area. Franchise royalties and advertising fee revenues from this member were \$60,950 and \$36,570, respectively, for the year ended December 31, 2016, \$72,103 and \$43,262, respectively, for the year ended December 31, 2015, and \$69,467 and \$41,680, respectively, for the year ended December 31, 2014.

At December 31, 2016 and 2015, the Company has recorded a receivable of \$82,907 and \$3,418, respectively, in due from a related party on the balance sheets for expenses or royalties paid or owed by the member on the Company's behalf. At December 31, 2014, the Company had an amount due to the member for advances.

**NOTE 3 COMMITMENTS AND CONTINGENCIES**

The Company records accruals for contingencies when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated based on historical claim activity and loss development factors. There can be no assurance there will not be an increase in the scope of these matters or that any future or pending lawsuits, claims, proceedings, or investigations will not be material.

**TABLE OF CONTENTS OF OPERATION MANUAL**

**Pre-Opening Manual Table of Contents**

Introduction .....	2
The V's Story .....	2
Keys to Success Honest, Quality and Respect .....	3
Section 1: Before Opening Your V's Barbershop .....	4
Step 1: Finding a Site .....	5
Step 2: Negotiating the Letter of Intent (LOI) .....	10
Step 3: Selecting an Attorney and Negotiating the Lease .....	11
Step 4: Working with the Architect .....	17
Step 5: Working with the Sign Company.....	18
Step 6: Working with the Contractor .....	19
Step 7: Purchasing Required Equipment and Supplies .....	20
Step 8: Finding Employees .....	31
Step 9: Scheduling .....	39
Step 10: Grand Opening Preparations.....	41
Step 11: Attending V's Training .....	41
Step 12: Ordering Additional Supplies and Equipment .....	41
Step 13: Setting Up Shop .....	55
Step 14: Opening Your V's Barbershop .....	60
Glossary .....	61
Exhibit-Retail Product Listing .....	66-71

**Operating Manual Table of Contents**

Introduction .....	5
The V's Story .....	5
Keys to Success Honest, Quality and Respect .....	6
Operations .....	7
Required Documents .....	7
Required Tools and Equipment .....	8
Scheduling .....	9
Dress Code .....	10
Morning Opening Duties .....	11
Shortcuts™ POS System. ....	13
Making Change .....	14
Credit Cards .....	14
Gift Cards .....	15
Gift Card Sale/Activation. ....	16
Gift Card Redemption .....	17
Charity Gift Cards .....	19
Emergency Procedures .....	19
Marketing Considerations For Your V's Barbershop .....	20
V's Social Media Policy .....	22
Who Is Next in Line? .....	24
Barber's Service Procedures .....	24
Shoeshine Service Procedures .....	24
Serving Our Patrons .....	24
Telephone Etiquette .....	26

Talking On the Telephone .....	27
Cellular Telephones.....	27
Appointments .....	28
Patrons – What to Tell them about V's Barbershop .....	28
Employee Discounts .....	29
Tips.....	30
Alcohol .....	31
Retail Sales .....	31
Father & Son Discount .....	34
Senior Special .....	34
Menu Cards .....	34
Business Cards .....	34
End of Day Procedures .....	35
How to Close .....	35
Step 1: Run the Trading Summary Report in Shortcuts .....	35
Step 2: Adjust All Credit Card Transactions for Tips Received .....	36
Step 3: Confirm and Settle the Credit Card Batch for the Day .....	36
Step 4: Count All Cash and Checks in the Cash Drawer and Complete the End-of-day Form. ....	36
Step 5: Print the Trading Summary Report and File .....	37
Step 6: Complete Bank Deposit Slip, Place in Deposit Bag and Place in Safe.....	38
Step 7: Place Starting Cash of \$200 in Safe .....	38
Step 8: Place Credit Card Receipts in Envelope .....	38
Step 9: Confirm Towel Warmers and Lights are Off .....	39
Step 10: Shut Down Shortcuts .....	39
Step 11: Final Clean Up and Exit .....	39
Reports .....	41
Reporting of Sales and Payment of Fees .....	53
Financial Statements .....	54
Employment Information .....	54
Payday .....	54
Termination Information .....	55
What Employees Need to Turn In When They Leave V's .....	55
Employment Agreement Compliance .....	55
Glossary.....	57-63
<b>Employee Experience Guide Table of Contents</b>	
Introduction .....	2
The V's Story .....	2
Keys to Success Honest, Quality and Respect .....	3
Operations .....	4
Your First Day .....	4
Dress Code .....	4
Attitude .....	5
Maintaining Your Barber Station .....	6
Additional Sanitary Guidelines .....	7
Opening Duties .....	8
Closing Duties .....	9
Point of Sale (POS) System. ....	10
Discounts .....	10
Senior Special .....	11
Serving Our Patrons .....	12
Reasons Why a Patron May Find Fault with Service .....	14

What to Tell Patrons about V's Barbershop .....	14
Telephone Etiquette .....	15
Talking on the Telephone .....	15
Cellular Telephones .....	16
Who Is Next in Line? .....	16
Appointments .....	17
Gift Cards .....	17
Tips .....	18
Alcohol .....	19
Service Protocols .....	19
V's Barbershop Haircut Protocol .....	19
V's Barbershop Shave Protocol .....	22
V's Barbershop Facial and Face Massage Protocol .....	26
V's Barbershop Shoeshine Protocol .....	30
Exhibits .....	33-52

**LIST OF FRANCHISEES  
(as of 12/31/16)**

Name of Franchisee/ Contact Person	Address	Telephone Number
<b>Arizona</b>		
Cutting Edge Hair Stylist, LLC	940 N. 54th Street, Suite 104, Chandler AZ 85226	(480) 893-8800
Anthony U, LLC	21050 North Tatum Blvd., Suite 112, Phoenix AZ 85050	(480) 419-9100
MKCK, LLC	7445 W. Bell Road, Suite 101, Phoenix AZ 85382	(623) 878-8880
Igor Holdings, LLC	2370 W .Happy Valley Road, Suite 1079, Phoenix AZ 85085	(623) 580-9001
Semper Houle, LLC	5505 N. 7th Street, Suite 100, Phoenix, Arizona 85014	*
Igor Holdings 2, LLC	9397 E. Shea Blvd., Suite 100, Scottsdale AZ 85260	(480) 767-3443
Rokin Ventures, Inc.	1 E. Washington, Ste 270, Phoenix, AZ 85004	*
KAACE, LLC	Tucson, AZ	*
<b>California</b>		
McDaniel Enterprises, LLC	2683 Via de la Valle, Del Mar CA 92014	(858) 481-4321
Shaved By the Bell, Inc.	41 Auto Centre Drive, Suite 111, Foothill Ranch CA 92610	(949) 215-6000
Cut For Show Shave For Dough, LLC	802 Avenida Talega, Unit 105, San Clemente CA 92673	(949) 429-7770
<b>Georgia</b>		
Cut Above Enterprises, Inc.*	5975 Roswell Rd Ste E-357, Sandy Springs, GA 30328	(678) 819-7826
<b>Indiana</b>		
W Ventures, Inc.*	923 S. College Mall Road. Suite 921 A, Bloomington, IN 47401	(812) 332-4897
CRBW Ventures, LLC	11687 Olio Road, Fishers IN 46037	(317) 845-8122
<b>Missouri</b>		
H.I.R., Inc.	2917 S. Main Street, Joplin MO 64804	(417) 621-0901
<b>New Jersey</b>		
Emmerica Enterprises, LLC	1114 Washington Street, First Floor, Hoboken NJ 07030	(201) 942-9559
DLV Ventures, LLC*	389 Washington Blvd, Jersey City, NJ 07032	(201) 222-1233
<b>North Carolina</b>		
Walter William Gentlemans Grooming Establishment, LLC	Raleigh, NC	*
ALT Investments, LLC*	380 Knollwood, Street, Suite C, Winston Salem, NC 27103	(336) 245-8461
<b>Pennsylvania</b>		
Leonardi Ventures, Inc.	Philadelphia, PA	*
<b>Texas</b>		
DCW Ventures, LLC	2040 W . Gray, Suite 145, Houston TX 77019	(713) 527-4442
Bernard-Pryor Associates, Inc.	Houston, TX	*
<b>Washington</b>		
MOJO Enterprise, LLC	1306 Kenoyer Drive, Bellingham WA 98229	(360) 224-9872



**FRANCHISE AGREEMENT**

**DATED** \_\_\_\_\_

**STORE NO.** \_\_\_\_\_

# FRANCHISE AGREEMENT

## TABLE OF CONTENTS

1.	GRANT OF FRANCHISE.....	1
2.	PREMISES OF THE FRANCHISED BUSINESS.....	1
3.	TRAINING PROGRAM; CONSULTING.....	3
4.	CONDUCT OF THE FRANCHISED BUSINESS.....	4
5.	INSURANCE.....	11
6.	RIGHT OF FIRST REFUSAL.....	12
7.	FEES.....	14
8.	TRADEMARKS; COPYRIGHTS; INNOVATIONS; PROPRIETARY INFORMATION.....	17
9.	CONFIDENTIALITY.....	19
10.	NON-HIRING/NON-SOLICITATION/NON-COMPETITION/REMEDIES.....	20
11.	AGREEMENTS OF PRINCIPALS AND OTHER AGENTS.....	23
12.	FINANCIAL REPORTING; EVALUATIONS; AUDITS.....	23
13.	INDEMNIFICATION.....	24
14.	TRANSFER OF THE FRANCHISED BUSINESS; ASSIGNMENT OF FRANCHISE RIGHTS.....	24
15.	TERM; RENEWAL.....	27
16.	TERMINATION.....	28
17.	RIGHTS AND OBLIGATIONS OF THE PARTIES UPON EXPIRATION OR TERMINATION.....	30
18.	REPRESENTATIONS AND WARRANTIES OF FRANCHISEE.....	31
19.	SURVIVAL.....	31
20.	RELATIONSHIP OF THE PARTIES.....	32
21.	NOTICES.....	32
22.	SUCCESSORS AND ASSIGNS.....	32
23.	AMENDMENT, MODIFICATION, WAIVER OR DEFERRAL.....	32
24.	SEVERABLE PROVISIONS; ENFORCEABILITY.....	33
25.	ENTIRE AGREEMENT.....	33
26.	TERMINOLOGY.....	33
27.	COUNTERPARTS.....	33
28.	ARIZONA LAW TO GOVERN; MEDIATION; WAIVER OF RIGHTS; ARBITRATION; STATUTE OF LIMITATIONS.....	33
29.	ATTORNEYS' FEES.....	35
30.	REMEDIES CUMULATIVE.....	35
31.	CONSTRUCTION.....	35
32.	ADDITIONAL ACTIONS.....	35
33.	COMPUTATION OF TIME.....	35
34.	CURRENCY. PLATED E.....	35
35.	AUTHORITY.....	35
36.	TERRORIST AND MONEY LAUNDERING ACTIVITIES.....	35
37.	ACKNOWLEDGEMENT OF FRANCHISEE.....	36

## FRANCHISE AGREEMENT

**AGREEMENT**, dated as of the date set forth on the last page of this Agreement (the "Effective Date"), by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified on the last page of this Agreement ("Franchisee").

### RECITALS

**A.** Franchisor has, as a result of significant time, effort and money, originated a unique and comprehensive system for operating upscale barbershops that provide high-quality haircuts, old-fashioned shaves and men's facial services in a uniquely masculine environment under the V's Barbershop® service marks and trademarks (the "Franchised Business");

**B.** Franchisor owns certain intellectual property, including, without limitation, trade secrets, the contents of Franchisor's Operation Manual and other confidential and proprietary information, processes, materials and rights relating to the development, marketing, management, promotion and operation of V's Barbershop Businesses (the "Proprietary Information");

**C.** Franchisor has developed a system or business, including the Proprietary Information, for conducting and operating the Franchised Business under the Trademarks (as defined below) (the "Program");

**D.** Franchisee desires to obtain a franchise from Franchisor for the right to use the Trademarks and the Proprietary Information for operating the Franchised Business, and to obtain the benefits and knowledge of the Program (the "Franchise");

**E.** Franchisor is willing to grant a Franchise to Franchisee; and

**F.** The restrictions and controls on Franchisee's operations contained in this Agreement are intended to protect the rights to the Trademarks and to fulfill Franchisor's obligation to other franchisees to maintain a high quality of services and products provided under the Trademarks.

### AGREEMENT

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties agree as follows:

**1. Grant of Franchise.** Subject to and in accordance with the terms of this Agreement and in strict conformity with Franchisor's policies, standards, and requirements, Franchisor grants to Franchisee, and Franchisee accepts, a Franchise for the right to conduct one Franchised Business unit, with the nonexclusive right to use, solely in connection with the Franchised Business, the Trademarks, the Proprietary Information and the Franchisor's standards and specifications, which may be changed, improved and further developed from time to time. Franchisee must conduct the Franchised Business under the Trademarks.

**2. Premises of the Franchised Business.**

(a) Franchisee must operate the Franchised Business at a location selected by Franchisee that is located at the location, or within the geographic area, identified in Schedule A, subject to the approval of the location of the Franchised Business by Franchisor in

accordance with this Section 2. Franchisee may not provide services or sell products from a location other than the location of the Franchised Business, or ship or deliver products. The location at which Franchisee's Franchised Business is actually located (as evidenced by the signing of a lease), once selected, is referred to as the "Location;" provided, however, that until a lease is signed, the particular location (an address or an intersection) specified in Schedule A, if any, is referred to as the "Location." If no particular location (an address or an intersection) is specified in Schedule A (for example, if only a geographic area within which the Franchised Business must be located is specified), no Location will be deemed to exist until a lease is signed.

(b) Franchisee must engage a real estate broker on Franchisor's approved list, or otherwise approved by Franchisor, to assist Franchisee in selecting a site and negotiating the letter of intent.

(c) Franchisor will, within 30 days after it receives notice of Franchisee's selection of the site at the location, or within the geographic area, identified in Schedule A upon which to locate his Franchised Business and the Additional Materials (as defined below), Franchisor will review and approve, or deny approval of, the site. Franchisor may consider the potential customer base, the rental costs, competition, traffic patterns, population density and composition, visibility, proximity to other Franchised Businesses and other business factors of the site in determining whether to grant its approval of the site. Franchisor will not unreasonably withhold its approval of the site.

(d) Franchisor will, within 30 days after it receives the proposed lease (and the letter of intent and Additional Materials (as defined below)) for the site Franchisee selected upon which to locate his Franchised Business, review and approve, or deny approval of, that lease. The lease must include the Addendum to Lease, in the form attached as Exhibit J to the Disclosure Document. In addition, Franchisor may require the lease to contain additional provisions that it deems necessary or appropriate. Franchisor will not unreasonably withhold its approval of the lease.

(e) Franchisee must provide to Franchisor additional documentation and information regarding the proposed site, the proposed lease and current financial statements and such other financial documentation and information regarding Franchisee's financial condition and his Principals' financial condition as Franchisor may request. (All of those materials are referred to as the "Additional Materials.") If Franchisor determines that Franchisee does not have the financial capacity to perform his obligations with respect to the site or the lease, Franchisor may deny approval of the site and/or lease, which the parties agree is a reasonable basis to withhold Franchisor's approval of the site or the lease. In that event, Franchisor (or its Affiliates) may operate a Franchised Business at that site or may permit another franchisee to do so. Franchisee consents to Franchisor forwarding the Additional Materials to the landlord involved with the proposed lease, if Franchisor elects to do so.

(f) Any relocation of Franchisee's Franchised Business must be for a legitimate business reason and will be subject to the other provisions of this Section 2 and will be subject to a fee (the "Relocation Fee") in the amount of \$5,000, payable upon Franchisee's request for relocation. Any relocation of Franchisee's Franchised Business will be subject to Franchisor's approval, which may be granted or withheld, in Franchisor's discretion. In addition, Franchisee must sign the form of franchise agreement then being signed by new franchisees (the "Then-current Franchise Agreement") and will be subject to the terms of the Then-current Franchise Agreement (except that Franchisee will not be required to pay a franchise fee, will not be entitled to attend the Training Program at Franchisor's expense and the term will be the term

remaining under this Agreement). In connection with any relocation, Franchisee's Franchised Business may not be closed for business for more than 30 days.

### **3. Training Program; Consulting.**

(a) Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, a designated member of Franchisee's management team) must attend and satisfactorily complete the entire instruction provided by Franchisor (the "Training Program"). Although it is presently Franchisor's policy to permit franchisees to train their managers, Franchisor may modify such policy and/or require Franchisee's manager to attend and satisfactorily complete the Training Program. The cost of attendance and participation in the Training Program (excluding Franchisee's expenses, such as travel, lodging and meal expenditures in connection with attending the Training Program) for Franchisee (or a designated member of Franchisee's management team) and one additional person is included in the Franchise Fee (as defined below); provided, however, that if this Agreement is signed in connection with Franchisee's (or his Affiliate's) second or subsequent franchise or in connection with a renewal or relocation or transfer, the cost of attendance and participation in the Training Program is not included in the Franchise Fee or any other fee paid for renewal or relocation. Franchisee's attendees at the Training Program will not be deemed to be employees of Franchisor, but will be deemed to be employees of Franchisee. All Training Program attendees bear their own travel, lodging and meal expenditures in connection with attending the Training Program.

(b) The Training Program will include classroom training and on-the-job training, as stated in the Disclosure Document. The training program will begin at a time selected by Franchisor.

(c) Training for more than 2 people will be provided by Franchisor if Franchisee requests that additional people be trained (and Franchisor agrees to do so). The cost for additional training is \$1,000 per additional Training Program per person. Training of the additional people may or may not be held at the same time as training of the initial 2 people, at Franchisor's election. All Training Program attendees bear their own travel, lodging and meal expenditures in connection with attending the Training Program.

(d) In the event that Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, a designated member of Franchisee's management team) fails to satisfactorily complete Franchisor's Training Program, in the discretion of Franchisor, Franchisor may terminate this Agreement. In that event, Franchisee (i) must return to Franchisor all materials delivered to him in connection with the Franchise and (ii) must otherwise comply with his obligations under Section 17 of this Agreement.

(e) Franchisor may establish additional training programs or refresher courses, which Franchisee be required to attend, at his expense.

(f) If the Franchised Business is Franchisee's first Franchised Business, one of Franchisor's management team members will assist Franchisee in his opening preparations and/or operations for a minimum of 2 days during business hours during the week before and/or after the opening of the Franchised Business.

(g) Franchisor will consult with Franchisee by telephone, Monday through Friday 8:00 a.m. to 5:00 p.m. (Phoenix, Arizona time), with respect to all aspects of starting and operating the Franchised Business. Franchisor may, in its discretion, and depending upon the geographic proximity between Franchisee and Franchisor, if Franchisor's time permits, provide

on-site consultation at Franchisee's request at Franchisor's then-current hourly rate (including consultation and travel time), plus travel, lodging and meal expenditures, at times agreed upon between Franchisee and Franchisor.

#### **4. Conduct of the Franchised Business.**

(a) Franchisee must operate the Franchised Business strictly in accordance with Franchisor's Operation Manual, as amended from time to time, and with the rules, regulations, instructions, policies and procedures as may from time to time be issued by Franchisor for the conduct of the Franchised Business as Franchisor may, in its discretion, deem appropriate. Franchisor's Operation Manual may be comprised of more than one volume, all of which, collectively, will be deemed to be Franchisor's Operation Manual and may be provided in varying formats including but not limited to DVD, intranet, internet, cloud or other digital formats. Franchisor will loan to Franchisee, upon the execution of the Franchise Agreement, one (1) copy of Franchisor's Operations Manual and/or provide access to Franchisor's intranet page where Franchisor's Operations Manual shall be available for use by Franchisee strictly in accordance with the terms of this Agreement during the term of this Agreement. Franchisee must retain his copy of Franchisor's Operation Manual and/or login and password information in a secure place on the premises of the Franchised Business. If Franchisee's copy of Franchisor's Operation Manual is lost or stolen, or if for any other reason Franchisee cannot demonstrate to Franchisor that Franchisee's copy of Franchisor's Operation Manual is in his possession or cannot or will not return Franchisee's copy of Franchisor's Operation Manual to Franchisor upon the expiration or termination of this Agreement, Franchisee must pay to Franchisor a "Lost Operation Manual Fee" in the amount of \$2,500.

(b) Franchisee must operate the Franchised Business with the highest integrity and good business standards, and must use his best efforts to enhance, to the satisfaction of Franchisor, the goodwill associated with the Franchised Business and the Trademarks. Franchisee must refrain from any business or advertising practice that may, in our discretion, be injurious to the business of Franchisor, the goodwill associated with the Franchised Business and/or the Trademarks or the Franchised Business. Franchisee must not disparage to any person Franchisor, its employees and representatives, its services or products or the Trademarks. If any products or other tangible items located at the premises of the Franchised Business, or any conditions on the premises, may be considered unhealthy, unsafe, unsanitary or immoral, or otherwise reflect adversely upon the goodwill associated with the Franchised Business, the franchise system and/or the Trademarks, in Franchisor's discretion, Franchisor may request that those products or items be removed from the premises and/or that condition corrected. If Franchisee does not do so immediately, Franchisor may do so at Franchisee's expense, as well as dispose of those products or items, with no liability to Franchisor. In addition, Franchisor may require Franchisee to close the Franchised Business to the public until Franchisor is satisfied that those products or items have been removed and/or that condition has been completely corrected, in Franchisor's discretion, at Franchisee's expense.

(c) (i) Franchisee must offer, provide and sell at the premises of the Franchised Business all services and products designated by Franchisor, consistent with Franchisor's comprehensive standards and requirements. From time to time, Franchisor may add new services and products into the Franchised Business, or remove existing services and products from those offered, provided and sold at the Franchised Business, in its discretion, and Franchisee will add or remove, as the case may be, such services and products from the service and product offerings of the Franchised Business.

(ii) Franchisee must not offer, provide or sell any services or products at or from the premises of the Franchised Business, or conduct any other business at or from the premises of

the Franchised Business, unless Franchisor specifically approves the offering, provision and sale of those services or products, which approval may be withheld by Franchisor, in its discretion. In addition, Franchisee may not offer, provide or sell any products or services specified by Franchisor in any configuration, form or manner (including items for resale) other than that specifically approved by Franchisor.

(iii) Franchisee must participate in all local, regional and promotional programs, initiatives and campaigns adopted by Franchisor that Franchisor requires Franchisee to participate in.

(iv) Franchisor reserves the right to designate, in its discretion, which of its franchisees may, or will be required to, participate in new service or product tests, new or modified service or product offerings and other programs, initiatives and campaigns that Franchisor may, from time-to-time, develop. If Franchisor designates Franchisee for participation in any such program, initiative or campaign, Franchisee must participate when and as required by Franchisor.

(d) (i) In order to maintain the high standards of service and product quality and consistency associated with the Trademarks, and the uniformity of the Franchise, Franchisee must purchase certain inventory, all Trademarked items and certain other items from Franchisor. The cost thereof (plus taxes and shipping), which is payable to Franchisor 50% upon ordering and 50% prior to shipping, will be determined by Franchisor in accordance with its standardized pricing for those items (other than taxes and shipping), consistent with the Franchisor Disclosure Document.

(ii) In order to maintain the high standards of service and product quality and consistency associated with the Trademarks, and the uniformity of the Franchise, Franchisee must purchase certain items (including, without limitation, audio and video content (such as cable and satellite television, music systems and entertainment systems) and credit card and gift card processing services) from vendors and suppliers approved by Franchisor and/or in accordance with Franchisor's specifications, all as designated by Franchisor from time-to-time. Franchisor may be one of the approved vendors or suppliers or the sole approved vendor or supplier. Franchisor reserves the right to require Franchisee to purchase certain other items from Franchisor and/or its approved vendors and suppliers and/or in accordance with its specifications and standards on an ongoing basis and/or the right to centralize the ordering and/or purchasing of certain furniture, fixtures, equipment, inventory, supplies, private label items and other items on an ongoing basis. Franchisee may request that Franchisor approve certain vendors or suppliers, or modify its specifications, by notifying Franchisor in writing. Franchisor may require Franchisee to submit samples or specifications for examination or testing, at Franchisee's expense, to determine if the requested vendor, supplier or item meets Franchisor's specifications. Franchisor will notify Franchisee whether it has approved or rejected such vendors or suppliers, in Franchisor's discretion, within 90 days after receipt of all applicable information.

(iii) Franchisor reserves the right to require Franchisee to purchase an accounting software program that Franchisor specifies or that meets Franchisor's specifications and standards from Franchisor or a vendor or supplier approved by Franchisor and/or Franchisor may require Franchisee to use obtain accounting services from a provider of those services that Franchisor specifies or a provider of those services approved by Franchisor.

(iv) Franchisee acknowledges that Franchisor may make a profit, or receive a rebate or other consideration, in connection with certain items purchased from Franchisor or its approved vendors and suppliers. Franchisee acknowledges that mark-ups (plus shipping

and applicable taxes) from Franchisor's cost of any item, including but not limited to refurbished antique barber chairs, which may be acquired from Franchisor or its Affiliates (or rebate with respect to any item) are reasonable.

(v) Franchisor may centralize the ordering and/or purchasing of certain furniture, fixtures, equipment, inventory, supplies and other items on an ongoing basis. If Franchisor establishes centralized ordering and/or purchasing, Franchisee will order and/or purchase those items through that centralized system.

(e) (i) Franchisee must, at his expense, engage a: (A) V's approved space planner; and (B) an architect approved by V's in connection with the planning, architecture and development of Franchisee's site and preparation of Franchisee's plans and specifications.

(ii) Franchisee must, at his expense, engage a licensed and bonded contractor approved by Franchisor to construct and build out the premises of the Franchised Business.

(iii) Franchisee must obtain appropriate construction documents, and all mechanical, plumbing, electrical and architectural plans must be sealed and stamped, as Franchisor may require, even if the applicable local government does not require same.

(iv) Franchisee must cause the Franchised Business premises to be constructed, built out, equipped and decorated in strict compliance with Franchisor's requirements and in accordance with Franchisee's plans and specifications, as have been approved by Franchisor (including the number of barber chairs required by Franchisor). If these requirements, plans and specifications are not followed in all significant respects or if changes are not approved in writing by Franchisor prior to being implemented, Franchisee may not open the Franchised Business to the public. In addition, Franchisor may require Franchisee to close the Franchised Business to the public at any time if the Franchised Business premises are not in strict compliance with Franchisor's Operation Manual, as amended from time to time, and with the rules, regulations, instructions, policies and procedures as may from time to time be issued by Franchisor for the conduct of the Franchised Business. Franchisee must engage licensed and bonded contractors and architects, who are subject to Franchisor's approval, obtain appropriate construction documents, and all mechanical, plumbing, electrical and architectural plans must be sealed and stamped, as Franchisor may require, even if the site's local government does not require same.

(v) Franchisee must cause the Franchised Business to be consistent in design, style, appearance, atmosphere and color with the standards and specifications adopted and approved by Franchisor from time to time. Franchisee must maintain the appearance and atmosphere of the Franchised Business, and the equipment and premises used in connection with the Franchised Business, in accordance with the standards and specifications that Franchisor may adopt from time to time. Any variations in design, style, appearance, atmosphere or color must be approved in writing by Franchisor.

(f) (i) Franchisee must maintain the Franchised Business premises and equipment in good condition and repair.

(ii) In addition, at such times as Franchisor so requests, Franchisee, at his expense, must remodel and update the Franchised Business to Franchisor's then-current requirements and standards; provided, however, that no such remodeling or updating requirement (other than remodeling required in connection with a transfer or renewal) will be imposed more frequently than once every 24 months.

(g) The Franchised Business must be: (i)(A) personally supervised by Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, a designated member of Franchisee's management team) or (B) directly supervised "on-premises" by a manager who has been approved by Franchisor and who will devote his full-time and best efforts to the Franchised Business and may not conduct any other business activity on or from the Franchised Business premises who (C) spends at least 40 hours per week on the Franchised Business premises overseeing the operation of the Franchised Business. We may, in our sole discretion, require your Manager to complete the Training Program in conjunction with their on-premises supervision of your V's Barbershop. The person who will supervise the Franchised Business is set forth on the signature page of this Agreement. Any changes must be approved by Franchisor.

(h) Franchisee must keep the Franchised Business open to the public the days and hours that Franchisor requires in Franchisor's Operation Manual, which requirements may be waived by Franchisor, in its discretion. In addition, Franchisee must keep the Franchised Business open during the hours of operation of the Franchised Business posted on or about the Franchised Business' premises or otherwise advertised to the public.

(i) (i) Franchisor may evaluate and inspect the Franchised Business during regular business hours and from time to time to verify compliance with the terms and conditions of this Agreement, to confirm whether the quality of services and products is being maintained to Franchisor's satisfaction and for any other purpose related to this Agreement and the relationship between the parties, and Franchisee will permit Franchisor and its representatives and agents access to the Franchised Business premises. Franchisor's evaluation of the Franchised Business may include but is not limited to on-site inspections, test customers ("Mystery Shoppers"), review of records, access to your POS System, and/or other types of inspections determined by Franchisor in its sole discretion

(ii) Franchisor and its representatives and agents may meet and communicate with, and solicit information from, Franchisee's past and present employees, vendors, suppliers and customers to verify compliance with the terms of this Agreement, to confirm whether the quality of services and products is being maintained to Franchisor's satisfaction, to confirm whether Franchisee is performing his obligations to those employees, vendors, suppliers and customers and for any other purpose related to this Agreement and the relationship between the parties, and Franchisee will assist and cooperate with Franchisor and its representatives and agents in that regard.

(j) Franchisee acknowledges that Franchisor has a direct and legitimate interest in the manner in which its services and products are marketed, including the prices at which services and products are offered to customers. As a service to Franchisee and other franchisees of Franchisor, Franchisor may, but is not obligated to, utilize its experience and the data obtained from its Affiliates and franchisees to establish and maintain a suggested schedule of prices for products and services of the Franchised Business and, subject to applicable law, Franchisor may designate certain pricing and pricing policies with respect to the services or products offered, provided and sold by the Franchised Business, which prices and policies you will be required to comply with. In addition, Franchisor may establish, or has established, required maximum prices for products and services of the Franchised Business and, if so established by Franchisor, Franchisee will be required to comply with those maximum prices. Further, Franchisee acknowledges and agrees that Franchisor will be entitled to exercise the maximum level of control over resale prices and practices permitted by applicable law and, to the extent that Franchisor exercises its rights, Franchisee will be required to comply with the controls so imposed by Franchisor.

(k) Franchisee must participate in the advertising cooperative in his marketing area, as designated by Franchisor, in its discretion. Franchisor may change, dissolve or merge any of the advertising cooperatives. The franchisees within each marketing area will administer the advertising cooperatives, which may assess a fee for administration or advertising. If Franchisor so elects, Franchisor or its Affiliates may participate in one or more of the advertising cooperatives, as a voting member based upon its (or its Affiliates) ownership of V's Barbershops or as a non-voting member.

(l) In addition to the Advertising Payments (as defined below) Franchisee must:

(i) Conduct, at his expense (which will be at least \$5,000), a grand opening marketing and advertising campaign in accordance with a plan approved by Franchisor prior to, or simultaneously with, the grand opening; and

(ii) List, at his expense, his Franchised Business in yellow pages advertising or online directories including social media directories and websites in its marketing area, as designated by Franchisor. If Franchisor or Franchisee's advertising cooperative includes Franchisee's Franchised Business in yellow pages advertising or online directories including social media directories and websites in its marketing area, Franchisee must reimburse Franchisor or his advertising cooperative, respectively, for his pro rata portion of the cost of that advertising.

(iii) Respond, in a professional manner, to all customer inquiries, complaints and reviews received via our point-of-sale review tool or posted online including but not limited to websites such as Yelp, Facebook, Twitter or Google Places Reviews (or any other online review sites that may be developed from time to time) and/or received by the Company, with respect to your V's Barbershop, directly by email or written communication. Any and all responses are subject to approval by the Company. The Company, in its sole discretion, shall have the right to answer or respond to any customer inquiries, complaints or reviews as described above.

(iv) Fully participate in any national and/or local marketing programs initiated by Franchisor including but not limited to coupons, gift cards, combination or interchange programs with other companies, print advertising, television advertising, direct mail, and email messaging. You are obligated to participate fully in all marketing programs initiated by the Company according to their terms as prescribed by the Company, and you are required to honor discounts and redeem coupons, (excluding Father & Son discounts and Military, Police and Fireman discounts which are everyday mandated discounts and are not part of any new marketing initiatives) that are part of any local, regional or national marketing programs or promotions sponsored or approved by the Company or the Advertising Fund.

(m) Franchisee and his employees must obtain and maintain all licenses and permits required to be held by Franchisee or his employees in connection with the conduct of the Franchised Business, and must comply with all applicable federal, state and local laws, regulations and ordinances in connection with the conduct of the Franchised Business. Franchisee must give Franchisor written notice of Franchisee's receipt of an unsatisfactory or failing inspection report within 3 days after Franchisee's receipt of that report.

(n) Franchisee must pay when due all debts and obligations incurred by Franchisee in connection with the conduct of the Franchised Business, including all applicable tax liabilities and all obligations to vendors and suppliers.

(o) Franchisee must attend, at his expense, all annual and other meetings and conference calls of franchisees that Franchisor determines are mandatory for all franchisees, or groups of franchisees (as designated by Franchisor), such as franchisees within a particular geographic region.

(p) Franchisee must communicate, on a regular basis, with Franchisee's V's Franchise Advisory Board ("VFAB") representative regarding issues surrounding Franchisee's Franchised Business and the V's Barbershop franchise system as a whole;

(q) (i) Franchisee must maintain, at his expense, the computer system, credit card processing system and related equipment, including the hardware and software that Franchisor may require from time-to-time with a vendor or vendors that Franchisor may designate and/or approve from time to time.

(ii) Franchisee must, at his expense, replace, upgrade and/or update the computer system, computer processing system and related equipment, including the hardware and/or software, when Franchisor believes that it is necessary. Franchisee may not install any hardware or software onto the computers used in connection with the Franchised Business without Franchisor's consent.

(iii) Franchisee must maintain, at his expense, an e-mail address designated or approved by Franchisor for purposes of communicating with Franchisor and other Persons (as defined below). Franchisee must check and respond to his e-mail on a timely basis, as determined by Franchisor.

(iv) Franchisee must not and must insure that Franchisee's employees including barbers do not utilize text messages, texting, application based communication, or similar mobile based communication in conjunction with Franchisee's Franchised Business except in the case of emergency situations.

(v) Franchisee must obtain and maintain continuous high-speed Internet access, at Franchisee's expense, to Franchisor's Internet website in a manner that will enable Franchisee to download required information from the V's Intranet, including training video material, manuals, etc. (without regard to size) and to otherwise interact with Franchisor and other persons, in such manner as Franchisor may specify. Franchisee must also purchase and install in his V's Barbershop business video cameras capable of delivering live video images of your V's Barbershop in a manner consistent with our Operations Manual via secure internet connections to computers, smart phones, tablets and other electronic devices and shall grant us access to the video feeds at all times.

(vi) Franchisor may, but is not obligated to, include a series of interior pages on our web site that may identify Franchisee and other franchisees and/or configure its web site to accommodate Franchisee's web page. Franchisor may permit Franchisee, at Franchisee's expense, to have its webmaster customize and/or post certain information to Franchisee's web page, subject to compliance with the Franchise Agreement and the Operations Manual and Franchisor's approval.

(r) (i) If Franchisee fails to pay any amount he is required to pay, or perform any obligation he is required to perform, pursuant to this Agreement, Franchisor may, but will not be obligated to, pay such amount and/or take any action necessary to cure the default. In this event, Franchisee must immediately pay to Franchisor the amount so paid by Franchisor or the amount expended by Franchisor to cure such default, plus interest at the rate of 18% per

annum (or, if less, the highest amount permitted by law) from the date paid or expended by Franchisor. This right will accrue whether or not Franchisor terminates this Agreement.

(ii) If Franchisee abandons or otherwise fails to properly operate the Franchised Business, Franchisor may elect to operate the Franchised Business for a reasonable period on Franchisee's behalf, for a reasonable fee, all as determined by Franchisor in its discretion; provided, however, that during the SBA Effective Period (as defined below) if Franchisor operates the Franchised Business pursuant to this Section 4(p)(ii), Franchisor will re- evaluate the situation with Franchisee or its representatives at least every 60 days, unless this Agreement has been terminated prior to the expiration of that 60-day period or unless Franchisee is ill, disabled or deceased. For purposes of this Agreement, the term "SBA Effective Period" will mean the period during which Franchisee is a borrower pursuant to a loan guaranteed by the United States Small Business Administration that was entered into by Franchisee before the opening of Franchisee's Franchised Business, the beginning of the SBA Period being the date that the applicable loan documents have been signed by both Franchisee and the lender and the end of the SBA Period being the earliest of (a) the date that this Agreement has been terminated, (b) the date that the loan has been paid and (c) the date that the Small Business Administration no longer has an interest in the loan.

(s) (i) Franchisee must staff the Franchised Business adequately, as determined by Franchisor in its discretion, to service customers on a timely basis.

(ii) All personnel employed by Franchisee in connection with the Franchised Business must wear a uniform or other clothing approved by Franchisor as supplied by a mandated vendor.

(t) Franchisee must honor all customer warranty policies adopted by Franchisor. If Franchisor requires Franchisee to correct services provided by Franchisee, Franchisee will do so, at his expense.

(u) If the Franchised Business is not being conducted in strict accordance with this Section 4, or otherwise in strict accordance with this Agreement or with Franchisor's Operation Manual, as amended from time to time, and with the rules, regulations, instructions, policies and procedures as may from time to time be issued by Franchisor for the conduct of the Franchised Business, Franchisor may require Franchisee to close the Franchised Business to the public at any time.

(v) Franchisee acknowledges and agrees that other franchisees' franchise agreements may differ from those of Franchisee and that Franchisor may approve exceptions to, or changes from, the uniform standards that Franchisor may permit under certain circumstances.

(w) Franchisee must use us or our approved vendors to provide marketing, pay per click ("PPC"), Search Engine Optimization ("SEO"), Social Media, or website development work unless we approve an alternative supplier of such services.

(x) Franchisee must provide us with copies of all agreements related to Franchisee's use of real property (including lease, sublease, assignment of lease, or other related documents) in conjunction with the operation of Franchisee's V's Barbershops.

(y) The V's Franchisee Advisory Board ("VFAB") has recommended a policy with regards to the hiring of barbers and/or other employees of one V's Barbershop franchisee by another V's Barbershop franchisee (the "V's Cooperative Hiring Policy.") The V's Cooperative

Hiring Policy is included in the Operations Manual. The V's Cooperative Hiring Policy may include obligation to make payments to other V's Barbershop owners in conjunction with a failure to comply with the policy. A repeated failure (more than 2 times) to comply with the Cooperative Hiring Policy or the failure to pay any applicable compensation or fines described in the Cooperative Hiring Policy shall be a default of this Agreement and be grounds for termination in a manner consistent with Section 19.

**5. Insurance.**

(a) (i) Franchisee must obtain and maintain during the term of this Agreement, insurance of the types and in the amounts that we require which will be set forth in Franchisor's Operation Manual, as amended from time to time. Franchisor currently requires Franchisees to maintain, at a minimum, the following insurance coverages:

Type of Coverage	Minimum Coverage Amount
General Liability - Per Occurrence	\$2,000,000
General Liability - Aggregate	\$4,000,000
Business Personal Property Limit	\$275,000 or Replacement Cost
Professional Liability	\$1,000,000
Liquor Liability (if applicable)	\$1,000,000
Fire Damage Legal Liability	\$300,000
Medical Payments	\$10,000
Property Deductible	No more than \$2,500
Business Interruption	Actual Loss Sustained - 12 Months
Employment Practices Liability	\$100,000
Workers' Compensation	Per state requirements
Stop Gap or Employers Liability	\$1,000,000
Hired, Owned & Non-Owned Auto	\$1,000,000

Franchisee acknowledges that Franchisor may, at any time, upon thirty days written notice to Franchisee, require Franchisee to purchase additional types of insurance and/or to increase the minimum insurance coverages of the policies listed above. Any failure by Franchisor to purchase the additional required insurance or coverages shall be a default of this Agreement.

(ii) If Franchisee sustains a loss by reason of fire, flood or other casualty of a type typically covered by insurance, and such casualty is caused wholly or partially by Franchisor's (or its Affiliates') acts or omissions, Franchisee must look solely to the proceeds of Franchisee's insurance policy for reimbursement of the loss, and neither Franchisee nor any insurance carrier may recover damages against Franchisor (or its Affiliates) by way of direct action, subrogation, assignment of claims or otherwise. Franchisee waives all such rights of recovery by Franchisee, any insurance carrier or other Person.

(iii) These insurance policies must name Franchisor, and any of its Affiliates designated by Franchisor, as additional insureds. These insurance policies must insure Franchisee, Franchisor and, if requested by Franchisor, Franchisor's Affiliates against any liability in connection with the operation of the Franchised Business. The insurance must be placed with insurance carriers satisfactory to Franchisor, must be satisfactory in form to Franchisor and may not be subject to cancellation or any material change except after 30 days' prior written notice to Franchisor. The insurance policies must comply with this Section 5(a)

and must provide that no failure of Franchisee to comply with any term, condition or provision of the contract, or other conduct by Franchisee, will void or otherwise affect the protection afforded to Franchisor, its Affiliates under the policy. Certificates of insurance with respect to these insurance policies must be provided to Franchisor with respect to all insurance policies in effect during the term of this Agreement, promptly after the issuance and renewal of the insurance policies.

(b) If Franchisee fails to pay any premium when due or any policy is in default, Franchisor may, but will not be obligated to, pay any premium and/or take any action necessary to cure the default. In this event, Franchisee must immediately pay to Franchisor the amount so paid by Franchisor or the amount expended by Franchisor to cure such default, plus interest at the rate of 18% per annum (or, if less, the highest amount permitted by law) from the date paid or expended by Franchisor. This right will accrue whether or not Franchisor terminates this Agreement.

## **6. Right of First Refusal.**

(a) (i) Subject to Section 6(b), if Franchisor desires to operate, or grant any other Person the right to operate, a V's Barbershop within the Applicable Radius (as defined below) of the Location, Franchisor will provide to Franchisee written notice of the location (the "New Location") at which Franchisor intends the new V's Barbershop to be located (the "Initiating Notice"). If Franchisee provides to Franchisor, within ten (10) days after the date of the Initiating Notice, written notice of Franchisee's intent to sign the then-current Franchise Agreement with respect to the New Location and the then-current Franchise Agreement (and all other documents to be signed in connection therewith) is signed by Franchisee (and the franchise fee (and all other amounts payable in connection therewith) is paid) within 30 days after the date of the Initiating Notice, Franchisor will not operate, or grant any other Person the right to operate, a V's Barbershop at the New Location. If Franchisee fails to satisfy either of those requirements or the conditions set forth in Section 6(a)(ii) or this Agreement is terminated, Franchisor will not be subject to the restrictions set forth in this Section 6(a)(i).

(ii) Franchisee acknowledges and agrees that it is critical for Franchisor to protect the Trademarks and to maintain a high quality of services and products provided under the Trademarks. Accordingly, Franchisee acknowledges that Franchisor has a significant interest in granting franchises only to persons who operate their Franchised Businesses in accordance with the highest integrity and operational excellence. Notwithstanding the rights granted by Section 6(a)(i), You will not have a right of first refusal if:

1) You or your Affiliates are in breach of any of your obligations under the Franchise Agreement (or any other agreement with us or our Affiliates);

2) Any of the V's Barbershops operated by you (and your Affiliates) are not in full compliance with all operational and other requirements, rules and policies contained in our Operation Manual;

3) You do not qualify for acceptance as a franchisee under our then-current qualifications (including, without limitation, financial qualifications) for franchisees;

4) You (and your Principals, directors, officers, managers and employees) do not sign the then-current franchise agreement (and such other ancillary agreements and documents as we may then require in connection with the signing of the then-current franchise agreement);

5) You and your Principals do not sign a general release of us and our Affiliates, in the form that we may require;

6) No particular location (an address or an intersection) is identified in the Franchise Agreement (for example, if only a geographic area is identified), no right of first refusal will exist until a lease is signed with respect to a particular location;

7) The New Location is within the Applicable Radius, but is also subject to another person's right of first refusal, or other rights;

8) The New Location is within a dense retail traffic area (such as Las Vegas or Honolulu) or a unique or non-traditional marketplace (such as an airport, train station, hotel, casino, stadium and sports and entertainment venue), as designated by us (a "Special Location"); or

9) The Location is within a Special Location.

Franchisee's rights under Section 6(a)(i) will not be applicable to any V's Barbershop planned or opened prior to that time.

(b) Notwithstanding anything contained in this Agreement to the contrary,

(i) Franchisor may operate, or grant any other Person the right to operate, V's Barbershops within Special Locations (as defined below) and Franchisee will have no right of first refusal with respect thereto;

(ii) Franchisee may not market his Franchised Business or use the Trademarks on the Internet, except as expressly permitted by Franchisor;

(iii) Franchisor reserves the right to market services and/or products (including identical, similar or other services and products) under the Trademarks (or under other trademarks) outside of the Applicable Radius; and

(iv) Franchisor reserves the right to market services and/or products (including identical, similar or other services and products) under trademarks other than the Trademarks within the Applicable Radius.

(c) Franchisee acknowledges that Franchisor presently intends to develop Franchised Businesses (including franchised and company-owned units) throughout the United States and, perhaps, internationally and that one or more future Franchised Businesses (including franchised and company-owned units) may have an adverse effect on the revenues and profitability of existing Franchised Businesses, including Franchisee's Franchised Business. Franchisee further acknowledges that Franchisor has not made any representation or agreement, or provided Franchisee any assurance, that no future Franchised Business (including franchised and company-owned units) would adversely affect the revenues and profitability of Franchisee's Franchised Business.

(d) Franchisee acknowledges that the then-current Franchise Agreement, the franchise agreement to be signed in connection with Franchisee's exercise of his rights under Section 6(a)(i), will be Franchisor's franchise agreement then being signed by Franchisor's new franchisees and that the form, terms and provisions of the Then-current Franchise Agreement may differ from this Agreement (with respect to, among other things, the franchise fee, the royalties, the Advertising Payments and the term).

(e) For purposes of this Agreement, the term:

(i) "Applicable Radius" means a 5-mile radius or, if less, the radius (rounded up to the next one-half mile) determined by measuring a population of 50,000 around the subject location. The source of the population statistics for purposes of this Section 6(e) will be determined by Franchisor from time-to-time, in its discretion. Because population density may change, the Applicable Radius may change from time-to-time. All distances contemplated by this Section 6(e) will be measured at the storefront entry or the center of the intersection, as the case may be, by global positioning satellite system or other measurement device selected by Franchisor, in its discretion.

(ii) "Special Location" means certain dense retail traffic areas (such as Las Vegas and Honolulu) or unique or non-traditional marketplaces (such as airports, train stations, hotels, casinos, stadiums and sports and entertainment venues), as designated by Franchisor, in its discretion.

## **7. Fees.**

(a) In consideration of the grant of the Franchise by Franchisor to Franchisee:

(i) Franchisee must pay to Franchisor an initial franchise fee (the "Franchise Fee") in the amount of \$30,000, payable by cashiers or certified check upon the signing of this Agreement by Franchisor and Franchisee; provided, however, if this is Franchisee's (or his Affiliate's) second or subsequent Franchised Business or if Franchisee is currently in, or has been honorably discharged from, the U.S. armed forces (and can verify same through appropriate documentation), the Franchise Fee will be \$27,000. The initial Franchise Fee is not refundable and will be used for our general purposes. No Franchise Fee will be paid in connection with a renewal, Relocation or Transfer.

### **(ii) Royalties.**

(A) First Unit. You must pay Franchisor royalties ("Royalties") in an amount equal to 5% of Gross Sales (as defined below) up to \$500,000 and 2.5% of Gross Sales above \$500,000 on your first V's Barbershop Franchised Business. Notwithstanding the foregoing, however, that Royalties will be increased up to 15% of Gross Sales with respect to any period during which Franchisee is in breach of his financial obligations under this Agreement. (The Royalties paid or owing to Franchisor with respect to the period during which Franchisee is in breach are referred to as "Breaching Royalties.") Breaching Royalties will be charged for a minimum 14-day period, regardless of the length of the actual breach.

(B) Subsequent Units. Unless specified otherwise, the Royalties payable on your second and each subsequent V's Barbershop will be the same as the Royalties payable on your first Unit.

### **(C) Multi-Unit Discounted Royalties.**

1) If: (A) you are an existing V's Barbershop franchisee at the time you sign this Franchise Agreement; and (B) you sign and pay for no less than two (2) additional franchise agreements simultaneously, and (C) you agree to open each of the two additional V's Barbershop locations by the development deadlines agreed to by you and us for each of those locations, and (D) you execute a General Release, in the form attached hereto as Exhibit L, in favor of Franchisor and its Affiliates; we will reduce the Royalties payable with respect to your existing V's Barbershop to 4% of Gross Sales up to \$500,000 and 2.5% of

Gross Sales above \$500,000 and the Royalties payable with respect to your additional units, upon opening, will be 4% of Gross Sales up to \$500,000 and 2.5% of Gross Sales above \$500,000. The Royalties payable for your existing V's Barbershop and any V's Barbershop that you open pursuant to this Multi-unit Agreement will be increased to 5%, upon thirty days written notice to you, if you fail to meet the development deadlines with respect to each Subsequent Unit set forth above provided that you may, in a manner consistent with the Franchise Agreement, extend the development deadline for a franchise by one (1) year if you pay the Extension Fee.

2) If: (A) you are not an existing V's Barbershop franchisee; and (B) you execute no less than three (3) franchise agreements (including this one) simultaneously; and (C) you pay us 100% of the Initial Franchise Fee with respect to each of the three (3) or more V's Barbershop locations; and (4) agree to open no less than three (3) V's Barbershops by agreed upon deadlines (the "development deadlines"), we will reduce the Royalties payable with respect to each of your 3 or more V's Barbershop locations to 4% of Gross Sales up to \$500,000 and 2.5% of Gross Sales above \$500,000. The Royalties payable for each of your V's Barbershop locations will be increased to 5% up to \$500,000 and 2.5% of Gross Sales above \$500,000, upon thirty days written notice to you, if you fail to meet the development deadlines with respect to each Subsequent Unit set forth above provided that you may, in a manner consistent with the Franchise Agreement, extend the development deadline for a franchise by one (1) year if you pay the Extension Fee.

(D) Notwithstanding anything contained in this Agreement to the contrary, Franchisor may refuse to grant Franchisee a franchise or sign a franchise agreement or to allow Franchisee to open a Unit contemplated by this Agreement if Franchisee is in default of this Agreement or any other agreement between Franchisor and Franchisee or its Affiliates. In such event, any Fees paid to Franchisor with respect to the Subsequent Unit(s) will not be refunded to Franchisee.

(E) Notwithstanding the foregoing, however, that Royalties will be increased up to 15% of Gross Sales with respect to any period during which Franchisee is in breach of his financial obligations under this Agreement. (The Royalties paid or owing to Franchisor with respect to the period during which Franchisee is in breach are referred to as "Breaching Royalties.") Breaching Royalties will be charged for a minimum 14-day period, regardless of the length of the actual breach.

(iii) **Advertising Payments.** Franchisee must pay to Franchisor advertising payments ("Advertising Payments") of between one percent (1%) and three percent (3%) of your Gross Sales as determined by us in our sole discretion and may be modified by us up to a maximum of three percent (3%) at any time upon thirty (30) days written notice to you. Other franchisees' advertising payments may be calculated at a different rate or on a different basis. If your Advertising Payment to us is less than three percent (3%) of your Gross Sales, you will be required to expend the difference between your Advertising Payment and the amount equal to three percent (3%) of your Gross Sales on local store marketing.

(iv) You must submit to us, on an annual basis, no later than 30 days after the end of each calendar year, reports detailing your local store marketing expenditures for the previous calendar year, confirming that you expended at least the required amount on local store marketing. Those reports will be submitted in the same manner and same time as other reports required by the Franchise Agreement. If you fail to timely submit the required reports or fail to expend the required amounts on local store marketing, we may, in our sole discretion: (i) require to increase your expenditure on local store marketing for the then current calendar year to include the deficiency for the previous calendar year; or (ii) require you to pay the difference

between the required amount and the amount you spent on local store marketing during the previous calendar year to the Advertising Fund; or (iii) hold you in default of this Agreement.

(b) For purposes of this Agreement, the term "Gross Sales" means the aggregate amount of sales of all products and services, and all other receipts or receivables whatsoever, from all business conducted either: (i) Upon or originating from the premises of the Franchised Business or (ii) Under the Trademarks, whether or not upon or originating from the premises of the Franchised Business; without deduction for uncollected or uncollectible credit accounts and without allowances for bad debts. In addition, the term "Gross Sales" includes the proceeds received or realized by Franchisee or his Affiliates in connection with any business interruption insurance maintained by or for the benefit of Franchisee or his Affiliates. Notwithstanding the foregoing, the term "Gross Sales" will not include the amount of any taxes imposed by any governmental taxing authority directly on sales and collected from customers (if such tax is added to the selling price and actually paid by the Franchisee to such taxing authority), any credit granted by Franchisor to Franchisee under any coupon redemption or similar promotion or any refund or credit given with respect to any products returned or exchanged by a customer (provided that the sales price thereof was included in Gross Sales). Further, the term "Gross Sales" will not include receipts or receivables with respect to gift cards, as sales of products and services paid for with gift cards will be included in Gross Sales at the time such sales occur.

(c) Royalties and Advertising Payments will be due and payable on a weekly basis.

(d) Royalties, Advertising Payments and any other fees or charges payable to

Franchisor or its Affiliates that are not paid within ten days after their due date will bear interest at the rate of 18% per annum (or, if less, the highest amount permitted by law). In addition, Royalties, Advertising Payments and any other fees or charges payable to Franchisor or its Affiliates that are not paid within ten days after their due date will be subject to a late fee of 5% of the unpaid amount, or \$100, whichever is greater.

(e) Franchisee authorizes Franchisor to draw drafts against Franchisee's bank accounts for the full amount of the Royalties, the Advertising Payments and any other fees or charges payable to Franchisor or its Affiliates (or to the advertising cooperative). Simultaneously with signing this Agreement, Franchisee must sign a preauthorization form, in the form attached as Exhibit I to the Disclosure Document, to enable Franchisor to do so. In addition, from time to time at Franchisor's request, Franchisee must sign such other and further documents as Franchisor may require enabling Franchisor to draw drafts against Franchisee's bank accounts for such purposes.

(f) If Franchisee fails to submit to Franchisor, by 9:00 a.m. (Phoenix, Arizona time) on Wednesday of each week, an operating statement, in the form specified by Franchisor, which includes Gross Sales figures for the prior business week, the amount drawn against Franchisee's bank account, pursuant to Section 7(e) for the Royalties and Advertising Payments with respect to the prior business week will be the amount drawn the previous week plus 10%, as an estimate of the prior business week's Royalties and Advertising Payments.

(g) Franchisee must pay to Franchisor an amount equal to any sales, gross receipts or similar taxes assessed against, or payable by, Franchisor or its Affiliates and calculated on the Franchise Fee, Royalties, the Advertising Payments and other payments paid pursuant to this Agreement, unless the tax is an income tax or an optional alternative to an income tax otherwise payable by Franchisor. Such amount will be due and payable within 10 days after receipt of Franchisor's invoice.

(h) All fees (other than Royalties) payable by Franchisee to Franchisor or its Affiliates may be modified by Franchisor from time to time without Franchisee's approval, but will be no greater than the fees then being charged to new franchisees.

(i) Franchisor and its Affiliates may offset any amounts owed to Franchisor or its Affiliates by Franchisee or its Affiliates against any amounts owed to Franchisee or its Affiliates by Franchisor or its Affiliates.

(j) If Franchisee does not open his V's Barbershop Franchised Business within: (i) 12 months of the Effective Date of this Agreement; or (ii) 180 days after the landlord makes the site for the Franchised Business available to Franchisee, whichever occurs first (the "Opening Deadline"), Franchisee may, in Franchisee's sole discretion, pay to Franchisor \$5,000 (the "Extension Fee") in exchange for a one-time 12 month extension of the Opening Deadline to open Franchisee's Franchised Business. The Extension Fee must be paid no less than 90 days prior to the Opening Deadline and will extend the Opening Deadline for 12 months from the date upon which it would have originally expired.

(k) If Franchisor or its Affiliates assist Franchisee in identifying a Buyer for your V's Barbershop Franchised Business, you will pay us a Finder's Fee equal to five percent (5%) of the gross purchase price paid to you for your V's Barbershop Business (the "Finder's Fee"). The Finder's Fee will be paid, in full, at the closing of the transaction regardless of any financing terms that you may agree to with the Buyer unless we agree, in our sole and absolute discretion, to allow you to pay us or our Affiliate the Finder's Fee over time.

## **8. Trademarks; Copyrights; Innovations; Proprietary Information.**

(a) For purposes of this Agreement, the term "Trademarks" means (i) all trade names, trademarks, service marks, logos, product identifiers, selections and/or designations, including all registrations and applications for the same, owned by Franchisor or used in connection with the Franchised Business and (ii) the trade dress used in connection with the Franchised Business, including the total appearance, atmosphere and image of V's Barbershops, the products and packaging, all related features such as size, texture, shape, color or color combinations, and descriptive titles and graphics of V's Barbershops products, packaging, services and all advertising and marketing techniques used to promote V's Barbershops, as well as specifically including all signage, boards, displays, product configurations and packaging, and any color schemes and designs utilized in connection with V's Barbershops, interior walls, counters, chairs and floors ("Trade Dress").

(b) Franchisee may use the Trademarks, the Copyrights(as defined below), the Innovations (as defined below) and the Proprietary Information in connection with the conduct of the Franchised Business, only in the manner designated in or by Franchisor's Operation Manual and Franchisor's standards and policies and only in a manner consistent with the other provisions of this Agreement. Any advertising or marketing materials that use the Trademarks must be approved by Franchisor prior to distribution. Use of any Trademarks must be accompanied by the registration, service mark, trademark or other symbol, as designated by Franchisor, in close proximity to the Trademarks. Franchisee may not advertise or solicit customers outside of the Applicable Radius without Franchisor's consent.

(c) Franchisee will not have the exclusive right to use the Trademarks, the Copyrights, the Innovations or the Proprietary Information. Franchisee may not offer or grant any sublicense or other rights to use the Trademarks, the Copyrights, the Innovations or the Proprietary Information to any person or entity. Franchisee acknowledges and agrees that Franchisor maintains and reserves all rights to the Trademarks the Copyrights, the Innovations

and the Proprietary Information except as expressly set forth in this Agreement. Franchisee further acknowledges and agrees that his right to use the Trademarks, the Copyrights, the Innovations and the Proprietary Information is derived solely from this Agreement and that Franchisee will not derive any right, title or interest in the Trademarks, the Copyrights, the Innovations or the Proprietary Information other than a license to use the Trademarks, the Copyrights, the Innovations and the Proprietary Information in connection with the conduct of the Franchised Business during the term of this Agreement. Upon expiration or termination of this Agreement, Franchisee may not, directly or indirectly, use the Trademarks, the Copyrights, the Innovations or the Proprietary Information in any manner or for any purpose whatsoever. Franchisee agrees that he will not in any way infringe upon, harm or contest the rights of Franchisor or any other Person to use of the Trademarks, the Copyrights, the Innovations and the Proprietary Information. Franchisee further acknowledges that his use of the Trademarks, the Copyrights, the Innovations and the Proprietary Information pursuant to this Agreement will inure to the benefit of Franchisor and the Program and that any goodwill arising from Franchisee's use will automatically vest in Franchisor.

(d) During the term of this Agreement, Franchisee may not include the name "V's Barbershop" (or any part thereof) or any substantially similar name in his corporate, partnership, Limited Liability Company or other entity name.

(e) Franchisee must immediately notify Franchisor of any conduct that could constitute infringement of or challenge to the Trademarks, the Copyrights, the Innovations or the Proprietary Information. Franchisor may, in its discretion, decide whether to institute any action in connection with infringement of or challenge to the Trademarks, the Copyrights, the Innovations or the Proprietary Information, and will control all proceedings and litigation. Franchisor is not required to protect Franchisee's right to use the Trademarks, the Copyrights, the Innovations or the Proprietary Information or protect Franchisee against claims of infringement or unfair competition; provided, however, that Franchisor will indemnify Franchisee for, from and against all damages for which Franchisee is held liable in any lawsuit arising out of Franchisee's use of the Trademarks, the Copyrights, the Innovations or the Proprietary Information in compliance with this Agreement, provided that Franchisee notifies Franchisor immediately when he learns about any related claim, proceeding or lawsuit, Franchisor has had the opportunity to defend such lawsuit and Franchisee has cooperated with Franchisor in connection with such defense. Franchisor may, in its discretion, defend any such claim, proceeding or lawsuit on Franchisee's behalf, but Franchisor is not required to do so.

(f) Notwithstanding anything contained in this Agreement to the contrary, if it becomes advisable at any time, in Franchisor's discretion, to modify or discontinue use of any Trademark, Copyright, Innovation or Proprietary Information, or use one or more additional or substitute Trademarks, Copyrights, Innovations and/or Proprietary Information and/or other information and/or rights, Franchisee must, at his expense, comply within a reasonable time after notice thereof by Franchisor.

(g) Franchisee must not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose other than purposes directly related to the operation of their Franchised Business without the prior approval of Franchisor.

(h) Any reproduction of any items or materials suitable for copyright protection by Franchisor (the "Copyrights"), including the copyrightable materials within the Proprietary Information, must bear a copyright notice in the form designated by Franchisor. All advertising and promotional materials generated by or for Franchisee will be subject to Franchisor's prior approval, will be completely factual and will conform to the highest standards of ethical advertising. Further, all advertising, promotional and other materials generated by or for

Franchisee (including materials generated by or for Agents (as defined below)) for the Franchised Business will be deemed a work-made-for-hire, and all ownership rights, including any copyrights, in such advertising, promotional and other materials are hereby assigned by Franchisee to Franchisor. For purposes of this Agreement, the term "Agents" means Franchisee's Principals, directors, officers, managers and employees.

(i) During the term of this Agreement, Franchisee and its Agents may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, services, products, packaging or other concepts and features relating to the Franchised Business or its operations or business practices (including the services and products offered and sold by the Franchised Business) (the "Innovations"). Franchisee assigns any and all of its rights, title and interest in the Innovations, including any intellectual property rights, to Franchisor, and agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including the perfecting of title thereto.

(j) Franchisor will be entitled to use the name, likeness and voice of Franchisee and its Agents for purposes of promoting the Franchise, Franchisor and its services and products, including all photos and audio and video recordings of Franchisee and its Agents, and Franchisee hereby irrevocably consents thereto. Franchisee acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings, and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

(k) Upon any breach by Franchisee of any of the terms of this Section 8, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of this Section 8, without the necessity of posting bond therefor or proof of actual damages.

## **9. Confidentiality.**

(a) Franchisee acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information. Franchisee further acknowledges that Franchisor's method of operation, processes, techniques, formulae and procedures and the other Proprietary Information constitute valuable trade secrets.

(b) Franchisee agrees not to use for any purpose, or disclose or reveal (and must cause all of Franchisee's Agents not to use for any purpose, or disclose or reveal), during the term of this Agreement or forever thereafter, to any Person any of the Proprietary Information or any other information provided to Franchisee by Franchisor and/or its Affiliates, employees, officers, directors, or vendors related to Franchisee's operation of the Franchised Business. Franchisee must fully and strictly comply with all security measures prescribed by Franchisor for maintaining the confidentiality of all Proprietary Information. Franchisee must not reverse engineer, decompile or disassemble any of the Proprietary Information.

(c) Franchisee acknowledges that to breach his obligations under this Section 9 would cause damage to Franchisor and to Franchisor's other franchisees and that Franchisee would be liable for this damage.

(d) Notwithstanding the foregoing, Franchisee may disclose Proprietary Information to a person who is bound by the terms of this provision regarding confidentiality and a restrictive covenant contemplated by this Section 9, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee. In addition, notwithstanding the foregoing, Franchisee may use the Proprietary Information as may be necessary in connection with the operation of the Franchised Business.

(e) Notwithstanding the foregoing, the following will not be subject to the provisions of the Section 9:

(i) Information that is in the public domain as the date of receipt by Franchisee;

(ii) Information that is known to Franchisee prior to the date of receipt by Franchisee;

(iii) Information that becomes known to the public without a breach of the provisions of this Section 9 or any agreement signed in connection with this Agreement; and

(iv) Information that is required by law to be disclosed or revealed, but only strictly to the extent required by law, provided that Franchisee provides Franchisor with adequate notice of Franchisee's intent to so disclose such Proprietary Information to enable Franchisor to contest such disclosure.

#### **10. Non-Hiring/Non-Solicitation/Non-Competition/Remedies.**

(a) Non-Hiring. Franchisee may not, during the term of the Franchise Agreement and for the "Restricted Period", directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), employ, hire or engage as an independent contractor or otherwise any person who is or was (at any time within the previous year employed or engaged as an independent contractor or otherwise by Franchisor or any of its Affiliates (as defined in the Franchise Agreement) or any V's Barbershop franchisee or licensee to perform "Competitive Services."

(b) Non-Solicitation. Franchisee may not, during the term of the Franchise Agreement and for the "Restricted Period", directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), except in conjunction with the operation of Franchisee's V's Barbershop in a manner consistent with the Franchise Agreement:

(i) perform Competitive Services for or solicit for the performance of Competitive Services any person or client for whom Franchisee performed professional services in the operation of one or more V's Barbershop Businesses within the term of the Franchise Agreement;

(ii) perform Competitive Services for or solicit for the performance of Competitive Services any person with whom Franchisee had professional contact with in conjunction with the operation of one or more V's Barbershop Businesses within the term of the Franchise Agreement and/or the term of this Agreement;

(iii) perform Competitive Services for or solicit for the performance of Competitive Services any person who was a client or customer of Franchisee within the term of the Franchise Agreement and/or the term of this Agreement;

(iv) perform Competitive Services for or solicit for the performance of Competitive Services any person who was a client or customer of Franchisee within a six month period preceding the termination or expiration of the Franchise Agreement and/or this Agreement;

(v) perform Competitive Services for or solicit for the performance of Competitive Services any person or client for whom Franchisee performed professional services within a three month period preceding the termination of this Agreement;

(vi) encourage, entice, induce, or influence, directly or indirectly, any person or entity not to do business with Franchisee; or

(vii) solicit for business or engage in business in connection with the cutting or styling of hair, shaving, facials and related retail products with any person who is a vendor or supplier (or an employee of a vendor or supplier) or a customer of Franchisee or another V's Barbershop Business within a six month period preceding the termination of the Franchise Agreement and/or this Agreement.

(c) Non-Competition.

(i) Franchisee may not, during the term of the Franchise Agreement and for the Restricted Period for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that provides Competitive Services within the "Restricted Area".

(ii) Franchisee may not, during the term of the Franchise Agreement and for the Restricted Period, for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business, other than Franchisee's V's Barbershop, that provides cutting or styling of hair, shaving, facials and related retail products within the Restricted Area provided, however, that, after the term of the Franchise Agreement, Party may be employed as a licensed barber or cosmetologist within such restricted area provided that (i) You are not an owner, partner, director, officer, manager, consultant, shareholder, representative, agent or lender of the business by which he is employed and (ii) you are in full compliance with Section 4 of this Agreement.

(d) Definitions.

(i) The "Restricted Period" for purposes of this Agreement shall be the one (1) year immediately following the expiration or termination of the Franchise Agreement for any reason; except that if a court or arbitrator finds that a one (1) year Restricted Period is not reasonably necessary to protect legitimate business interests of Franchisor, the Restricted Period shall be the nine (9) months immediately following the expiration or termination of the Franchise Agreement for any reason; except that if a court or arbitrator finds that a nine (9) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the six (6) months immediately following the expiration or termination of the Franchise Agreement for any reason; except that if a court or arbitrator finds that a six (6) month Restricted Period is not reasonably necessary to protect

the legitimate business interests of Franchisor, the Restricted Period shall be the three (3) months immediately following the expiration or termination of the Franchise Agreement for any reason.

(ii) The "Restricted Area" for purposes of this Agreement shall be within a seven (7) air-mile radius of any V's Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee's Affiliates; except that if a court or arbitrator finds that a seven (7) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a five (5) air-mile radius of any V's Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee's Affiliates; except that if a court or arbitrator finds that a five (5) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a three (3) air-mile radius of any V's Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee's Affiliates.

(iii) "Competitive Services" means any professional services that are similar to or competitive with professional barbering services, including but not limited to haircutting, styling, barbering or grooming; men's facial services (old-fashioned shaves, moustache or beard trim) facial massage and related retail products and services offered or provided by Franchisee during the term of the Franchise Agreement.

(e) Remedies. Upon any breach of this Section 10, Franchisee will, as liquidated damages and not as a penalty, be obligated to pay to Franchisor:

(i) With respect to a breach of Section 10(a), an amount equal to the compensation paid by Franchisor or any of its Affiliates during the one year (annualized, if less than one year) immediately prior to the breach of Section 10(a) to the person who is or was employed or engaged as an independent contractor or otherwise by Franchisor or any of its Affiliates.

(ii) With respect to a breach of Section 10(b), an amount equal 50% of the amount received by Franchisee (or the Person with which he is associated) from the vendor, supplier or customer, or the amount paid to the vendor, supplier or customer, as the case may be.

(iii) With respect to a breach of Section 10(c), \$30,000 for each site operated in breach of Section 10(c), plus 10% of the sales from all services and products sold by or from a site operated in breach of Section 10(c).

(f) If the scope of any restriction contained in this Section 10 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Franchisee each consents and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Section 10 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

## **11. Agreements of Principals and Other Agents.**

(a) Except to the extent set forth in Section 11(c), Franchisee will cause its Agents to comply with the provisions of Sections 8, 9 and 10 of this Agreement (the "Agent Provisions"), modified as contemplated by this Section 11.

(b) If Franchisee is a person other than an individual (for example, a corporation, partnership, limited liability company or other entity), Franchisee must deliver to Franchisor, simultaneously with signing this Agreement, a guaranty or guaranties signed by each person (and his or her spouse) or entity owning, directly or indirectly, a 5% or greater equity interest in Franchisee (for example, the general partners or the shareholders) (collectively, "Principals"), in the form attached as Exhibit F to the Disclosure Document, pursuant to which the Principals agree to perform, and guarantee, Franchisee's obligations to Franchisor and its Affiliates.

(c) Franchisee must deliver to Franchisor, simultaneously with signing this Agreement and upon each such Principal, director, officer, manager or employee acquiring a position with Franchisee, an agreement signed by that person in the form attached as Exhibit G to the Disclosure Document (with respect to Principals, Directors and Officers) or Exhibit H to the Disclosure Document (with respect to managers and employees), pursuant to which such persons agree to be bound by the Agent Provisions (it being understood, however, that Exhibits H and I contain certain modifications to the Agent Provisions).

## **12. Financial Reporting; Evaluations; Audits.**

(a) (i) An operating statement, in the form specified by Franchisor, which includes certain financial and other information that Franchisor may reasonably require, must be submitted to Franchisor by Franchisee on a weekly basis. In addition, Franchisee must submit to Franchisor such additional periodic reports as Franchisor may require, in the form and manner designated by Franchisor.

(ii) Franchisee must submit to Franchisor, promptly after preparation (but no later than 3 months after the end of each fiscal year and 30 days after the end of each fiscal quarter), annual and quarterly financial statements (including a balance sheet and an income statement) prepared, in accordance with generally accepted accounting principles, consistently applied, by (and, in the case of annual financial statements, reviewed by) your Franchisee's independent certified public accountant; provided, however, that if Franchisor is required by law (or otherwise determines it to be necessary or appropriate) to disclose or report Franchisee's financial results of operations (separately or aggregated with other franchisees) to prospective franchisees, such annual financial statements must be submitted to Franchisor within 2 months after the end of each fiscal year. Franchisee must maintain his books and records in an orderly fashion and in accordance with standard accounting procedures. Franchisee must maintain such books and records as are required by law and such books and records as Franchisor may require, in its discretion, including employee timecards.

(b) Franchisor may inspect, or cause its agents or representatives to inspect, at any time, Franchisee's books and records with respect to the Franchised Business, including Franchisee's federal and state tax returns, sales tax returns, customer records and financial accounts. Franchisee must maintain his books and records with respect to the Franchised Business on the premises of its Franchised Business. Franchisee must assist and cooperate with Franchisor in establishing and maintaining Franchisor's independent access to the financial and other information, records and data generated by Franchisee's electronic cash register or computer system, including, at Franchisee's expense, acquiring any necessary hardware or software and setting the system to automatically transmit data and information

designated by Franchisor to Franchisor. All POS data generated by the Franchised Business will be the property of Franchisor.

(c) Franchisor may audit, or cause its agents or representatives to audit, Franchisee's books and records with respect to the Franchised Business. Franchisee must provide Franchisor and its agents and representatives access to Franchisee's books and records with respect to the Franchised Business, and must cooperate with the conduct of any audit. Franchisor will pay all costs and expenses in connection with any audit unless the audit reveals that Franchisee has underpaid any amount due to Franchisor or its Affiliates or submitted financial information to Franchisor that is, in Franchisor's judgment, inaccurate in any material respect. In this event, Franchisee must promptly pay, or reimburse Franchisor for, all costs and expenses in connection with the audit, and must pay Franchisor the amount of the underpayment, plus interest at the rate of 18% per annum (or, if less, the highest amount permitted by law) on the amount of the underpayment from the respective due date of each underpayment.

(d) Upon request, Franchisee must, at its expense, promptly provide Franchisor copies of Franchisee's books and records requested by Franchisor (including Franchisee's charter documents, evidence of equity ownership and any agreements among its equity owners.)

(e) If Franchisee fails to deliver or provide to Franchisor any statement, report or other document or information required to be delivered (for example, certificates of insurance and financial statements), by the applicable deadline, Franchisee will be assessed a document late fee per week, or part thereof (until that statement, document or other information has been delivered or provided).

**13. Indemnification.** Franchisee must protect, defend and indemnify Franchisor, its Affiliates and their respective shareholders, members, directors, officers, employees, representatives, agents, successors and assigns (collectively, the "Indemnified People") and must hold the Indemnified People harmless (with counsel acceptable to Franchisor) for, from and against any and all damages, claims, demands, liabilities, losses, costs and expenses (including reasonable attorneys' fees), of every kind and nature, suffered or incurred by any of the Indemnified People in connection with any lawsuit, action, proceeding or claim arising out of Franchisee's breach of representation or warranty, Franchisee's actions or omissions or the conduct of the Franchised Business by Franchisee. Franchisor may elect to retain its own legal counsel in connection with any such lawsuit, action, proceeding or claim, at Franchisee's expense.

#### **14. Transfer of the Franchised Business; Assignment of Franchise Rights.**

(a) Franchisee may not offer or grant any subfranchise of the Franchise, or sell or otherwise transfer any equipment or other assets used in connection with the Franchised Business (other than in the ordinary course of Franchisee's business), without the express written consent of Franchisor, which consent may be withheld by Franchisor, in its discretion.

(b) Franchisee may not sell or otherwise transfer, by operation of law or otherwise, the Franchise or the Franchised Business, or assign any right granted under this Agreement, without the prior written consent of Franchisor, which consent may not be unreasonably withheld. It is agreed that Franchisor's withholding of consent (i) because the prospective transferee (the "Transferee") would not satisfy the then-current qualifications for franchisees, (ii) because the financial or other terms of the transfer may have an adverse impact upon the Transferee's operation of the Franchised Business or (iii) at a time when Franchisee (or his

Agents) is in breach of, or default under, this Agreement or any other agreement with Franchisor or its Affiliates. Any purported transfer of an equity interest in Franchisee, by operation of law or otherwise, or merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) without our consent will be deemed to be a transfer of the Franchised Business in violation of this Section 14.

(c) If Franchisee desires to sell or otherwise transfer the Franchise or the Franchised Business, or assign any right granted under this Agreement, he must provide Franchisor with a written request for a transfer, which request must be accompanied by financial and other information regarding the Transferee as Franchisor may require, all pertinent terms of the transaction (which transaction must be for cash and no other consideration) and the Transfer Fee (as defined below) (all of such items are referred to collectively as the "Required Materials"). For purposes of this Agreement, the term "Transfer Fee" shall mean the greater of \$5,000 or Franchisor's expenses (including reasonable attorneys' fees) in connection with the transfer, except as set forth in Section 14(g).

(d) Within 30 days after Franchisor's receipt of all of the Required Materials, Franchisor will notify Franchisee that (i) Franchisor desires to purchase the Franchised Business and Franchisee's rights under this Agreement, upon the same terms and conditions as are offered by the Transferee, (ii) the transfer is approved or (iii) the transfer is disapproved, in Franchisor's discretion. If the transferee is disapproved, 75% of the Transfer Fee, less all out-of-pocket expenses incurred by Franchisor relating to the proposed transfer, will be refunded to Franchisee.

(e) If Franchisor notifies Franchisee that it desires to purchase the Franchised Business and Franchisee's rights under this Agreement, that transaction will be consummated, upon the same terms and conditions as are offered by the Transferee, but not later than 60 days after the end of the 30-day period referred to above.

(f) Franchisor may, but will not be obligated to, contact or meet with the Transferee.

(g) If Franchisor notifies Franchisee that the transfer is approved, Franchisee may transfer the Franchised Business, within 60 days after the end of the 30-day period referred to above, to the Transferee on terms no less favorable to Franchisee than the terms set forth in the Required Materials, provided that prior to the closing of the transfer of the Franchised Business:

(i) The Transferee signs the then-current Franchise Agreement; provided, however, that no initial franchise fee must be paid and that the term of the franchise will be the term remaining under this Agreement;

(ii) Each person (and his spouse) or entity owning, directly or indirectly, a 5% or greater equity interest in the Transferee (for example, the general partners or the shareholders) and each director, officer, manager and employee of the Transferee signs the appropriate ancillary agreements, in the forms then being signed in connection with the Then-current Franchise Agreement;

(iii) If requested by Franchisor, the Transferee and each person attending the Training Program sign a confidentiality agreement in the form required by Franchisor and attend and satisfactorily complete the Training Program, in the discretion of Franchisor, if required by Franchisor;

(iv) Franchisee and his Principals sign and deliver to Franchisor a general release of Franchisor and its Affiliates, in the form that Franchisor may require;

(v) Franchisee, at his expense, remodels and updates the Franchised Business to Franchisor's then-current standards;

(vi) If Franchisee has not paid the entire Transfer Fee, Franchisee pays the balance of the Transfer Fee, by certified or cashiers' check, to Franchisor;

(vii) Franchisee engages an escrow agent approved by Franchisor to handle the closing and supervise the exchange of funds; and

(viii) All amounts outstanding by Franchisee to Franchisor, including to the extent applicable, a Finder's Fee (See Section 7(k)), are paid at the closing.

(ix) If the Transferee was identified and/or introduced to Franchisee by a party to whom a commission is due, whether that party is a third party, independent contractor, employee of Franchisor, or an Affiliate of Franchisor, and Franchisee has not paid the commission to such person in conjunction with the Transfer, but may, in Franchisor's sole discretion, not approve the Transfer.

(x) All breaches of or defaults under this Agreement or any other agreement with Franchisor or its Affiliates are cured as of the closing.

Despite Franchisor's approval and the transfer of the Franchised Business, Franchisee and the Principals will be secondarily liable for the Transferee's performance of the Transferee's obligations under his franchise agreement; provided, however, that neither Franchisee nor the Principals will be secondarily liable for the Transferee's performance of the Transferee's obligations under its franchise agreement beyond the Deadline (as defined below); provided further that during the SBA Effective Period, this sentence shall not be effective or enforceable.

(h) For purposes of this Agreement, the term "Majority-owned Transfer" means a transfer (i) to a person or entity that is majority owned by Franchisee, (ii) to a person or entity that owns a majority interest in Franchisee, (iii) to an entity that is owned by the same persons or entities (on a cumulative basis) that beneficially own a majority interest in Franchisee or (iv) as a result of which the person(s) who owned a majority interest in Franchisee prior to the transfer continues to own a majority interest in Franchisee after the transfer (for example, an additional person purchases or is issued an equity interest in Franchisee).

(i) Any Majority-owned Transfer will be subject to the other provisions of this Section 14; provided, however, that the Transfer Fee will be an amount equal to Franchisor's expenses (including reasonable attorneys' fees) in connection with the transfer, Franchisor will not have the right of first refusal contemplated by Section 14(e), Franchisee will not be required to sign the Then-current Franchise Agreement, Franchisee and the Transferee will sign an assignment and assumption in the form required by Franchisor and each person (and his spouse) or entity owning, directly or indirectly, a 5% or greater equity interest in the Transferee and each director, officer, manager and employee of the Transferee who is not a party to this Agreement signs the appropriate ancillary agreements, in the forms then being signed by new franchisees.

(j) In the case of an individual Franchisee, any attempt to transfer the Franchised Business or assign any right granted under this Agreement upon Franchisee's death,

permanent and total disability or dissolution of marriage (if the Franchised Business, or a majority interest therein, will be transferred to Franchisee's spouse upon dissolution of marriage) will be subject to the restrictions on transfer contained in this Section 14; provided, however, that Franchisor will not have the right of first refusal contemplated by Section 14(e). However, if Franchisor does not approve the proposed transferee upon death, disability or dissolution of marriage, Franchisee or his/her legal representative must, within 90 days after Franchisee's death, disability or dissolution of marriage, transfer the Franchised Business to a person or entity approved by Franchisor in accordance with the provisions of this Section 14 within this 90- day period, this Agreement will terminate.

(k) For purposes of this Section 14, the term "Deadline" means the later of (i) the end of the franchise term in progress under this Agreement at the time of the transfer (either the Initial Term or the Renewal Term) and (ii) if less than 5 years remain outstanding in the franchise term in progress under this Agreement at the time of the transfer, 5 years from the date of the transfer. Neither this Agreement nor the franchise agreement signed by the Transferee, nor any of the rights conferred under this Agreement or the franchise agreement signed by the Transferee, may be retained by Franchisee as security for the payment of the Transferee's obligations to Franchisee.

## **15. Term; Renewal.**

(a) Subject to Section 16 of this Agreement, the term of this Agreement will commence on the Effective Date and will continue until the date ten years from the date the Franchisee's Franchised Business opens for business (the "Initial Term"). However, if Franchisee signed this Agreement in connection with a (i) relocation, the term will continue until the date of Franchisee's prior franchise agreement would have expired, (ii) Transfer, the term will continue until the date that the transferring franchisee's franchise agreement would have expired or (iii) renewal, the term will continue until the date 5 years after the Effective Date.

(b) If this Agreement has not expired or been terminated prior to the end of the Initial Term or a Renewal Term (as applicable), Franchisee may renew the Franchise for additional consecutive 5-year terms (each a "renewal" or "Renewal Term") commencing upon the expiration of the "Initial Term", provided that:

(i) At the time of each renewal, Franchisee (and his Principals, directors, officers, managers and employees) must not be in breach of his (or their) obligations under, or related to, this Agreement (including the Events of Default) or any other agreement with Franchisor or its Affiliates;

(ii) Franchisee must notify Franchisor in writing of his intention to renew at least one year (but not more than 18 months) before the end of each then-current term (initial or Renewal Term), which notice must be accompanied by a renewal fee equal to 1/3 of the then-current initial franchise fee, payable by cashiers' or certified check; provided, however, that the renewal fee will not exceed \$30,000;

(iii) Prior to each renewal, Franchisee must, at his expense, remodel and update the Franchised Business to Franchisor's then-current standards and in compliance with Franchisor's reasonable requirements;

(iv) Prior to each renewal, Franchisee (and his Principals, directors, officers, managers and employees) must sign the then-current Franchise Agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of the Then-current Franchise Agreement), and Franchisee will be subject to the terms

of the then-current franchise agreement (including the royalties, advertising payments and other charges); provided, however, that no initial franchise fee must be paid and that the term will be the term then remaining under this Agreement;

(v) Prior to each renewal, Franchisee and his Principals must sign a general release of Franchisor and its Affiliates, in the form that Franchisor may require; and

(vi) Prior to each renewal, Franchisee must, at his expense, attend such training programs or refresher courses as Franchisor may request.

(c) If any of the above requirements have not been satisfied, the Franchise will not be renewed and will expire at the end of the then-current term. The parties agree that Franchisor's refusal to renew if any of the above requirements has not been satisfied constitutes "good cause."

(d) Upon receipt of the renewal fee, Franchisor will acknowledge, in writing, receipt thereof. Upon satisfaction of each of the renewal conditions above, Franchisor will acknowledge, in writing, the Renewal Term and the date upon which the Renewal Term will expire. If Franchisee does not satisfy the renewal conditions prior to the applicable deadline(s), Franchisor will notify Franchisee that the Agreement has not been renewed and will refund to Franchisee the renewal fee minus the direct and indirect costs, fees and expenses incurred by Franchisor in evaluating and administering the proposed renewal.

**16. Termination.** This Agreement may be terminated by Franchisor, at its option, upon the occurrence of any of the following events ("Events of Default"), which are deemed to be terminations for "good cause:"

(a) If Franchisee (or his Principals) fails to pay any monies owed to Franchisor or any of its Affiliates under this Agreement, or any other agreement with Franchisor or its Affiliates, and that failure has not been cured within 30 days after Franchisor has provided notice of that failure to Franchisee.

(b) If Franchisee (or his Agents) fails to perform any obligation (other than the payment of monies owed to Franchisor or any of its Affiliates) under this Agreement, or any other agreement with Franchisor or its Affiliates; provided, however, that if that failure is curable (in Franchisor's discretion), Franchisee may cure that failure within 30 days after Franchisor has provided notice of that failure to Franchisee.

(c) If Franchisee (or his Agents) repeatedly (3 or more times) fails to pay any monies owed to Franchisor or any of its Affiliates or perform any obligation (either one obligation 3 times, 3 obligations one time each or any such combination) under this Agreement, or any other agreement with Franchisor or its Affiliates.

(d) If Franchisee loses possession of the Franchised Business premises for any reason during the term of this Agreement.

(e) If Franchisee breaches or defaults under any obligation under the lease of the Franchised Business premises, and that breach or default has not been cured within the time allowed by that lease for Franchisee to cure.

(f) If Franchisee loses, or fails to obtain or maintain, any permit or license necessary to operate the Franchised Business.

(g) If an audit reveals that Franchisee underpaid any amount due to Franchisor or its Affiliates or submitted financial information to Franchisor that is, in Franchisor's judgment, inaccurate in any material respect.

(h) If Franchisee or any Principal becomes Insolvent (as defined below)

(i) If Franchisee conducts the Franchised Business in a manner, or engages in any other conduct, that may adversely affect the goodwill or reputation of Franchisor, its services or products or the Trademarks; provided, however, that if that failure is curable (in Franchisor's discretion), Franchisee may cure that failure within 30 days after Franchisor has provided notice of that failure to Franchisee.

(j) If Franchisee does not open the Franchised Business by the Opening Deadline and does not timely pay the Extension Fee in Section 7(j) of this Agreement.

(k) If Franchisee attempts to transfer, or transfers, by operation of law or otherwise, the Franchised Business, or attempts to assign, or assigns, any right granted under this Agreement, without the prior written consent of Franchisor, or otherwise in violation of this Agreement. Any transfer of an equity interest in Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) is deemed to be a transfer in violation of this provision.

(l) If the Franchised Business is not transferred within the 90-day period referenced in Section 14(h) of this Agreement.

(m) If Franchisee (or, if Franchisee is a corporation, partnership, limited liability company or other entity, a Principal) fails to satisfactorily complete the Training Program, in Franchisor's discretion.

(n) If any other franchise agreement or any other agreement between Franchisor or any of its Affiliates and Franchisee or any of his Affiliates is terminated.

(o) If any representation or warranty made by Franchisee or his Principals is untrue in any material respect or if Franchisee or his Principals commits fraud in connection with his application for a franchise or the conduct of the Franchised Business.

(p) If Franchisee ceases to operate or otherwise abandons the Franchised Business, as evidenced by the Franchised Business being closed for business for more than 3 consecutive days.

(q) If Franchisee violates any health, safety or sanitation law, rule, regulation or ordinance and fails to begin to correct such noncompliance or violation immediately or fails to completely correct such noncompliance or violation within 24 hours after Franchisor has provided notice of such noncompliance or violation to Franchisee.

(r) If Franchisee or any Principal is (or has been) convicted by a trial court of, or has plead guilty or no contest to, a felony or other crime or offense that may adversely affect the goodwill or reputation of Franchisor, its services or products or the Trademarks.

(s) If Franchisee or any Principal engages in any conduct that violates any law, regulation or ordinance or commits an act of moral turpitude.

For purposes of this Agreement, the term "Insolvent" means that a Person meets any of

the following: (i) he has filed a petition for bankruptcy or was placed in involuntary bankruptcy; (ii) an involuntary lien exceeding \$10,000 was placed on his business assets and was not promptly (but in any event within 30 days) removed or bonded against; (iii) he has made an assignment for the benefit of creditors or (iv) he is unable to pay his debts in the ordinary course of business.

## **17. Rights and Obligations of the Parties upon Expiration or Termination.**

(a) Upon the expiration or termination of this Agreement for any reason:

(i) Franchisee will forfeit all fees paid.

(ii) All goodwill associated with Franchisee's Franchised Business, and Franchisee's use of the Trademarks, is, and will be, the property of Franchisor, and Franchisee will receive no payment therefor.

(iii) Franchisee must promptly return to Franchisor Franchisor's Operation Manual, all training materials and all other property of Franchisor (including all materials relating to the Trademarks, the Copyrights, the Innovations or the Proprietary Information). If for any reason Franchisee cannot or will not return Franchisee's copy of Franchisor's Operation Manual to Franchisor upon the expiration or termination of this Agreement, Franchisee must pay to Franchisor the Lost Operation Manual Fee.

(iv) Franchisor may enter the premises of the Franchised Business and recover Franchisor's Operation Manual, all training materials and all other property of Franchisor (including all materials relating to the Trademarks, the Copyrights, the Innovations or the Proprietary Information).

(v) Franchisee must immediately (a) cease using the Trademarks, the Copyrights, the Innovations and the Proprietary Information, (b) cancel all assumed names or equivalent business registrations relating to the use of the Trademarks, (c) notify the telephone company and all listing agencies of the termination of Franchisee's right to use the Trademarks and, if requested by Franchisor, of Franchisee's assignment of Franchisee's telephone numbers to Franchisor, (d) not, directly, or indirectly, identify himself with Franchisor or the Trademarks, as a former franchisee or otherwise, other than to state: "We were a franchisee of V's Barbershop Franchise, LLC, but that relationship has ended" and (e) if requested by Franchisor, renovate the premises of the Franchised Business to eliminate the Trademarks and de-identify such premises to remove all Trade Dress, returning it to a "vanilla shell," at Franchisee's expense. Franchisee irrevocably appoints and constitutes Franchisor and its designated agents, with full power of substitution, as Franchisee's agent and attorney-in-fact for and on behalf of, and in Franchisee's name, and at Franchisee's expense, to take any or all of the above actions, without liability for trespass. This special power of attorney will be deemed to be coupled with an interest and irrevocable. Franchisee releases the telephone company, all listing agencies and all other persons of all claims and causes of action that Franchisee may have against them in connection with Franchisor's exercise of its rights under this Section 17(a)(v). Except as stated in this Section 17(a)(v), under no circumstances may Franchisee utilize, or permit another person to utilize, or assign to another person, Franchisee's telephone numbers or listings.

(vi) Franchisee must pay to Franchisor, within ten days of expiration or termination of this Agreement, all amounts outstanding to Franchisor or its Affiliates from Franchisee or his Affiliates.

(b) In addition, upon expiration or termination of this Agreement by Franchisor or by Franchisee, Franchisor may, but will not be obligated to, purchase, or have its designee purchase:

(i) All, or any portion of, Franchisee's signage, boards, displays, inventory, supplies, equipment, furniture, décor and other tangible assets containing or relating to the Trademarks (the "Trademarked Assets"); and/or

(ii) All, or any portion of, the other inventory, supplies, equipment, furniture, décor and other tangible assets of the Franchised Business (the "Other Assets")

For an amount equal to the Value (as defined below). Franchisor, or its designee, may, but will not be obligated to, assume all or certain of Franchisee's obligations under the lease for the premises of the Franchised Business and continue the operations of Franchisee's Franchised Business in Franchisor's, or its designee's, name. In that event, Franchisee must pay to Franchisor, or its designee, the amount expended by Franchisor, or its designee, to cure Franchisee's breaches of, and defaults under, the lease. If Franchisor is required, by law, regulation or court order, to purchase the equipment and/or other tangible assets used in connection with the Franchised Business, the purchase price will be equal to the Value. Subject to applicable law, for purposes of this Agreement, the term "Value" means, with respect to the Trademarked Assets, \$50 and, with respect to the Other Assets, an amount equal to Franchisee's cost for such assets, less depreciation and amortization using a 200% declining balance method over a 5-year period. Franchisor and its Affiliates may offset any amounts owed to Franchisor or its Affiliates by Franchisee or its Affiliates against any amounts owed to Franchisee or its Affiliates by Franchisor or its Affiliates.

(c) Upon any breach by Franchisee of any of the terms of this Section 17, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of this Section 17, without the necessity of posting bond therefor or proof of actual damages.

**18. Representations and Warranties of Franchisee.** Franchisee represents and warrants to Franchisor that:

(a) The application submitted by Franchisee or his Principals, and all statements made by Franchisee or his Principals to Franchisor in connection with its request for a Franchise, are true and correct in all material respects.

(b) Neither Franchisee nor his Principals, directors, officers or managers are bound by, or subject to, any agreement that would prohibit or restrict them from entering into this Agreement (or the ancillary agreements and documents signed in connection herewith) or performing their respective obligations hereunder (or thereunder).

**19. Survival.** Notwithstanding anything contained in this Agreement to the contrary, the provisions of this Agreement, which may affect the parties' rights and obligations after the expiration or termination of this Agreement, will survive the expiration and termination of this Agreement.

**20. Relationship of the Parties.** Franchisee must not represent or imply that the Franchised Business conducted by Franchisee is owned by Franchisor. Franchisee must post a sign in the Franchised Business stating that Franchisee is an independent contractor and that the Franchised Business is not owned or operated by Franchisor. Franchisee will be an independent contractor, and nothing contained in this Agreement will be construed to create or imply a fiduciary relationship between the parties, or to make either party a general or specific agent, legal representative, employee, joint venturer, partner or servant of the other. Franchisee is in no way authorized to sign any contract or agreement, to make any representation or warranty or to create any obligation (express or implied) on behalf of Franchisor. Franchisee will be responsible for his own taxes (including any taxes levied upon the Franchised Business with respect to compensation or otherwise).

**21. Notices.** All communications or notices required or permitted to be given or served under this Agreement must be in writing and will be deemed to have been duly given or made if (a) delivered in person or by courier (including by Federal Express or other courier), (b) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, or (c) emailed (return receipt requested), to the email address set forth in this Agreement. All communications and notices will be effective upon delivery in person or by courier to the address set forth in this Agreement, upon being deposited in the United States mail in the manner set forth above or upon being faxed in the manner set forth above. Any party may change its address or fax number by giving notice in writing, stating its new address, to the other party to this Agreement as provided in the foregoing manner.

**22. Successors and Assigns.** Subject to Section 14, which restricts Franchisee's rights to assign this Agreement and his rights hereunder, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs and successors. Any attempt by Franchisee to assign this Agreement, or any of his rights hereunder, or to delegate his obligations hereunder, without compliance with the terms of Section 14 will be void. Notwithstanding anything contained in this Agreement to the contrary, Franchisor may assign this Agreement, or any of its rights hereunder, or delegate any of its obligations hereunder without the consent of Franchisee or any other person.

**23. Amendment, Modification, Waiver or Deferral.**

(a) Notwithstanding anything contained in this Agreement to the contrary, Franchisor retains the right to modify and amend Franchisor's Operation Manual and to issue rules, regulations, instructions, policies and procedures for the conduct of the Franchised Business from time to time, in its discretion, without obtaining the consent or approval of Franchisee. Further Franchisor retains the right to modify the fees payable by Franchisee in accordance with Section 7(f) hereof.

(b) Except as set forth in this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in a writing specifying with particularity the nature and extent of the amendment, modification or waiver and signed by Franchisee and by Diego Valenzuela II, or by another person designated in writing to Franchisee by Diego Valenzuela II, on Franchisor's behalf.

(c) Failure on the part of any party to complain of any act or failure to act of another party or to declare another party in default, irrespective of how long the failure continues, will not constitute a waiver by that party of his, her or its rights under this Agreement; provided, however, that any breach or default of Franchisor will be deemed to be waived 90 days after the occurrence of this breach or default unless Franchisee provides written notice of this

breach or default to Franchisor within this 90-day period. Any waiver by any party of any default of another party will not affect or impair any right arising from any other or subsequent default.

(d) Notwithstanding anything contained in this Agreement to the contrary, at any time that Franchisee or any of his Affiliates is in breach of his obligations under this Agreement, or any other agreement between Franchisee or any of his Affiliates and Franchisor or any of its Affiliates, Franchisor (or its Affiliate) may elect to defer the performance of Franchisor's (or its Affiliate's) obligations under this Agreement or such other agreement, or defer the opening of Franchisee's Franchised Business, until Franchisee's (or his Affiliate's) breach has been cured. Franchisor's (or its Affiliate's) exercise of that right will not constitute a waiver of its rights under this Agreement or such other agreement, including Franchisor's (or its Affiliate's) right to terminate this Agreement or such other agreement. In addition, Franchisor's (or its Affiliate's) exercise of that right will not serve as a basis for any claim by Franchisee (or his Affiliate) that Franchisor did not perform its obligations in a timely manner.

**24. Severable Provisions; Enforceability.** Each and every provision of this Agreement is intended to be independent of and severable from the others. If any court of competent jurisdiction determines that a state statute is applicable and any provision of this Agreement violates that statute, such provision will be deemed deleted. If any provision of this Agreement is declared by a court of competent jurisdiction to be illegal, unenforceable or invalid for any reason whatsoever, that illegality, unenforceability or invalidity will not affect the validity of the remainder of this Agreement or the legality, enforceability or validity of that provision in any other jurisdiction. It is the intention and the agreement of the parties to this Agreement that the provisions set forth in Sections 8, 9 and 10 of this Agreement be enforceable to the maximum extent permitted by law and, to that end, understand and agree that said provisions may be limited or modified by a court of competent jurisdiction to ensure enforceability thereof.

**25. Entire Agreement.** This Agreement and the Franchise Disclosure Document, and the exhibits hereto and thereto, contain the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Each of the exhibits to this Agreement is incorporated in this Agreement by this reference and constitutes a part of this Agreement.

**26. Terminology.** All references in this Agreement to the term "including" mean "including, without limitation." Except as expressly provided otherwise in this Agreement, all references in this Agreement to Franchisor's discretion, judgment or option mean Franchisor's sole and absolute discretion, judgment or option, respectively, and all provisions permitting Franchisor to grant or withhold its approval or consent mean that such approval or consent may be granted or withheld in Franchisor's sole and absolute discretion. For purposes of this Agreement, the term "Affiliate" means any Person, directly or indirectly, controlling, controlled by or under common control with another person or entity. All captions, headings or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular paragraph or section to which they apply. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

**27. Counterparts.** This Agreement may be executed in 2 or more counterparts, each of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

**28. Arizona Law to Govern; Mediation; Waiver of Rights; Arbitration; Statute of Limitations.**

(a) This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary; provided, however, that any law of the State of Arizona that regulates the offer or sale of franchises or business opportunities, or governs the relationship between a franchisor and its franchisees, will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

(b) All disputes that arise between Franchisor and Franchisee must be submitted to non-binding mediation before an action may be brought in a court of competent jurisdiction or in arbitration; provided, however, that this does not apply in cases where Franchisor brings an action for an express obligation to pay monies or to obtain possession of premises, declaratory relief, preliminary or permanent equitable relief and/or any action at law for damage to Franchisor's goodwill, Trademarks or other property.

(c) The parties waive and agree not to include in any complaint or arbitration demand: class action claims, demand for trial by jury, claims for lost profits or claims for punitive, consequential, special, multiple or exemplary damages. No claim by Franchisee may be consolidated with the claims of any other franchisees. If any complaint is filed that contains any of these claims or a jury demand, or if a court determines that all or any part of the waivers are ineffective, then the complaint shall be dismissed with prejudice leaving the parties to their arbitration remedies, below. If such claims and demands cannot by law be waived, the parties agree that any recovery shall not exceed two (2) times actual damages except for an award of multiple damages to Franchisor for any willful Trademark infringement by Franchisee. This provision will apply to this Agreement and all agreements between Franchisee (or his Affiliates) and Franchisor (or its Affiliates) signed in connection with this Agreement and Franchisee's operation of the Franchised Business.

(d) Either party may choose to submit a dispute to arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules and under the Federal Rules of Evidence; provided, however, that this does not apply in cases where Franchisor brings an action for an express obligation to pay monies or to obtain possession of premises, declaratory relief, preliminary or permanent equitable relief and/or any action at law for damage to Franchisor's goodwill, Trademarks or other property. The arbitrator shall require a showing of good cause by any party making a request for any discovery prior to the arbitration hearing. The arbitrator(s) shall issue a reasoned award, with findings of fact and conclusions of law. Actions to enforce an express obligation to pay monies may be brought under the Expedited Procedures of the AAA's Commercial Arbitration Rules. The place of arbitration shall be Phoenix, Arizona. The Federal Arbitration Act shall govern, excluding all state arbitration law. Arizona law shall govern all other issues.

(e) Disputes concerning the validity or scope of arbitration, including whether a dispute is subject to arbitration, shall be determined pursuant to the Federal Arbitration Act, 9 U.S.C. §1 *et seq.*, as amended from time to time.

(f) Either party may appeal the final award of the arbitrator(s) to the appropriate U.S. District Court, which will be located in Maricopa County, Arizona. The court's review of the arbitrator's findings of fact shall be under the clearly erroneous standard, and the court's review of all legal rulings shall be *de novo*. If it should be determined that this provision for federal court review is not enforceable, then either party may appeal the arbitrator's final award to a panel of 3 arbitrators chosen under AAA procedures, which shall employ the same standards of review stated immediately above.

(g) Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

(h) The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

(i) Any complaint or arbitration demand must be filed with the court or the AAA, as applicable, within 2 years after the occurrence of the events giving rise to the claim.

**29. Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees incurred in connection with any proceeding.

**30. Remedies Cumulative.** The remedies of the parties under this Agreement are cumulative and will not exclude any other remedies to which any party may be lawfully entitled.

**31. Construction.**

(a) Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

(b) The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and his, her or its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or any exhibits hereto or thereto.

**32. Additional Actions.** Each party agrees to do all acts and things and to make, execute and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

**33. Computation of Time.** Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

**34. Currency.** Unless otherwise directed by Franchisor in writing, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by Franchisor's primary bank on the date on which payment is made. Franchisee will pay all costs of currency exchange.

**35. Authority.** Any individual signing below on behalf of a corporation, partnership, Limited Liability Company or other entity personally represents that he has full authority to bind the party or parties on whose behalf he is signing.

**36. Terrorist and Money Laundering Activities.** Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of his Affiliates or their respective

equity owners, directors, officers, employees, representatives and agents (collectively, the "Included People"), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)) or (b) has violated any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at [www.epic.org/privacy/terrorism/hr3162.html](http://www.epic.org/privacy/terrorism/hr3162.html)), U.S. Executive Order 13224 (text currently available at [www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html](http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html)) or any similar law. Franchisee agrees that he will comply with, and will cause the Included People to comply with, all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances, that might render any of the foregoing representations or warranties to be false, inaccurate or misleading.

**37. Acknowledgement of Franchisee.** Franchisee acknowledges that, except as expressly set forth in the Disclosure Document delivered to Franchisee (the "Disclosure Document"), neither Franchisor, nor anyone acting on behalf of Franchisor, has made any claims or representations whatsoever regarding potential sales, profits or earnings achievable by Franchisee in connection with the conduct of the Franchised Business. Franchisee acknowledges that he has been informed and he understands that the successful operation of the Franchised Business will depend primarily upon the efforts, capabilities and management skills of Franchisee and general economic conditions and trends, and that he cannot rely upon the information set forth in the Disclosure Document as representations or warranties of the results that will be achieved by Franchisee in connection with his operation of the Franchised Business. Franchisee acknowledges and confirms that he has selected, or will select, the premises in which the Franchised Business will be established and operated by him, and that the decision to establish and operate the Franchised Business at those premises was, or will be, made solely by him, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Franchisor or any of its Affiliates or their respective shareholders, directors, officers, employees, representatives, agents or Affiliates. Franchisee accepts full responsibility for the consequences of his decision.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_

## CONSENT OF SPOUSE

(to be signed if Franchisee is a married individual)

In consideration of the execution of the Franchise Agreement to which this Consent is attached (including the exhibits thereto, the "Agreement") by V's Barbershop Franchise, LLC, and knowing that V's Barbershop Franchise, LLC will rely upon this Consent of Spouse, the undersigned spouse of the franchisee identified in the Agreement acknowledges that he/she has read the Agreement, agrees to be bound by provisions, including, without limitation, Sections 13 and 14(h), and agrees that he/she will make, execute and deliver such instruments and documents that may be necessary to carry out the provisions of the Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Spouse)

\_\_\_\_\_  
(Print Name of Spouse)

**EXHIBIT 1 TO FRANCHISE AGREEMENT**

**FRANCHISE INFORMATION SHEET**

If Franchisee is any entity, identify:

Type of entity: \_\_\_\_\_

State of organization: \_\_\_\_\_

Title of signatory: \_\_\_\_\_

If an individual, identify state of residence and domicile: \_\_\_\_\_

Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

Person who will supervise the Franchised Business: \_\_\_\_\_

Address: \_\_\_\_\_

Email Address: \_\_\_\_\_

Telephone Numbers: (H) \_\_\_\_\_

(O) \_\_\_\_\_

(C) \_\_\_\_\_

Principals of Franchisee (Shareholders, Partners, Members, Etc.--Total MUST equal 100%)

Name \_\_\_\_\_ % Ownership

**Schedule A**

**Location of Franchised Business or Geographic Area Within Which Franchisee is  
Required to Locate the Franchised Business**

**RIDER TO FRANCHISE AGREEMENT FOR ILLINOIS RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN ILLINOIS ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. Section 7(a)(i) of the Franchise Agreement will be revised to read as follows:

"Franchisee must pay to Franchisor an initial franchise fee (the "Franchise Fee") in the amount of \$30,000, payable by cashiers or certified check upon the completion of Franchisor's initial obligations to Franchisee and Franchisee's commencement of doing business; provided, however, if this is Franchisee's (or his Affiliate's) second or subsequent Franchised Business or if Franchisee is currently in, or has been honorably discharged from, the U.S. armed forces (and can verify same through appropriate documentation), the Franchise Fee will be \$27,000.

Payment of Initial Franchise Fees will be deferred until Franchisor has met all of its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's current financial condition.

2. The following will be inserted as the last sentence of Section 37 of the Franchise Agreement:

"Any representations made in the Disclosure Document are not excluded from that on which Franchisee may rely."

3. The following sentence is added to the end of Section 25 of the Franchise Agreement:

"Notwithstanding the foregoing, nothing in the Franchise Agreement is intended to disclaim the express representations made in the Franchise Disclosure Document."

4. Section 28(a) of the Franchise Agreement will be revised to read as follows:

"This Agreement will be governed by, and construed and enforced in accordance with, the law of Illinois, regardless of any conflict-of-law provisions to the contrary.

Section 28(c) of the Franchise Agreement will be revised to read as follows:

"The parties waive and agree not to include in any complaint or arbitration demand: class action claims, claims for lost profits or claims for punitive, consequential, special, multiple or exemplary damages. No claim by Franchisee may be consolidated with the claims of any other franchisees. If any complaint is filed that contains any of these claims, or if a court determines that all or any part of the waivers are ineffective, then the complaint shall be dismissed with prejudice leaving the parties to their arbitration remedies, below. If such claims and demands cannot by law be waived, the parties agree that any recovery shall not exceed 2 times actual damages except for an award of multiple damages to Franchisor for any willful Trademark infringement by Franchisee. This provision will apply to this Agreement and all agreements

between Franchisee (or his Affiliates) and Franchisor (or its Affiliates) signed in connection with this Agreement and Franchisee's operation of the Franchised Business."

5. Section 28(g) of the Franchise Agreement will be revised to read as follows:

"Each party agrees that any litigation between the parties will be commenced and maintained in the courts located in the county in Illinois in which Franchisee's principal business office is located, and each party consents to the jurisdiction of those courts."

6. Section 28(i) of the Franchise Agreement will be revised to read as follows:

"Any complaint or arbitration demand must be filed with the court or the AAA, as applicable, within the time period required by Section 705/27 of the Franchise Disclosure Act of 1987, as it may be amended from time-to-time."

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO FRANCHISE AGREEMENT FOR INDIANA RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN INDIANA ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

1. Indiana law prohibits Franchisor from operating a substantially identical business to that conducted by Franchisee pursuant to that certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee within a reasonable area, regardless of the trade name used by Franchisor.

2. Indiana law prohibits Franchisor from requiring Franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana Deceptive Franchise Practices Act or requiring any controversy between Franchisee and Franchisor to be referred to any person, if referral would be binding upon Franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.

3. Indiana law prohibits Franchisor from limiting litigation brought for breach of the terms of the

Franchise Agreement.

4. Indiana law may prohibit Franchisor from designating Arizona law to govern the Franchise

Agreement. If it is so construed, Indiana law will govern the Franchise Agreement.

5. The Franchise Agreement contains a covenant not to compete. Indiana law prohibits Franchisor from requiring Franchisee to covenant not to compete with Franchisor for a period longer than 3 years or in an area greater than the exclusive area granted by the Franchise Agreement or, in the absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO FRANCHISE AGREEMENT FOR MARYLAND RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN MARYLAND ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The provisions of Section 37 are not intended to, nor will they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
2. The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
3. Pursuant to the Maryland Franchise Registration and Disclosure Law, arbitration or litigation arising out of the Franchise Agreement may be conducted in Maryland.
4. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise.

The undersigned does hereby acknowledge receipt of this Rider.

IN WITNESS WHEREOF, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO FRANCHISE AGREEMENT FOR MINNESOTA RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN MINNESOTA ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The provisions of Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.440J prohibit Franchisor from requiring arbitration or litigation to be conducted outside Minnesota. In addition, nothing in this Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. Sections 10(e) and 28(c) of the Franchise Agreement will be deleted.
3. Franchisor will comply with Minnesota Statutes Section 80C.14, Subdivisions 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 for non-renewal of this Franchise Agreement. Sections 15 and 16 will be amended as strictly necessary to comply with such provisions.
4. Minnesota Rule 2860.440D prohibits Franchisor from requiring Franchisee to sign a general release in connection with renewal or transfer of the franchise.
5. Section 8(e) of the Franchise Agreement will be subject to the provisions of Minnesota Statutes Section 80C.12(1)(g), which requires us to protect your right to use the Trademarks. Accordingly, such section will be modified to require Franchisor to protect Franchisee's right to use the Trademarks, as well as indemnify you for damages for which you are held liable in any lawsuit arising out of your use of the Trademarks in compliance with the Franchise Agreement, subject to the other conditions stated in said Section 8(e).
6. Section 28(i) of the Franchise Agreement, which provides for a two-year statute of limitations, will be subject to the provisions of Minnesota Statutes Section 80C.17(5), which provides for a three- year statute of limitations.

The undersigned does hereby acknowledge receipt of this Rider:

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO FRANCHISE AGREEMENT FOR NORTH DAKOTA RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN NORTH DAKOTA ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Franchise Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. Section 15(b)(vi) of the Franchise Agreement is hereby deleted.
2. Section 28 of the Franchise Agreement is subject to the following: (a) arbitration or litigation may be conducted in North Dakota, (b) North Dakota law will govern the Franchise Agreement and (c) paragraph (c) will be deleted.
3. Section 10(e) of the Franchise Agreement is hereby deleted.
4. Section 10(c) of the Franchise Agreement is subject to Section 9-08-06 of the North Dakota

Century Code and, therefore, may be unenforceable in the State of North Dakota.

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO FRANCHISE AGREEMENT FOR WASHINGTON RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN WASHINGTON ONLY**

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

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

A release or waiver of rights executed by 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 such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as 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.

The undersigned does hereby acknowledge receipt of this addendum.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**AGREEMENT TO BE BOUND AND TO GUARANTEE**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, signed by the guarantors identified in Section 11 of this Agreement (each a "Guarantor") in favor of V's Barbershop Franchise, LLC ("Franchisor").

**A.** Franchisor has, as a result of significant time, effort and money, originated a unique and comprehensive system for operating upscale barbershops that provide high-quality haircuts, old-fashioned shaves and men's facial services in a uniquely masculine environment under the V's Barbershop® service marks and trademarks (the "Franchised Business");

**B.** As an inducement for Franchisor to sign and deliver, and to perform its obligations under, that certain Franchise Agreement (the "Franchise Agreement"), dated as of the date set forth in Section 19 of this Agreement, by and between Franchisor and the franchisee identified in Section 19 of this Agreement ("Franchisee"), each Guarantor has agreed to jointly and severally guarantee the obligations of Franchisee under the Franchise Agreement and has agreed to be bound by certain of the provisions contained in the Franchise Agreement.

**C.** Each Guarantor owns, directly or indirectly, a 5% or greater equity interest in Franchisee.

**D.** Each Guarantor acknowledges and agrees that Franchisor will materially rely upon such Guarantor's obligations under this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing premises and the execution and delivery of the Franchise Agreement by Franchisor, and the performance of Franchisor's obligations thereunder, each Guarantor agrees, for the benefit of Franchisor and its Affiliates (as defined in the Franchise Agreement), as follows:

**1. Guaranty.** Each Guarantor unconditionally guarantees and promises to pay to Franchisor and/or its Affiliates and to perform, for the benefit of Franchisor and/or its Affiliates, on demand, any and all obligations and liabilities of Franchisee in connection with, with respect to or arising out of the Franchise Agreement or any other agreement with Franchisor or its Affiliates.

**2. Guaranty of Payment.** This is a guaranty of payment and not of collection. This Agreement will remain in full force and effect until all amounts payable by each Guarantor have been validly, finally and irrevocably paid in full and all obligations to be performed by each Guarantor have been validly, finally and irrevocably performed in full.

**3. Waiver.** Each Guarantor hereby waives all requirements as to presentment for payment, protest, diligence and demand and notice of acceptance, default, protest, demand, dishonor and nonpayment, and all benefits and requirements of Arizona Revised Statutes Section 12-1641, *et seq.*, and Rule 17(f) of the Arizona Rules of Civil Procedure for the Superior Courts of Arizona, which set forth certain rights and obligations among guarantors, debtors and creditors, if applicable. This Agreement will not be affected in any way by (a) the absence of any action to obtain such amounts from Franchisee or any other guarantor or indemnitor or of any recourse to any security for such amounts or (b) any extension, waiver, compromise or release of any or all of the obligations of Franchisee or any guarantor.

**4. Subrogation.** Each Guarantor hereby agrees that he will not exercise any rights of subrogation which he may acquire due to any payment or performance of the obligations of Franchisee pursuant to this Agreement unless and until all amounts payable to Franchisor or its Affiliates, and all obligations for the benefit of Franchisor or its Affiliates, have been validly, finally and irrevocably paid and performed in full.

**5. No Waiver.** No failure or delay on the part of Franchisor or its Affiliates in exercising its rights hereunder will operate as a waiver of, or impair, any such right. No single or partial exercise of any such right will preclude any other or further exercise thereof or the exercise of any other right. No waiver of any such right will be effective unless given in writing, specifying with particularity the nature of the waiver. No waiver of any such right will be deemed a waiver of any other right hereunder. The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

**6. Attorneys' Fees.** Each Guarantor will pay reasonable attorneys' fees and expenses and all other costs and expenses which may be incurred by Franchisor or its Affiliates in connection with enforcing this Agreement.

**7. Arizona Law to Govern; Mediation; Waiver of Rights; Arbitration; Statute of Limitations.**

(i) This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary; provided, however, that any law of the State of Arizona that regulates the offer or sale of franchises or business opportunities, or governs the relationship between a franchisor and its franchisees, will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

(ii) All disputes that arise between Franchisor and Guarantor must be submitted to non-binding mediation before an action may be brought in a court of competent jurisdiction or in arbitration; provided, however, that this does not apply in cases where Franchisor brings an action for an express obligation to pay monies or to obtain possession of premises, declaratory relief, preliminary or permanent equitable relief and/or any action at law for damage to Franchisor's goodwill, trademarks or other property.

(iii) The parties waive and agree not to include in any complaint or arbitration demand: class action claims, demand for trial by jury, claims for lost profits or claims for punitive, consequential, special, multiple or exemplary damages. No claim by Franchisee (or Guarantor) may be consolidated with the claims of any other franchisees. If any complaint is filed that contains any of these claims or a jury demand, or if a court determines that all or any part of the waivers are ineffective, then the complaint shall be dismissed with prejudice leaving the parties to their arbitration remedies, below. If such claims and demands cannot by law be waived, the parties agree that any recovery shall not exceed 2 times actual damages except for an award of multiple damages to Franchisor for any willful trademark infringement by Franchisee (or Guarantor).

(iv) Either party may choose to submit a dispute to arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules and under the Federal Rules of Evidence; provided, however, that this does not apply in cases where Franchisor brings an action for an express obligation to pay monies or to obtain possession of premises, declaratory relief, preliminary or permanent equitable relief and/or any action at law for damage to Franchisor's goodwill, trademarks or other property. The arbitrator shall require a showing of good cause by any party making a request for any discovery prior to the arbitration

hearing. The arbitrator(s) shall issue a reasoned award, with findings of fact and conclusions of law. Actions to enforce an express obligation to pay monies may be brought under the Expedited Procedures of the AAA's Commercial Arbitration Rules. The place of arbitration shall be Phoenix, Arizona. The Federal Arbitration Act shall govern, excluding all state arbitration law. Arizona law shall govern all other issues.

(v) Disputes concerning the validity or scope of arbitration, including whether a dispute is subject to arbitration, shall be determined pursuant to the Federal Arbitration Act, 9 U.S.C. §1 *et seq.*, as amended from time to time.

(vi) Either party may appeal the final award of the arbitrator(s) to the appropriate U.S. District Court, which will be located in Maricopa County, Arizona. The court's review of the arbitrator's findings of fact shall be under the clearly erroneous standard, and the court's review of all legal rulings shall be *de novo*. If it should be determined that this provision for federal court review is not enforceable, then either party may appeal the arbitrator's final award to a panel of 3 arbitrators chosen under AAA procedures, which shall employ the same standards of review stated immediately above.

(vii) Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

(viii) The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

(ix) Any complaint or arbitration demand must be filed with the court or the AAA, as applicable, within 2 years after the occurrence of the events giving rise to the claim.

**8. Binding Nature of Agreement.** This Agreement will be binding upon each Guarantor and his respective successors, heirs and assigns and will inure to the benefit of Franchisor, its Affiliates and their respective successors and assigns.

**9. Joint and Several.** If more than one person signs this Agreement, or another guaranty, as a Guarantor, his, her or its obligation will be joint and several.

**10. Entire Agreement; Amendment.** This Agreement contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by each of the parties hereto.

**11.** Date of Franchise Agreement: \_\_\_\_\_

Name(s) of Guarantor(s): \_\_\_\_\_

Name of Franchisee: \_\_\_\_\_

Whereby, each of the Guarantors below, agree to be bound by the terms and conditions set forth above.

**GUARANTORS**

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Executed by: \_\_\_\_\_

Executed by: \_\_\_\_\_

(Sign Name)

(Sign Name)

Name: \_\_\_\_\_

Name: \_\_\_\_\_

(Print Name)

(Print Name)

Address: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

Executed by: \_\_\_\_\_

Executed by: \_\_\_\_\_

(Sign Name)

(Sign Name)

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

(Print Name)

Address: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**[If Guarantor is married, Guarantor's spouse MUST sign as a co-Guarantor]  
[If additional guarantor signatures are required, please add additional signature pages]**

**RIDER TO AGREEMENT TO BE BOUND AND TO GUARANTEE FOR ILLINOIS RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN ILLINOIS ONLY**

That certain Agreement to be Bound and to Guarantee, dated as of the date hereof, executed by Guarantor (as defined in the foregoing Agreement to be Bound and to Guarantee) in favor of V's Barbershop Franchise, LLC ("Franchisor ") shall be amended as follows:

1. Section 7(a) of the Agreement to be Bound and to Guarantee will be revised to read as follows:

"This Agreement will be governed by, and construed and enforced in accordance with, the law of Illinois, regardless of any conflict-of-law provisions to the contrary."

2 Section 7(g) of the Agreement to be Bound and to Guarantee will be revised to read as follows:

"Each party agrees that any litigation between the parties will be commenced and maintained in the courts located in the county in Illinois in which Franchisee's principal business office is located, and each party consents to the jurisdiction of those courts."

3. Section 7(i) of the Agreement to be Bound and to Guarantee will be revised to read as follows:

"Any complaint or arbitration demand must be filed with the court or the AAA, as applicable, within the time period required by Section 705/27 of the Franchise Disclosure Act of 1987, as it may be amended from time-to-time."

Whereby, each of the Guarantors below, agree to be bound by the terms and conditions set forth above.

**GUARANTORS**

Date: \_\_\_\_\_  
Executed by: \_\_\_\_\_  
(Sign Name) \_\_\_\_\_  
Name: \_\_\_\_\_  
(Print Name) \_\_\_\_\_  
Address: \_\_\_\_\_

Date: \_\_\_\_\_  
Executed by: \_\_\_\_\_  
(Sign Name) \_\_\_\_\_  
Name: \_\_\_\_\_  
(Print Name) \_\_\_\_\_  
Address: \_\_\_\_\_

**ACKNOWLEDGED:**

**V's BARBERSHOP FRANCHISE, LLC**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

**PRINCIPAL, DIRECTOR AND OFFICER AGREEMENT**

AGREEMENT, dated as of the date set forth at the end of this Agreement, signed by the party or parties identified in Section 10 of this Principal, Director and Officer Agreement (each a "Party") and the franchisee identified in Section 10 of this Agreement ("Franchisee").

A. V's Barbershop Franchise, LLC, an Arizona limited liability company ("Franchisor"), has, as a result of significant time, effort and money, originated a unique and comprehensive system for operating upscale barbershops that provide high-quality haircuts, old-fashioned shaves and facial services in a uniquely masculine environment under the V's Barbershop® service marks and trademarks (the "Franchised Business");

B. Franchisor owns certain intellectual property, including, without limitation, trade secrets, the contents of Franchisor's Operation Manual and other confidential and proprietary information, processes, materials and rights relating to the development, marketing, management, promotion and operation of V's Barbershop Businesses (the "Proprietary Information");

C. Pursuant to that certain Franchise Agreement between Franchisor and Franchisee (the "Franchise Agreement"), Franchisee is a franchisee of Franchisor and, in that capacity, Franchisee is engaged in the Franchised Business.

D. Party has been and/or desires to be elected or appointed by Franchisee, or to continue to serve Franchisee, as a Principal (as defined in the Franchise Agreement), director or officer of Franchisee.

E. In connection therewith, Party will have access and/or has had access to information that requires Franchisor's and Franchisee's highest trust and confidence in Party.

F. Party acknowledges and agrees that Franchisee and Franchisor will materially rely upon Party's obligations under this Agreement.

**NOW, THEREFORE**, in consideration of the foregoing premises, the compensation paid or to be paid to Party, and/or other good and valuable consideration, Party covenants and agrees as follows:

**1. Confidentiality.**

(a) Party acknowledges that Franchisor is engaged in a highly competitive business, the success of which is dependent upon, among other things, trade secrets and other confidential and proprietary information. Party further acknowledges that Franchisor's method of operation, processes, techniques, formulae and procedures and the other Proprietary Information constitute valuable trade secrets.

(b) Party agrees not to use for any purpose, or disclose or reveal (and must use his best efforts to cause all of Franchisee's Agents (as defined below) not to use for any purpose, or disclose or reveal), during the term of the Franchise Agreement or forever thereafter, to any person any Proprietary Information or any other information (incorporating or including Proprietary Information) provided to Franchisee by Franchisor and/or its Affiliates, employees, officers, directors, or vendors. Party must fully and strictly comply with all security measures prescribed by Franchisor (whether directly or through Franchisee) for maintaining the

confidentiality of all Proprietary Information. Party must not reverse engineer, decompile or disassemble any of the Proprietary Information. For purposes of this Agreement, the term "Agents" means Franchisee's Principals, directors, officers, managers and employees.

(c) Party acknowledges that to breach his obligations under this Section 1 would cause damage to Franchisor, Franchisee and Franchisor's other franchisees, and that Party would be liable for this damage.

(d) Notwithstanding the foregoing, Party may disclose Proprietary Information to a person who is bound by the terms of this provision regarding confidentiality and a restrictive covenant contemplated by Sections 9 and 10 of the Franchise Agreement, to the extent that that disclosure is necessary in connection with that person's capacity with Franchisee. In addition, notwithstanding the foregoing, Party may use the Proprietary Information as may be necessary in connection with the operation of the Franchised Business.

(e) Notwithstanding the foregoing, the following will not be subject to the provisions of this Section 1:

(i) Information that is in the public domain as of the date of receipt by Franchisee;

(ii) Information that is known to Franchisee prior to the date of receipt by Franchisee;

(iii) Information that becomes known to the public without a breach of the provisions of this Section 1 or any agreement signed in connection with the Franchise Agreement; and

(iv) Information that is required by law to be disclosed or revealed, but only strictly to the extent required by law, provided that Party provides Franchisor with adequate notice of Party's intent to so disclose such Proprietary Information to enable Franchisor to contest such disclosure.

(f) Party must not solicit other franchisees, or use the lists of franchisees, for any commercial or other purpose other than purposes directly related to the operation of the Franchised Business without the prior approval of Franchisor.

**2. Copyrights.** Any reproduction of any items or materials suitable for copyright protection by Franchisor (the "Copyrights"), including, without limitation, the copyrightable materials within the Proprietary Information, must bear a copyright notice in the form designated by Franchisor. All advertising and promotional materials generated by or for Franchisee will be subject to Franchisor's prior approval, will be completely factual and will conform to the highest standards of ethical advertising. Further, all advertising, promotional and other materials generated by or for Franchisee (including, without limitation, materials generated by or for Party) for the Franchised Business will be deemed a work-made-for-hire, and all ownership rights, including, without limitation, any copyrights, in such advertising, promotional and other materials are hereby assigned by Party to Franchisor.

**3. Innovations.** Party may conceive, invent, create, design and/or develop various ideas, techniques, methods, processes and procedures, formulae, services, products, packaging or other concepts and features relating to the Franchised Business or its operations or business practices (including, without limitation, the services and products offered and sold by the Franchised Business) (the "Innovations"). Party assigns any and all of its rights, title and interest

in the Innovations, including, without limitation, any intellectual property rights, to Franchisor, and also agrees to cooperate with Franchisor and its counsel in the protection of the Innovations, including, without limitation, the perfecting of title thereto.

**4. Use of Name and Likeness.** Franchisor will be entitled to use the name, likeness and voice of Party for purposes of promoting the franchise, Franchisor and its services and products, including, without limitation, all photos and audio and video recordings, and Party hereby irrevocably consents thereto. Party acknowledges that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as “moral rights,” “artist’s rights,” “publicity rights” or the like associated with such photos and audio and video recordings, and assigns and transfers unto Franchisor the full and exclusive right, title, and interest to such publicity rights.

**5. Non-Hiring.** Party may not, during the term of the Franchise Agreement and for the “Restricted Period”, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), employ, hire or engage as an independent contractor or otherwise any person who is or was (at any time during the term of the Franchise Agreement) employed or engaged as an independent contractor or otherwise by Franchisor or any of its Affiliates (as defined in the Franchise Agreement) or any V’s Barbershop franchisee or licensee to perform “Competitive Services.”

**6. Non-Solicitation.** Party may not, during the term of the Franchise Agreement and for the “Restricted Period”, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), except in conjunction with the operation of Franchisee’s V’s Barbershop in a manner consistent with the Franchise Agreement:

(a) perform Competitive Services for or solicit for the performance of Competitive Services any person or client for whom Party performed professional services in the operation of one or more V’s Barbershop Businesses within the term of the Franchise Agreement;

(b) perform Competitive Services for or solicit for the performance of Competitive Services any person with whom Party had professional contact with in conjunction with the operation of one or more V’s Barbershop Businesses within the term of the Franchise Agreement and/or the term of this Agreement;

(c) perform Competitive Services for or solicit for the performance of Competitive Services any person who was a client or customer of Franchisee within the term of the Franchise Agreement and/or the term of this Agreement;

(d) perform Competitive Services for or solicit for the performance of Competitive Services any person who was a client or customer of Franchisee within a six month period preceding the termination or expiration of the Franchise Agreement and/or this Agreement;

(e) perform Competitive Services for or solicit for the performance of Competitive Services any person or client for whom Party performed professional services within a three month period preceding the termination of this Agreement;

(f) encourage, entice, induce, or influence, directly or indirectly, any person or entity not to do business with Franchisee; or

(g) solicit for business or engage in business in connection with the cutting or styling of hair, shaving, facials and related retail products with any person who is a vendor or supplier

(or an employee of a vendor or supplier) or a customer of Franchisee or another V's Barbershop Business within a six month period preceding the termination of the Franchise Agreement and/or this Agreement.

## **7. Non-Competition.**

(a) Party may not, during the term of the Franchise Agreement and for the Restricted Period for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that provides cutting or styling of hair, shaving, facials and related retail products within the "Restricted Area".

(b) Party may not, during the term of the Franchise Agreement and for the Restricted Period for any reason, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business, other than Franchisee's V's Barbershop, that provides cutting or styling of hair, shaving, facials and related retail products within the Restricted Area provided, however, that, after the term of Party's association with Franchisee, Party may be employed as a licensed barber or cosmetologist within such restricted area provided that (i) Party is not an owner, partner, director, officer, manager, consultant, shareholder, representative, agent or lender of the business by which he is employed and (ii) the site of Party's employment is not within the Restricted Area.

## **8. Definitions.**

(a) The "Restricted Period" for purposes of this Agreement shall be the one (1) year immediately following the expiration or termination of Party's association with Franchisee for any reason; except that if a court or arbitrator finds that a one (1) year Restricted Period is not reasonably necessary to protect legitimate business interests of Franchisor, the Restricted Period shall be the nine (9) months immediately following the expiration or termination of Party's association with Franchisee for any reason; except that if a court or arbitrator finds that a nine (9) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the six (6) months immediately following the expiration or termination of Party's association with Franchisee for any reason; except that if a court or arbitrator finds that a six (6) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the three (3) months immediately following the expiration or termination of Party's association with Franchisee for any reason.

(b) The "Restricted Area" for purposes of this Agreement shall be within a seven (7) air-mile radius of any V's Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee's Affiliates; except that if a court or arbitrator finds that a seven (7) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a five (5) air-mile radius of any V's Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee's Affiliates; except that if a court or arbitrator finds that a five (5) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a three (3) air-mile radius of any V's Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee's Affiliates.

(c) "Competitive Services" means any professional services that are similar to or competitive with professional barbering services, including but not limited to haircutting, styling,

barbering or grooming; men's facial services (old-fashioned shaves, moustache or beard trim) facial massage and related retail products offered or provided by Franchisee during the term of the Franchise Agreement.

## **9. Remedies.**

(a) Party acknowledges that the provisions contained in this Agreement (including, without limitation, the territorial and time restraints) are reasonable and necessary and agrees that his failure to adhere strictly to the restrictions contained in Sections 5, 6, 7 and 8 will cause substantial and irreparable damage to Franchisor and to Franchisor's other franchisees. Upon any breach by Franchisee of any of the terms of Sections 5, 6, 7 and 8, Franchisor may institute and prosecute proceedings, at law or in equity, in any court of competent jurisdiction, to obtain an injunction to enforce the provisions of this Agreement and to pursue any other remedy to which Franchisor may be entitled. Franchisee agrees that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding which may be brought to enforce any provision of Sections 5, 6, 7, and 8, without the necessity of posting bond therefor or proof of actual damages.

(b) Upon any breach of Section 5, Party will, as liquidated damages and not as a penalty, be obligated to pay to Franchisor an amount equal to the compensation paid by Franchisor or any of its Affiliates during the one year (annualized, if less than one year) immediately prior to the breach of Section 5 to the person who is or was employed or engaged as an independent contractor or otherwise by Franchisor or any of its Affiliates.

(c) Upon any breach of Section 6, Party will, as liquidated damages and not as a penalty, be obligated to pay to Franchisor an amount equal to 50% of the amount received by Franchisee or Party from the vendor, supplier or customer, or the amount paid to the vendor, supplier or customer, as the case may be.

(d) Upon any breach of Section 7, Party will, as liquidated damages and not as a penalty, be obligated to pay to Franchisor \$30,000 for each site operated in breach of Section 7, plus 10% of the sales from all services and products sold by or from a site operated in breach of Section 7.

(e) If the scope of any restriction contained in Sections 5, 6, 7 and 8 is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and Party each consents and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in Sections 5, 6, 7, and 8 is independent and severable and, to the extent that any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement or the legality, validity or enforceability of that provision in any other jurisdiction.

(f) Any period of time during which Franchisee is in violation of the covenants under this Agreement shall operate to extend the duration of the Restricted Period for the same length of time during which Franchisee is in violation.

## **10. General and Miscellaneous.**

(a) Entire Agreement; Amendment. This Agreement contains the entire agreement and understanding between the parties hereto with respect to the subject matter hereof, and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. The express terms hereof control and supersede any course of performance or usage of the trade inconsistent with any of the terms hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by each of the parties hereto.

(b) Binding Nature of Agreement. This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(c) Arizona Law to Govern; Mediation; Waiver of Rights; Arbitration; Statute of Limitations.

(i) This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary; provided, however, that any law of the State of Arizona that regulates the offer or sale of franchises or business opportunities, or governs the relationship between a franchisor and its franchisees, will not apply unless its jurisdictional requirements are met independently without reference to this paragraph.

(ii) All disputes that arise between Franchisor (or Franchisee) and Party must be submitted to non-binding mediation before an action may be brought in a court of competent jurisdiction or in arbitration; provided, however, that this does not apply in cases where Franchisor (or Franchisee) brings an action against Party for an express obligation to pay monies or to obtain possession of premises, declaratory relief, preliminary or permanent equitable relief and/or any action at law for damage to Franchisor's goodwill, trademarks or other property.

(iii) The parties waive and agree not to include in any complaint or arbitration demand: class action claims, demand for trial by jury, claims for lost profits or claims for punitive, consequential, special, multiple, or exemplary damages. No claim by Party may be consolidated with the claims of any other person. If any complaint is filed that contains any of these claims or a jury demand, or if a court determines that all or any part of the waivers are ineffective, then the complaint shall be dismissed with prejudice leaving the parties to their arbitration remedies, below. If such claims and demands cannot by law be waived, the parties agree that any recovery shall not exceed 2 times actual damages except for an award of multiple damages to Franchisor (or Franchisee) for any willful trademark infringement by Party.

(iv) Either party may choose to submit a dispute to arbitration administered by the American Arbitration Association ("AAA") under its Commercial Arbitration Rules and under the Federal Rules of Evidence; provided, however, that this does not apply in cases where Franchisor (or Franchisee) brings an action against Party for an express obligation to pay monies or to obtain possession of premises, declaratory relief, preliminary or permanent equitable relief and/or any action at law for damage to Franchisor's goodwill, trademarks or other property. The arbitrator shall require a showing of good cause by any party making a request for any discovery prior to the arbitration hearing. The arbitrator(s) shall issue a reasoned award, with findings of fact and conclusions of law. Actions to enforce an express obligation to pay monies may be brought under the Expedited Procedures of the AAA's Commercial Arbitration Rules. The place of arbitration shall be Phoenix, Arizona. The Federal Arbitration Act shall govern, excluding all state arbitration law. Arizona law shall govern all other issues.

(v) Disputes concerning the validity or scope of arbitration, including whether a dispute is subject to arbitration, shall be determined pursuant to the Federal Arbitration Act, 9

(vi) U.S.C. §1 et seq., as amended from time to time.

(vii) Either party may appeal the final award of the arbitrator(s) to the appropriate U.S. District Court, which will be located in Maricopa County, Arizona. The court's review of the arbitrator's findings of fact shall be under the clearly erroneous standard, and the court's review of all legal rulings shall be de novo. If it should be determined that this provision for federal court review is not enforceable, then either party may appeal the arbitrator's final award to a panel of 3 arbitrators chosen under AAA procedures, which shall employ the same standards of review stated immediately above.

(viii) Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

(ix) The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement, however effected.

(x) Any complaint or arbitration demand must be filed with the court or the AAA, as applicable, within 2 years after the occurrence of the events giving rise to the claim.

(d) In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees incurred in connection with any proceeding.

(e) Third Party Beneficiary. Franchisor is an express third party beneficiary of this Agreement and may, directly or indirectly, enforce any obligation of Party hereunder.

## 11. Identification of Parties.

(a) the person identified as "Party" or "Parties" in this Agreement are:

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(b) The "Franchisee" in this Agreement is:

**Party has read this entire Agreement carefully and fully understands the limitations that this Agreement imposes upon Party and acknowledges and agrees that those limitations are reasonable.**

Date: \_\_\_\_\_

Executed by: \_\_\_\_\_ (Sign Name)

Name: \_\_\_\_\_ (Print Name)



(d) This Section will apply while You are employed by us and after your employment is terminated (by You or us).

## **2. Franchisor Owns All Copyrights, Innovations and Publicity Rights.**

(a) You agree that you will follow Franchisor's rules and requirements regarding its advertising, promotional and other copyrighted materials. You agree that all materials that You write or develop for the Franchised Business (the "Materials") will be deemed a "work-made-for-hire," and that all ownership rights (such as any copyrights) in such materials are assigned by You to Franchisor by this Agreement.

(b) You agree that any ideas, techniques, methods, processes and procedures, formulae, services and products relating to the Franchised Business that You conceive, invent, create, design and/or develop (the "Innovations"), and Your rights thereto, are assigned by You to Franchisor by this Agreement.

(c) You agree that Franchisor and/or Franchisee may use Your name, likeness and voice (such as photos and audio and video recordings) for purposes of promoting the V's Barbershop franchise system or a particular V's Barbershop. You agree that Franchisor will own all right, title and interest, to the extent allowed by law, in all rights of integrity, disclosure and publication and any other rights that may be known as or referred to as "moral rights," "artist's rights," "publicity rights" or the like associated with such photos and audio and video recordings ("Publicity Rights"), and that all such rights are assigned by You to Franchisor by this Agreement.

(d) You will sign additional documents requested by Franchisor confirming Your assignment of your rights to the Materials, the Innovations and Publicity Rights.

**3. You Will Not Hire Certain People.** You will not, directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), employ, hire or engage as an independent contractor any person who is or was employed or engaged as an independent contractor by Franchisor or any of its Affiliates or Franchisee or any of its Affiliates. This Section will apply while You are employed by us and for the "Restricted Period" to perform "Competitive Services."

**4. You Will Not Solicit Certain People.** You will not, during Your employment with us and for the "Restricted Period," directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise),

(a) perform Competitive Services for or solicit for the performance of Competitive Services any person or client for whom You performed professional services within a six months period preceding the termination of Your employment (by You or us);

(b) perform Competitive Services for or solicit for the performance of Competitive Services any person or client whom received professional services from us within a six months period preceding the termination of Your employment (by You or us); or

(c) solicit for business or engage in business in connection with the cutting or styling of hair, shaving, facials and related retail products with any person who is a vendor or supplier (or an employee of a vendor or supplier) or a customer of Franchisee or another V's Barbershop Business within a six month period preceding the termination of the Franchise Agreement and/or this Agreement.

## **5. Non-Competition.**

(a) You will not, during Your employment with us and for the “Restricted Period,” directly or indirectly (as an owner, partner, director, officer, employee, manager, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that provides cutting or styling of hair, shaving, facials and related retail products within the “Restricted Area.”

(b) After Your employment with us is terminated (by You or us), You will not, directly or indirectly (as an owner, partner, director, officer, consultant, shareholder, representative, agent, lender or otherwise), be engaged in a business that provides cutting or styling of hair, shaving, facials and related retail products within the Restricted Area; provided, however, that, after the term of Your association with us, You may be employed as a licensed barber or cosmetologist within such restricted area provided that (i) You are not an owner, partner, director, officer, manager, consultant, shareholder, representative, agent or lender of the business by which he is employed and (ii) you are in full compliance with Section 4 of this Agreement.

## **6. Definitions.**

(a) The “Restricted Period” for purposes of this Agreement shall be the nine (9) months immediately following the expiration or termination of Your employment with Franchisee for any reason; except that if a court or arbitrator finds that a nine (9) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the six (6) months immediately following the expiration or termination of Your employment with Franchisee for any reason; except that if a court or arbitrator finds that a six (6) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the three (3) months immediately following the expiration or termination of Your employment with Franchisee for any reason; except that if a court or arbitrator finds that a six (6) month Restricted Period is not reasonably necessary to protect the legitimate business interests of Franchisor, the Restricted Period shall be the three (3) months immediately following the expiration or termination of Your employment with Franchisee for any reason.

(b) The “Restricted Area” for purposes of this Agreement shall be within a five (5) air-mile radius of any V’s Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee’s Affiliates; except that if a court or arbitrator finds that a five (5) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a three (3) air-mile radius of any V’s Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee’s Affiliates; except that if a court or arbitrator finds that a three (3) air-mile radius Restricted Area is not reasonably necessary to protect legitimate business interest of Franchisor, the Restricted Area shall be a one (1) air-mile radius of any V’s Barbershop previously or presently owned, in whole or in part, by Franchisee or any of Franchisee’s Affiliates.

(c) “Competitive Services” means any professional services that are similar to or competitive with professional barbering services, including but not limited to haircutting, styling, barbering or grooming; men’s facial services (old-fashioned shaves, moustache or beard trim) facial massage and related retail products offered or provided by Franchisee during the term of the Franchise Agreement.

## **7. Our Remedies.**

(a) You agree that the provisions of this Agreement (such as the territorial and time restraints) are reasonable and necessary. You agree that if You don't comply with the provisions of this Agreement, We, Franchisor and other franchisees will suffer substantial and irreparable damage. You agree that if You don't comply with the provisions of this Agreement, Franchisor may obtain an injunction to enforce the provisions of this Agreement and to pursue other remedies. You agree that the rights conveyed by this Agreement are of a unique and special nature and that Franchisor's remedy at law for any breach would be inadequate and agrees and consents that temporary or permanent injunctive relief may be granted in any proceeding that may be brought to enforce the provisions of this Agreement.

(b) If the scope of any restriction contained in this Agreement is too broad to permit the enforcement of that restriction to its fullest extent, then that restriction will be enforced to the maximum extent permitted by law, and Franchisor and You each consents and agrees that the scope may be judicially limited or modified accordingly in any proceeding brought to enforce that restriction. Each provision contained in this Agreement is independent and severable and, if any provision is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable, that declaration will not affect the legality, validity or enforceability of any other provision contained in this Agreement.

(c) Liquidated Damages. In the event you breach the non-competition and/or non-solicitation provisions of this Agreement, you shall pay Liquidated Damages to us and/or the Franchisor of: (i) the amount equal to one-half (1/2) of the Initial Franchise Fee that Franchisor is then charging to new V's Barbershop franchisees that open 1 location; and (ii) twelve percent (12%) of your Gross Sales for each day that you are in violation of such provisions beginning on the date you first violate the non-competition and/or non-solicitation provisions and continuing for two (2) years. Such Liquidated Damages shall be deemed to be a genuine pre-estimate of the foreseeable damages incurred by us or Franchisor due to your breach of the reasonable non-competition and non-solicitation provisions shall be the Franchisor and our sole recourse for your breach of these provisions.

(d) You agree that any period of time during which You are in violation of the covenants under this Agreement, it shall operate to extend the duration of the Restricted Period for the same length of time during which You are in violation.

**8. Arizona Law Will Govern this Agreement.** This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary.

**9. Franchisor May Enforce Our Rights Under this Agreement.** Franchisor is an express third party beneficiary of this Agreement and may, directly or indirectly, enforce any of Your obligations under this Agreement.

**You have read this entire Agreement carefully and fully understand the limitations that this Agreement imposes upon You and acknowledges and agrees that those limitations are reasonable**

Date: \_\_\_\_\_

Executed by: \_\_\_\_\_ (Sign Name)

Name: \_\_\_\_\_ (Print Name)



**AUTHORIZATION FOR DIRECT PAYMENT AUTOMATIC BILL PAYMENT**

I (we) authorize V's Barbershop Franchise, LLC (the "Company") to initiate variable entries to my (our) account(s) described below. The bank designated below (the "Bank") is requested and authorized to honor and charge to the account described checks and debits drawn on such account that are payable to the Company.

Checking Account No. \_\_\_\_\_  
 Savings Account No. \_\_\_\_\_  
 Financial Institution's Name \_\_\_\_\_  
 Financial Institution's Address \_\_\_\_\_  
 \_\_\_\_\_

Please attach a voided check or deposit slip below:

Attach Voided Check Her

This authority is to remain in full force and effect until the Company and the Bank have received written notification of its revocation in such time and manner as to afford the Company and the Bank a reasonable opportunity to act on it.

Signature	
Full Name	
Date	

## **ADDENDUM TO LEASE**

This Addendum to Lease (the "Addendum") is incorporated into and attached as an exhibit to the lease between \_\_\_\_\_, as Landlord, and \_\_\_\_\_, as Tenant, dated \_\_\_\_\_ (the "Lease"), pursuant to which Landlord has leased certain premises to Tenant, which premises are described in the Lease (the "Premises").

### **RECITALS**

**A.** V's Barbershop Franchise, LLC, an Arizona limited liability company ("Franchisor"), as franchisor, and Tenant, as franchisee, have entered or will be entering into a Franchise Agreement (the "Franchise Agreement") which provides for (among other things) the operation by Tenant of a franchised barbershop facility under Franchisor's criteria and guidelines.

**B.** Landlord and Tenant have entered into the Lease for the use by Tenant of the Premises for the purposes set forth in the Lease and in this Addendum.

**C.** Pursuant to the Franchise Agreement, Franchisor has the right to approve Tenant's operation of a retail facility at the Premises. As a condition of such approval, Franchisor requires that the terms contained in this Addendum be incorporated in the Lease.

### **AGREEMENT**

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. Permitted Use.** The Premises will be used solely for the operation of a retail business specializing in professional haircutting and hair care services catering primarily to a male clientele and providing haircutting, hair care and grooming services, shaving, facial care, shoe shines, and other services and products offered or sold from Franchisor's other barbershop facilities. The business operated by Tenant from the Premises will be identified solely by the service mark V's Barbershop®. Tenant will not change the service mark or trade name it uses at the Premises without the prior written approval of Franchisor.

**2. Notices.** If Landlord sends a notice of breach or default under the Lease to Tenant, Landlord will concurrently send a copy of such notice to Franchisor at the following address (or at such other address as may be given by Franchisor to Landlord from time to time):

**V's BARBERSHOP FRANCHISE, LLC**

An Arizona limited liability company

2320 W. Mission Lane, #3

Phoenix, Arizona 85021

(602) 414-4800

[renaeg@vbarbershop.com](mailto:renaeg@vbarbershop.com)

**3. Default of Tenant Under Lease.** If Tenant fails to cure a breach or default under the Lease within the applicable cure period set forth in the Lease, Landlord will give Franchisor written notice of such failure (a "Lease Default Notice") before Landlord terminates the Lease for such breach or default, and Franchisor will have 30 days after its receipt of the Lease Default Notice in which to notify Landlord in writing (an "Election Notice") whether Franchisor elects for the Tenant's interest under the Lease to be assigned to a Permitted Assignee (as defined below). If Franchisor elects for such assignment to occur, such assignment shall be effected

pursuant to Section 5 below. If Franchisor fails to respond to a Lease Default Notice within such 30-day period, Franchisor will be deemed to have elected for such assignment not to occur.

4. Default of Tenant Under Franchise Agreement. If Tenant is in default of the Franchise Agreement, Franchisor may, at its option, send written notice to Landlord and Tenant (a "Franchise Agreement Default Notice") in which Franchisor elects for the Tenant's interest under the Lease to be assigned to a Permitted Assignee. If Tenant fails to vacate the Premises and surrender possession thereof to the Permitted Assignee within 2 days after a Franchise Agreement Default Notice, or such later date as is set forth in the Franchise Agreement Default Notice, Tenant shall be deemed to be in default of the Lease. Following Landlord's delivery of a Franchise Agreement Default Notice, an assignment of the Lease shall be effected pursuant to Section 5 below. Tenant hereby irrevocably authorizes Landlord to rely on any Franchise Agreement Default Notice it receives from Franchisor, and Landlord may disregard any notices or demands it receives from Tenant once Landlord has received a Franchise Agreement Default Notice.

5. Transfer of Tenant 's Interest Under Lease . If Franchisor elects for the Tenant's interest under the Lease to be assigned to a Permitted Assignee pursuant to Section 3 or 4 above, Franchisor shall notify Landlord of the name of the Permitted Assignee designated by Franchisor (the "Transferee"). Upon Landlord's receipt of such notice from Franchisor, the Lease shall be deemed automatically and immediately assigned to Transferee (an "Assignment") and Landlord shall recognize the Transferee as the new tenant under the Lease without the need for any other consent or approval being obtained from Landlord. Other than the name of the Tenant, the terms and provisions of the Lease shall not be modified as a result of the Assignment. Upon an Assignment, Franchisor or Transferee will promptly cure all monetary defaults of the Tenant under the Lease and all non-monetary defaults of the Tenant that are capable of being cured by Franchisor or Transferee, provided such defaults were specified in a Lease Default Notice given prior to the date of the Election Notice or the Franchise Agreement Default Notice, as applicable. Upon the request of Landlord or Franchisor, Landlord and Transferee shall, within 15 days after such request, sign an instrument evidencing the Assignment and recognizing Transferee as the new Tenant under the Lease, which instrument shall be in form reasonably acceptable to Landlord, Franchisor and Transferee; provided, however, that the Assignment will remain in effect even if such instrument is not signed by Landlord and Transferee. Tenant hereby irrevocably designates and appoints Franchisor as Tenant's attorney-in-fact (such power of attorney being coupled with an interest) to sign, on behalf of Tenant, any instruments necessary in connection with an Assignment. If an Assignment is prohibited by law or is otherwise not possible, Landlord and Transferee will enter into a new lease for the lease of the Premises by Landlord to Transferee on terms identical to the terms contained in the Lease, provided that the term of such new lease will be the same as the then-remaining term of the Lease. During the time periods set forth above for the parties to effect an Assignment or a new lease, Landlord shall not terminate the Lease or take possession of the Premises as a result of a breach or default by Tenant under the Lease, and so long as Franchisor or Transferee cures all monetary defaults of the Tenant under the Lease and all non-monetary defaults of the Tenant that are capable of being cured by Franchisor or Transferee (as required above), Landlord will not terminate the Lease or take possession of the Premises as a result of a non- monetary default that Franchisor and Transferee are incapable of curing. If Franchisor elects for the Tenant's interest under the Lease to be assigned or if a new lease is signed (as set forth above), Tenant agrees to peaceably and promptly vacate the Premises within 2 days after the date of the Election Notice or the Franchise Agreement Default Notice, as applicable, or such later date as is set forth in the Election Notice or the Franchise Agreement Default Notice, as applicable. If Franchisor or Transferee cure any defaults of the Tenant under the Lease, such cure will not constitute a waiver by Franchisor of any remedies Franchisor may have against Tenant under the Franchise Agreement or any damages that may

be recovered by Franchisor from Tenant under the Franchise Agreement.

**6. Delivery of Possession.** If Landlord is unable to deliver the Premises to Transferee within 30 days from the date of the Election Notice or the Franchise Agreement Default Notice, as applicable, then Franchisor shall have the right within 30 days thereafter to rescind its election for the Assignment or to terminate the new lease, as applicable, in which event neither Franchisor nor Transferee will have any obligation to cure any defaults of the Tenant under the Lease nor any other liability in connection with the Assignment, the Lease, or the new lease.

**7. De-identification of Premises.** The trademarks, service marks, trade names, copyrights and logos used by Tenant at the Premises (collectively "Intellectual Property Rights") are proprietary rights of Franchisor that are protected under federal and state law. If the Lease is terminated or if Landlord takes possession of the Premises, Franchisor shall have the right to remove any signs and other materials from the Premises that contain or display the Intellectual Property Rights, provided that Franchisor must repair any damage to the Premises caused by such removal. Landlord will give Franchisor access to the Premises to accomplish such removal.

**8. Amendment of Lease.** Landlord and Tenant will not amend the Lease without first obtaining Franchisor's written approval of such amendment.

**9. Assignment and Subletting.** Tenant shall have the right, without Landlord's consent, to assign its interest under the Lease or to sublet the entire Premises to a "Permitted Assignee", which means (a) Franchisor or any successor of such entity, (b) an entity that is a parent, subsidiary or affiliate of Franchisor, (c) an entity with which Franchisor merges or consolidates, (d) any entity that results from a reorganization or restructuring of Franchisor, (e) an entity to which substantially all of the assets of Franchisor are transferred (each of the foregoing entities in clauses (a) through (e) are herein referred to sometimes as a "V's Affiliate"), or (f) any bona fide franchisee of Franchisor (a "V's Franchisee") that has been approved by the normal review procedures of Franchisor, which procedures include inquiries into the applicant's financial condition, credit, criminal and business history, educational background, personal interviews, and the completion by the V's Franchisee of V's Franchisee business management training. Notwithstanding the foregoing, any such assignment shall require the prior written approval of Franchisor. If the Lease is assigned to a V's Affiliate on an interim basis (an "Interim Assignee") and is then subsequently assigned by Interim Assignee to a Permitted Assignee, Interim Assignee shall have no liability for obligations of the Tenant under the Lease arising from and after the date of the assignment by Interim Assignee to the Permitted Assignee.

**10. Signage.** Tenant may, without Landlord's consent, install signage on the exterior of the Premises with Franchisor's standard lettering, logo and colors; provided, however, such signage must comply with the objective criteria (but not any subjective criteria) set forth in Landlord's sign criteria, sign program or sign plan (if any) for the project within which the Premises are located.

**11. Tenant's Financing.** Landlord acknowledges that, from time to time, Tenant may obtain financing secured by a security interest in Tenant's business assets, which business assets include, without limitation, furniture, equipment, trade fixtures, accounts and all other personal property owned by Tenant (the "Collateral"). If Tenant obtains financing secured by the Collateral, Landlord agrees that any landlord lien, security interest or other interest held or claimed by Landlord in the Collateral, whether statutory, common law or otherwise, is automatically subordinate to the security interest granted to Tenant's lender (the "Lender"). Landlord and Tenant grant to Lender the right to enter upon the Premises for the purpose of removing the Collateral from the Premises provided that Lender is responsible for repairing any

damage to the Premises resulting from such removal. Upon the request of Tenant, Landlord and Tenant agree to enter into a written agreement with Lender regarding the foregoing matters, which instrument shall be in form reasonably acceptable to Landlord, Tenant and Lender.

**12. Conflict.** If there is any conflict between a provision of the Lease and a provision of this Addendum, then the applicable provision of this Addendum will supersede the conflicting provision in the Lease.

Landlord and Tenant hereby execute this Addendum as of the date of the Lease.

**LANDLORD:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**TENANT:**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**MULTI-UNIT AGREEMENT**

**AGREEMENT**, dated as of the date set forth on the last page of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the party identified on the last page of this Agreement ("Franchisee").

**RECITALS**

**A.** Franchisor and Franchisee have signed that certain Franchise Agreement, dated as of \_\_\_\_\_ (the "Franchise Agreement"), with respect to the operation by Franchisee of a V's Barbershop® (the "First Unit");

**B.** Franchisee desires to operate additional V's Barbershop® franchises (the "Subsequent Units"); and

**C.** Subject to the terms and conditions of this Agreement, Franchisor is willing to grant an additional V's Barbershop® franchises to Franchisee.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the parties agree as follows:

**1. Grant of Option to Establish Additional V's Barbershops.**

(a) Subject to and in accordance with the terms of this Agreement, Franchisor grants to Franchisee, and Franchisee accepts, an option to establish and operate additional V's Barbershops at the following locations or within the following geographical area (the "Search Territory"):

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In accordance with the following development schedule:

Unit #	Development Deadline
2	One (1) year from the date that Unit #1 (the first franchise agreement signed by Franchisee) opens for business
3	One (1) year from the date that Unit #2 opens for business
4	One (1) year from the date that Unit #3 opens for business
5	One (1) year from the date that Unit #4 opens for business

(b) Subject to and in accordance with the terms of this Agreement, Franchisee (and his Principals, directors, officers, managers and employees) will sign and deliver to Franchisor, in connection with each Unit, a franchise agreement (and such other ancillary agreements and

(c) documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement (including, without limitation, the royalties, the advertising payments and other fees), except that the Franchise Fee payable with respect to the First Unit, for which Franchisee had already paid the Franchise Fee, the Franchisee Fee payable in connection with each Subsequent Unit will be \_\_\_\_\_. The Initial Franchise Fee is not refundable and will be used for our general purposes.

**2. Option Fees.** In consideration of the grant of the option to Franchisee to open Subsequent Units in a manner consistent with this Agreement simultaneously with the signing and delivery of this Agreement, Franchisee has paid to Franchisor, in cash or by cashiers' or certified check the Option Fees with respect to each Subsequent Unit. Franchisee may, in Franchisee's discretion pay Option Fees of either:

(a) 50% of the Initial Franchise Fee payable in connection with each subsequent Unit (not including the first unit for which you will pay the entire Franchise Fee); or

(b) 100% of the Initial Franchise Fee payable in connection with each subsequent Unit.

If you pay 50% of the Initial Franchise Fee payable in connection with each Subsequent Unit, the remaining 50% will be payable upon Franchisee's signing of the franchise agreement with respect to that Unit.

If you pay 100% of the Initial Franchise Fee payable in connection with each Subsequent Unit, you may be entitled to discounted Royalties. (See Section 3 below).

Option Fees are fully earned by Franchisor upon the signing of this Agreement and will be nonrefundable, unless a portion of the Initial Franchise Fee payable under the Franchise Agreement with respect to a Subsequent Unit has been refunded pursuant to Section 3(d) of the Franchise Agreement. However, the portion of the Option Fee applicable with respect to each Subsequent Unit will be credited to Franchisee, as partial payment of the franchise fee, upon the signing of the franchise agreement with respect to that Subsequent Unit.

**3. Royalties.**

(a) Unless otherwise provided in this Agreement, the Royalties payable to us in conjunction with each of your Franchise Agreement and each Subsequent Units will be set forth in the Franchise Agreement executed in conjunction with each Franchise Agreement.

(b) If you are an existing V's Barbershop franchisee at the time you execute this Multi-unit Agreement and you: (i) pay us 100% of Initial Franchise Fee with respect to each V's Barbershop location contemplated by the Multi-unit Agreement; and (ii) agree to open no less than two (2) additional V's Barbershop locations by the development deadlines for each of those locations, we will reduce the Royalties payable with respect to your existing V's Barbershop to 4% of Gross Sales. The Royalties payable for your existing V's Barbershop and any V's Barbershop that you open pursuant to this Multi-unit Agreement will be increased to 5%, upon thirty days written notice to you, if you fail to meet the development deadlines with respect to each Subsequent Unit set forth above provided that you may, in a manner consistent with the Franchise Agreement, extend the development deadline for a franchise by one (1) year if you pay the Extension Fee.

(c) If at the time of execution of this Multi-unit Agreement you: (i) pay 100% of the Initial Franchise Fee with respect to each V's Barbershop contemplated by this Multi-unit Agreement; and (ii) agree to open no less than three (3) V's Barbershops within an agreed upon time frame (the "development deadlines"), we will reduce the Royalties payable with respect to each of your 3 V's Barbershop locations to 4% of Gross Sales. The Royalties payable for each of your V's Barbershop locations will be increased to 5%, upon thirty (30) days written notice to you, if you fail to meet the development deadlines with respect to each Subsequent Unit set forth above provided that you may, in a manner consistent with the Franchise Agreement, extend the development deadline for a franchise by one (1) year if you pay the Extension Fee.

(d) Notwithstanding anything contained in this Agreement to the contrary, Franchisor may refuse to grant Franchisee a franchise or sign a franchise agreement or to allow Franchisee to open a Subsequent Unit contemplated by this Agreement due to Franchisee's failure to satisfy (in Franchisor's sole discretion) all of the conditions set forth in Section 4 of this Agreement. In such event, any Option Fee paid to Franchisor with respect to the Subsequent Unit(s) will not be refunded to Franchisee.

**4. Conditions to Establishing Additional V's Barbershops.** Franchisee acknowledges and agrees that it is critical for Franchisor to protect the Trademarks and to maintain a high quality of services and products provided under the Trademarks. Accordingly, Franchisee acknowledges that Franchisor has a significant interest in granting franchises only to persons who operate their V's Barbershops in accordance with the highest integrity and operational excellence, and agrees that Franchisee's right to establish and operate the Units will be subject to the satisfaction (in Franchisor's sole discretion) of each of the following conditions:

(a) Franchisee must sign a franchise agreement with respect to each Subsequent Unit by the development deadline;

(b) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee (and his Affiliates and their respective Principals, directors, officers, managers and employees) must not be in breach of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates, and no fact or condition exists that, with the passage of time or the giving of notice, would constitute a breach;

(c) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, (i) all V's Barbershops operated by Franchisee (and all of his Affiliates) must be in full compliance with all operational and other requirements, rules and policies contained in Franchisor's Operation Manual and (ii) Franchisee must qualify (in Franchisor's sole discretion) for acceptance as a franchisee under Franchisor's then-current qualifications (including, without limitation, financial qualifications) for franchisees;

(d) Franchisee (and his Principals, directors, officers, managers and employees) signs and delivers to Franchisor, in connection with any such Subsequent Unit, the franchise agreement (and such other ancillary agreements and documents as Franchisor may then require in connection with the signing of franchise agreements) in the form then being signed by new franchisees and will be subject to the terms of such franchise agreement (including, without limitation, the royalties, the advertising payments and other fees; and

(e) At the time that Franchisee seeks to sign a franchise agreement with respect to a Subsequent Unit, Franchisee must sign a general release of Franchisor and its Affiliates, in the form attached hereto as Schedule A, or in such other form as Franchisor may then require. Franchisee agrees that if Franchisee fails to satisfy (in Franchisor's sole discretion) each of the

above conditions, Franchisee will not be entitled to establish or operate the additional V's Barbershops contemplated by this Agreement and that Franchisor will not be obligated to grant Franchisee any additional franchises or sign any additional franchise agreements with Franchisee; provided, however, that Franchisee's rights with respect to Subsequent Units to which both Franchisee and Franchisor have previously signed franchise agreements will not be subject to the terms of this Section 4, but will be subject to the terms of those franchise agreements.

#### 5. Location of Subsequent Units.

(a) Franchisee must establish and operate each Subsequent Unit within the Territory, subject to the approval of that location by Franchisor, which approval may not be unreasonably withheld.

(b) Subject to Section 5(c), if Franchisor desires to operate, or grant any other Person the right to operate, a V's Barbershop within the Territory, Franchisor will provide to Franchisee written notice of the location at which Franchisor intends that V's Barbershop to be located (the "Initiating Notice"). If Franchisee provides to Franchisor, within ten (10) days after the date of the Initiating Notice, written notice of Franchisee's intent to sign the franchise agreement with respect to that Unit at the location specified in the Initiating Notice and that franchise agreement (and all other documents to be signed in connection therewith) is signed by Franchisee (and the balance of the franchise fee (and all other amounts payable in connection therewith) is paid) within 30 days after the date of the Initiating Notice, Franchisor will not operate, or grant any other Person the right to operate, a V's Barbershop at the location specified in the Initiating Notice. If Franchisee fails to satisfy either of those requirements, or this Agreement is terminated, Franchisor will not be subject to the restrictions set forth in this Section 5(b). Notwithstanding the foregoing, if Franchisee fails to satisfy any of the conditions contained in Section 5 at the time that Franchisee's rights under this Section 5(b) would otherwise arise, Franchisor will not be subject to the restrictions set forth in this Section 5(b).

(c) Notwithstanding anything contained in this Agreement to the contrary, including, without limitation, Section 5(b):

(i) Franchisor and/or its Affiliates may market, directly or indirectly, services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) through channels of distribution other than V's Barbershops, including the Internet.

(ii) Franchisor may operate, or grant any other Person the right to operate, V's Barbershops within certain dense retail traffic areas (such as Las Vegas and Honolulu) or unique or non-traditional marketplaces (such as airports, train stations, hotels, casinos, stadiums and sports and entertainment venues), as designated by Franchisor, in its discretion.

(iii) Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) or otherwise on the Internet. Franchisee may not market his V's Barbershops or use the Trademarks on the Internet.

(iv) Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar or other services and products) under the Trademarks (or under other trademarks) outside of the Territory.

(v) Franchisor reserves the right to market services and/or products (including, without limitation, identical, similar or other services and products) under trademarks other than the Trademarks within the Territory.

(d) Franchisee acknowledges that Franchisor presently intends to develop Franchised Businesses (including franchised and company-owned units) throughout the United States and perhaps internationally and that one or more future Franchised Businesses (including franchised and company-owned units) may have an adverse effect on the revenues and profitability of existing Franchised Businesses, including Franchisee's Franchised Businesses. Franchisee further acknowledges that Franchisor has not made any representation or agreement, or provided Franchisee any assurance, that no future Franchised Business (including franchised and company-owned units) would adversely affect the revenues and profitability of Franchisee's Franchised Businesses.

**6. Termination.** This Agreement will terminate upon the earlier of:

(a) The date of the last development deadline specified in Section 1 of this Agreement;

(b) The Insolvency of Franchisee;

(c) The breach by Franchisee (or any of his Affiliates) of any of his (or their) obligations under, or related to, this Agreement, any franchise agreement or any other agreement with Franchisor or its Affiliates; and

(d) The date on which any franchise agreement previously signed by Franchisee (or any of his Affiliates) and Franchisor, or any other agreement between Franchisee (or any of his Affiliates) and Franchisor (or any of its Affiliates), is terminated.

**7. Provisions.** Each provision, condition and term of this Agreement is material, and a breach or violation of any of them will constitute a default of that party's obligations under this Agreement.

**8. Definitions.** All capitalized terms used, but not defined, in this Agreement have the meanings given them in the Franchise Agreement.

**9. Notices.** All communications or notices required or permitted to be given or served under this Agreement must be in writing and will be deemed to have been duly given or made if (a) delivered in person or by courier (including by Federal Express or other courier), (b) deposited in the United States mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, or (c) faxed, and addressed to the address or fax number set forth on the last page of this Agreement. All communications and notices will be effective upon delivery in person or by courier to the address set forth in this Agreement, upon being deposited in the United States mail in the manner set forth above or upon being faxed in the manner set forth above. Any party may change his, her or its address or fax number by giving notice in writing, stating his, her or its new address, to the other party to this Agreement as provided in the foregoing manner.

**10. Transfers; Successors and Assigns.**

(a) Notwithstanding anything contained in this Agreement, or in any other agreement, to the contrary, Franchisee may not assign or otherwise transfer, by operation of law or otherwise, his rights under this Agreement without the prior written consent of Franchisor,

which consent may be withheld by Franchisor in its sole discretion. Any transfer of an equity interest in Franchisee, by operation of law or otherwise, and any merger or consolidation of Franchisee (if a corporation, partnership, limited liability company or other entity) will be deemed to be a transfer of the Franchised Business in violation of this Section 9. Any attempt by Franchisee to assign his rights under this Agreement without Franchisor's prior written consent will be void.

(b) Notwithstanding anything contained in this Agreement to the contrary, Franchisor may assign its rights under this Agreement, or delegate any of its obligations hereunder, without the consent of Franchisee or any other person.

(c) Subject to Section 9(a) of this Agreement, this Agreement will be binding upon and inure to the benefit of the parties and their respective assigns, legal representatives, executors, heirs and successors.

**11. Amendment, Modification or Waiver.**

(a) Except as stated in this Agreement, no amendment, modification or waiver of any condition, provision or term of this Agreement will be valid or of any effect unless made in writing, signed by the parties and specifying with particularity the nature and extent of the amendment, modification or waiver.

(b) Failure on the part of any party to complain of any act or failure to act of another party or to declare another party in default, irrespective of how long the failure continues, will not constitute a waiver by that party of his, her or its rights under this Agreement. Any waiver by any party of any default of another party will not affect or impair any right arising from any other or subsequent default.

**12. Entire Agreement.** This Agreement, including the exhibits, contains the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings between the parties with respect to that subject matter. Each of the exhibits is incorporated in this Agreement by this reference and constitutes a part of this Agreement.

**13. Terminology.** All captions, headings or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and do not constitute a part of this Agreement or a limitation of the scope of the particular paragraph or section to which they apply. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender, will, where appropriate, include all other genders and the singular will include the plural and vice versa.

**14. Counterparts.** This Agreement may be executed in 2 or more counterparts, each of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

**15. Arizona Law to Govern; Jurisdiction; Right to Jury Trial and Class Action Waived; Certain Damages Waived.**

(a) This Agreement will be governed by, and construed and enforced in accordance with, the law of Arizona, regardless of any conflict-of-law provisions to the contrary; provided, however, that any law of the State of Arizona that regulates the offer or sale of franchises or business opportunities, or governs the relationship between a franchisor and its franchisees, will

not apply unless its jurisdictional requirements are met independently without reference to this Section.

(b) Each party agrees that any litigation between the parties will be commenced and maintained only in the courts located in Maricopa County, Arizona, and each party consents to the jurisdiction of those courts.

(c) Franchisee hereby waives the right to a jury trial, waives the right to initiate or participate in a class action in any forum and waives the right to seek or collect punitive, consequential and special damages in any forum.

**16. Attorneys' Fees.** In the event of any claim, controversy or dispute arising out of or relating to this Agreement, or the breach thereof, the prevailing party may recover reasonable attorneys' fees incurred in connection with any proceeding.

**17. Construction.** The parties acknowledge that each party was represented (or had the opportunity to be represented) by legal counsel in connection with this Agreement and that each of them and his, her or its counsel have reviewed this Agreement, or have had an opportunity to do so, and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be employed in the interpretation of this Agreement or any amendments or any exhibits hereto or thereto.

**18. Additional Actions.** Each party agrees to do all acts and things and to make, execute and deliver such written instruments as may from time to time be reasonably required to carry out the terms and provisions of this Agreement.

**19. Computation of Time.** Whenever the last day for the exercise of any privilege or discharge of any duty under this Agreement falls upon Saturday, Sunday or any legal holiday under Arizona law, the party having that privilege or duty will have until 5:00 p.m. Phoenix, Arizona time, on the next succeeding regular business day to exercise that privilege or to discharge that duty.

**20. Currency.** Unless otherwise directed by Franchisor in writing, all amounts contemplated by this Agreement will be paid in United States Dollars and deposited in the bank account specified by the recipient. Computation of any amounts to be paid which require conversion between currencies will be made at the selling rate for United States Dollars quoted by Franchisor's primary bank on the date on which payment is made. Franchisee will pay all costs of currency exchange.

**21. Authority.** Any individual signing below on behalf of a corporation, partnership, Limited Liability Company or other entity personally represents that he has full authority to bind the party or parties on whose behalf he is signing.

**22. Terrorist and Money Laundering Activities.** Franchisee hereby represents and warrants to Franchisor that neither Franchisee, nor any of his Affiliates or their respective equity owners, directors, officers, employees, representatives and agents (collectively, the "Included People"), (a) is identified, by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts currently available at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)) or (b) has violated any law prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the U.S. Patriot Act (text currently available at [www.epic.org/privacy/terrorism/hr3162.html](http://www.epic.org/privacy/terrorism/hr3162.html)), U.S. Executive Order

13224 (text currently available at [www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html](http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html)) or any similar law. Franchisee agrees that he will comply with, and will cause the Included People to comply with, all laws prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government. Franchisee further agrees that he will immediately notify Franchisor of the occurrence of any event, or the development of any circumstances, that might render any of the foregoing representations or warranties to be false, inaccurate or misleading.

**23. Acknowledgement of Franchisee.** Franchisee acknowledges that, except as expressly set forth in the Disclosure Document delivered to Franchisee, neither Franchisor, nor anyone acting on behalf of Franchisor, has made any claims or representations whatsoever regarding potential sales, profits or earnings achievable by Franchisee in connection with the conduct of the Franchised Business at the Units. Franchisee acknowledges that he has been informed and he understands that the successful operation of the Franchised Business at the Units will depend primarily upon the efforts, capabilities and management skills of Franchisee and general economic conditions and trends, and that he cannot rely upon the information set forth in the Disclosure Document as representations or warranties of the results that will be achieved by Franchisee in connection with his operation of the Franchised Business at the Units. Franchisee acknowledges and confirms that he has selected, or will select, the premises on which the Franchised Business at the Units will be established and operated by him, and that the decision to establish and operate the Franchised Business at the Units in those premises was, or will be, made solely by him, without any reliance upon any information provided (if any), recommendation made (if any) or approval given (if any) by Franchisor, its Affiliates or any of their respective shareholders, directors, officers, employees, representatives or agents. Franchisee accepts full responsibility for the consequences of his decision.

**[Signatures on Following Page]**

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**CONSENT OF SPOUSE**  
**(to be signed if Franchisee is a married individual)**

In consideration of the execution of the Multi-unit Agreement to which this Consent is attached (including the exhibits thereto, the "Agreement") by V's Barbershop Franchise, LLC, and knowing that V's Barbershop Franchise, LLC will rely upon this Consent of Spouse, the undersigned spouse of the franchisee identified in the Agreement acknowledges that he/she has read the Agreement, agrees to be bound by provisions and agrees that he/she will make, execute and deliver such instruments and documents that may be necessary to carry out the provisions of the Agreement.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Signature of Spouse)

\_\_\_\_\_  
(Print Name of Spouse)



**RELEASE**

A. V's Barbershop Franchise, LLC, an Arizona limited liability company ("Franchisor"), and the undersigned ("Franchisee"), or one or more of Franchisee's Affiliates (as defined below) have signed the following Franchise Agreements (collectively, the "Franchise Agreements"):

<u>Franchisee/Affiliate</u>	<u>Date</u>	<u>Unit #</u>	<u>Location</u>
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B. Franchisor and Franchisee have signed that certain Multi-unit Agreement, dated as of \_\_\_\_\_ (the "Multi-unit Agreement"), pursuant to which Franchisor has granted Franchisee an option to establish and operate additional V's Barbershops.

C. One of the conditions precedent to Franchisee's right to establish and operate the additional V's Barbershops is the signing and delivery by Franchisee of a general release of Franchisor and its Affiliates.

D. Franchisee or one of his Affiliates desires to establish and operate an additional V's Barbershops and to exercise its rights under the Multi-unit Agreement in connection therewith.

**AGREEMENT**

**IN CONSIDERATION OF** Franchisor's agreeing to grant Franchisee or one of his Affiliates a franchise to establish and operate V's Barbershop Unit # \_\_\_ in accordance with the Multi-unit Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged:

1. Franchisee, on behalf of Franchisee and his Affiliates and their respective shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Franchisee Parties"), hereby releases, discharges and acquits Franchisor and Sublessor and their Affiliates and their respective shareholders, members, directors, employees, representative and agents (collectively, the "Franchisor Parties") for, from and against any and all claims, demands and causes of action (whether now existing or hereafter arising, known or unknown) that any of the Franchisee Parties now has or may in the future have against any of the Franchisor Parties that resulted, result or may result from, arise out of or relate to the Franchise Agreements, offering and sale of the V's Barbershop® franchise thereby, the establishment and operation of the Franchisee Parties' V's Barbershops® and/or the relationship among the Franchisor Parties and the Franchisee Parties in connection with any of the foregoing.

2. For purposes of this Release, the term "Affiliate" means any person or entity controlling, controlled by or under common control with another person or entity.

3. This Release is not intended to, nor will it, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**EXECUTED** as of the date first set forth above.

\_\_\_\_\_

[Name of Franchisee]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**RIDER TO MULTI-UNIT AGREEMENT FOR ILLINOIS RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN ILLINOIS ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Multi-unit Agreement, dated as of the date hereof, by and between Franchisor and Franchisee is amended as follows:

1. Sections 14(a) and (b) of the Multi-unit Agreement will be revised to read as follows:

“(a) This Agreement will be governed by, and construed and enforced in accordance with, the law of Illinois, regardless of any conflict-of-law provisions to the contrary.

“(b) Each party agrees that any litigation between the parties will be commenced and maintained in the courts located in the county in Illinois in which Franchisee’s principal business office is located, and each party consents to the jurisdiction of those courts.”

2. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois is void.

3. The following sentence is added to the end of Section 12 of the Multi-Unit Agreement:

“Notwithstanding the foregoing, nothing in this agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.”

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO MULTI-UNIT AGREEMENT FOR INDIAN A RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN INDIANA ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

1. Indiana law prohibits Franchisor from requiring Franchisee to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana Deceptive Franchise Practices Act or requiring any controversy between Franchisee and Franchisor to be referred to any person, if referral would be binding upon Franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.
2. Indiana law prohibits Franchisor from limiting litigation brought for breach of the terms of the Multi-unit Agreement.
3. Indiana law may prohibit Franchisor from designating Arizona law to govern the Multi-unit Agreement. If it is so construed, Indiana law will govern the Multi-unit Agreement.

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO MULTI-UNIT AGREEMENT FOR MARYLAND RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN MARYLAND ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Multi-unit Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The provisions of Section 22 are not intended to, nor will they, act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
2. Pursuant to the Maryland Franchise Registration and Disclosure Law, litigation arising out of the Multi-unit Agreement may be conducted in Maryland.
3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the Franchise.

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO MULTI-UNIT AGREEMENT FOR MINNESOTA RESIDENTS AND FRANCHISEES  
WHOSE FRANCHISES WILL BE LOCATED IN MINNESOTA ONLY**

**AGREEMENT**, dated as of the date set forth at the end of this Agreement, by and between **V's BARBERSHOP FRANCHISE, LLC**, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Multi-unit Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. The provisions of Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.440J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Multi-unit Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.
2. Section 14(c) of the Multi-unit Agreement will be deleted. The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**RIDER TO MULTI-UNIT AGREEMENT FOR NORTH DAKOTA RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN NORTH DAKOTA ONLY**

AGREEMENT, dated as of the date set forth at the end of this Agreement, by and between V's BARBERSHOP FRANCHISE, LLC, an Arizona limited liability company ("Franchisor"), and the franchisee identified at the end of this Agreement ("Franchisee").

That certain Multi-unit Agreement, dated as of the date hereof, by and between Franchisor and Franchisee, is amended as follows:

1. Section 14 of the Multi-unit Agreement is subject to the following: (a) litigation may be conducted in North Dakota, (b) North Dakota law will govern the Multi-unit Agreement and (c) paragraph (c) will be deleted.

The undersigned does hereby acknowledge receipt of this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Agreement, or caused this Agreement to be executed, as of \_\_\_\_\_.

**V's BARBERSHOP FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Diego Valenzuela  
Managing Member & CEO  
2320 W. Mission Lane, #3  
Phoenix, Arizona 85021

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_

**GENERAL RELEASE (SPECIMEN)**

Franchisee and its shareholders and members, on their own behalf and on behalf of their respective Affiliates and their respective, shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Franchisee Parties"), hereby release, discharge and acquit V's Barbershop Franchise LLC, an Arizona limited liability company ("Franchisor"), and its Affiliates and their respective shareholders, members, directors, officers, employees, representatives and agents (collectively, the "Franchisor Parties") for, from and against any and all claims, demands and causes of action that accrued on or prior to the date hereof (whether now existing or hereafter arising, known or unknown) that the Franchisee Parties (or any of them) may now or in the future have against the Franchisor Parties (or any of them), including, without limitation, claims, demands and causes of action that resulted, result or may result from, arise out of or relate to that certain Franchise Agreement, dated as of [date], by and between Franchisor and Franchisee, the operation of Franchisee's V's Barbershop®, the offering and sale of Franchisee's V's Barbershop® franchise and/or the relationship among Franchisor (or the other Franchisor Parties) and the Franchisee Parties (or any of them) in connection with any of the foregoing.

For purposes of this Release, the term "Affiliate" means any person or entity controlling, controlled by or under common control with another person or entity.

The above does not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Date: \_\_\_\_\_

FRANCHISEE

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
[Name of Shareholder/Member]

\_\_\_\_\_  
[Name of Shareholder/Member]

\_\_\_\_\_  
[Name of Shareholder/Member]

**[the form you may be required to sign may differ from the above]**

**Franchisee Disclosure Questionnaire**

As you know, V's Barbershop Franchise, LLC and you are preparing to enter into a Franchise Agreement for the operation of a V's Barbershop®. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented. In this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. You must sign and date this Questionnaire the same day that you sign the Franchise Agreement. You cannot sign or date this Questionnaire the same day as the Receipt for the Disclosure Document. Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the back of this sheet.

Question	Yes	No
1. Have you received and personally reviewed the Franchise Agreement and each exhibit or schedule attached to it?		
2. Have you received and personally reviewed the Disclosure Document we provided?		
3. Did you sign a receipt for the Disclosure Document indicating the date you received it?		
4. Do you understand all of the information contained in the Disclosure Document and all of the terms of the Franchise Agreement?		
5. Have you reviewed the Disclosure Document and the Franchise Agreement with a lawyer, accountant or other professional advisor?		
6. Have you discussed the benefits and risks of developing and operating a V's Barbershop with existing V's franchisees?		
7. Do you understand the risks of developing and operating a V's Barbershop franchise?		
8. Do you understand that the success or failure of your V's Barbershop will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?		
9. Do you understand that, subject to applicable state law, any applicable mediation, arbitration or litigation must take place in Arizona?		
10. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the costs involved in operating a V's Barbershop, or otherwise, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		
11. Do you agree that no employee or other person speaking on our behalf has made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn or the total amount of revenue a V's Barbershop will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?		

Question	Yes	No
12. Do you understand that the Franchise Agreement and the exhibits to the Franchise Agreement and the Disclosure Document contain the entire agreement between us and you concerning your purchase of a V's Barbershop franchise and that any oral or written statements, if any, not contained in the Franchise Agreement or Disclosure Document will not be binding?		

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]:

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HE UNDERSIGNED UNDERSTANDS THAT HIS ANSWERS ARE IMPORTANT TO V's BARBERSHOP FRANCHISE, LLC AND THAT V's BARBERSHOP FRANCHISE, LLC WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, THE UNDERSIGNED REPRESENTS AND WARRANTS THAT HE HAS CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO EACH OF THE ABOVE QUESTIONS.

EXECUTED as of \_\_\_\_\_

**FRANCHISEE**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ADDITIONAL DISCLOSURES REQUIRED BY CERTAIN STATES**

**FOR CALIFORNIA RESIDENTS AND FRANCHISEES WHOSE FRANCHISES WILL BE  
LOCATED IN CALIFORNIA ONLY**

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.

The terms of certain items of this Disclosure Document may have been negotiated with other franchisees. V's is required to deliver to prospective California franchisees all Notices of Negotiated Sales filed with the California Department of Corporations during the preceding 12-month period. Such Notices of Negotiated Sales, if any, are attached to this Disclosure Document as Attachment 2.

Item 1

The following language is added to Item 1:

Information regarding the licensing and operational requirements in California can be obtained by contacting the California State Board of Barbering and Cosmetology by telephone at (800) 952-5210 or from its website located at [www.barbercosmo.ca.gov](http://www.barbercosmo.ca.gov).

Item 3:

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

Item 6:

The highest interest rate permitted in California is ten percent (10%) per annum.

Items 9 and 17

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Item 17

The Franchise Agreement requires application of the laws of the State of Arizona. This provision may not be enforceable under California law.

The Franchise Agreement required binding arbitration. The arbitration will occur in Phoenix,

Arizona, with the costs being borne by the non-prevailing party.

The Franchise Agreement requires that any litigation be held in Phoenix, Arizona. Costs will be borne by the non-prevailing party.

Franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as California Business and Professions Code Section 20040.5 and California Code of Civil Procedure Section 1281) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENTS OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT WWW.CORP.CA.GOV.

You must sign a general release if you renew or transfer your franchise, California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law. (11 U.S.C.A. Sec. 101 et seq.).

**FOR HAWAII RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN HAWAII ONLY**

THESE FRANCHISES 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 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 V's AND THE FRANCHISEE.

**FOR ILLINOIS RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN ILLINOIS ONLY**

The initial franchise fees are deferred until Franchisor completes all Franchisor's initial obligations to Franchisee and Franchisee has commenced doing business. This deferral requirement has been imposed by the Illinois Attorney General's Office based on Franchisor's

financial condition.

The Illinois Franchise Disclosure Act prohibits us from requiring Arizona law to govern the Franchise Agreement or litigation to be conducted outside Illinois. Accordingly, Illinois law will govern the Franchise Agreement and litigation may be conducted in Illinois. In addition, the Illinois Franchise Disclosure Act prohibits us from requiring you to waive your right to a jury trial.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois is void.

Payment of initial franchise fees will be deferred until Franchisor

**FOR INDIANA RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN INDIANA ONLY**

Indiana law prohibits us from operating a substantially identical business to that conducted by you pursuant to the Franchise Agreement within a reasonable area, regardless of the trade name used by Franchisor.

Indiana law prohibits us from requiring you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability to be imposed pursuant to the Indiana Deceptive Franchise Practices Act or requiring any controversy between us to be referred to any person, if referral would be binding upon Franchisee. Such prohibition does not apply to arbitration before an independent arbitrator.

Indiana law prohibits us from limiting litigation brought for breach of the terms of the Franchise Agreement. Accordingly, certain provisions of the Franchise Agreement (such as the reservation of right to injunctive relief, the designation of forum and venue and specification or limitation of remedies) may not be enforceable. Indiana law may prohibit us from designating Arizona law to govern the Franchise Agreement. If it is so construed, Indiana law will govern the Franchise Agreement.

The Franchise Agreement contains a covenant not to compete. Indiana law prohibits franchisors from requiring a franchisee to covenant not to compete with the franchisor for a period longer than 3 years or in an area greater than the exclusive area granted by the franchise agreement or, in the absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

**FOR MARYLAND RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN MARYLAND ONLY**

The following items of the Disclosure Document are amended as follows:

Item 11

V's will provide any Maryland franchisee the most recent accounting of advertising payment fund expenditures within 15 days after his or her request.

Item 17

The Maryland Franchise Registration and Disclosure Law prohibits us from requiring litigation to be conducted outside Maryland. Accordingly, litigation may be conducted in Maryland.

The general release required as a condition of purchase, renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

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

**FOR MICHIGAN RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN MICHIGAN ONLY**

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions is in these franchise documents, it is void and cannot be enforced against you:

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. 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 Investment Law. This shall not preclude a franchisee, after entering into a franchise agreement, from setting any and all claims.
3. 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.
4. 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 and equipment, fixtures and furnishings not reasonably required in the conduct of the Franchised Business are not subject to compensation. This paragraph applies only if: (a) the term of the franchise is less than 5 years and (b) 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.
5. 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 paragraph does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside the State of Michigan. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside the State of Michigan.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This paragraph 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:

The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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.

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This paragraph 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 paragraph 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 paragraph 3 above.

9. 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 should be directed to the Michigan Consumer Protection Division of the Department of the Attorney General, whose address is 70 Law Building, Lansing, Michigan 48913 and whose telephone number is (517) 373-7117.

**FOR MINNESOTA RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN MINNESOTA ONLY**

Minnesota Statutes Section 80C.21 and Minnesota Rule 2860.440J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in this Disclosure Document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, Minnesota Statutes Section 80C.12(1)(g) requires us to protect your right to use the Trademarks. Accordingly, Item 13 of the Disclosure Document and comparable provisions of the Franchise Agreement will be modified to require us to protect your right to use the Trademarks, as well as indemnify you for damages for which you are held liable in any lawsuit arising out of your use of the Trademarks in compliance with the Franchise Agreement.

Minnesota Statutes Section 80C.17(5) which provides for a three-year statute of limitations, which will supersede Section 28(i) of the Franchise Agreement.

With respect to franchises governed by Minnesota law, V's will comply with Minnesota Statutes Section 80C.14, Subdivisions 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 for non-renewal of the Franchise Agreement.

Minnesota Rule 2860.440D prohibits us from requiring you to sign a general release in

connection with renewal or transfer of the franchise.

Minnesota Rule 2860.4400J prohibits us from enforcing the liquidated damages provision of the Franchise Agreement.

**FOR NEW YORK RESIDENTS AND FRANCHISEES WHOSE  
FRANCHISES WILL BE LOCATED IN NEW YORK ONLY**

**WE WILL NOT GRANT AN EXCLUSIVE TERRITORY TO YOU.**

**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 APPROVES, RECOMMENDS OR ENDORSES IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING CONTAINED IN THIS 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.**

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

Except as disclosed in Item 3, neither the Franchisor, its predecessors nor persons identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of the franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations;

2. Has any pending actions (other than routine litigation incidental to the business) which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations;

3. Has been convicted of a felony or pleaded *nolo contendere* to a felony charge or, within the ten- year period immediately preceding Franchisor's application to register its franchise offering with the State of New York, been convicted of or pleaded *nolo contendere* to a misdemeanor charge or 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; or

4. 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 practices 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 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.

Except as disclosed in Item 4, the franchisor, its affiliates, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

(a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (the “Code”);

(b) obtained a discharge of its debts under the 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 one year after the officer or general partner of the franchisor held this position in such company or partnership.

Except as disclosed in Item 17, Renewal, Termination, Section d: The franchisee may terminate the agreement on any grounds available by law.

Except as disclosed in Item 17, Renewal, Termination, Section j: However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise agreement.

Except as disclosed in Item 17, Renewal, Termination, Section w: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

**FOR NORTH DAKOTA RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN NORTH DAKOTA ONLY**

Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring you to sign a general release in connection with renewal of the franchise.

The restrictive covenant contained in Section 10 of the Franchise Agreement and Exhibits I (Principal, Director and Officer Agreement) and J (Manager and Employee Agreement) may be unenforceable in the State of North Dakota.

Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring litigation to be conducted outside North Dakota. Accordingly, litigation may be conducted in North Dakota.

Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring Arizona law to govern the Franchise Agreement. Accordingly, North Dakota law will govern the Franchise Agreement

Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring you to waive your right to a jury trial or your right to seek or collect punitive, consequential and special damages.

Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring you to consent to liquidated damages.

Section 51-19-09 of the North Dakota Franchise Investment Law prohibits us from requiring you to waive damages in connection with or resulting from the wrongful issuance of an injunction.

**FOR RHODE ISLAND RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN RHODE ISLAND ONLY**

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

**FOR VIRGINIA RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN VIRGINIA ONLY**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for V’s Barbershop Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h:

“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 ground 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.”

**FOR WASHINGTON RESIDENTS AND  
FRANCHISEES WHOSE FRANCHISES WILL BE LOCATED IN WASHINGTON ONLY**

The State of Washington has a statute, RCW 19.100.180, which may supersede the franchise agreement in your relationship with V’s, 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 V’s, including the areas of termination and renewal of your franchise.

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

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

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

Transfer fees are collectible to the extent that they reflect V’s reasonable estimated or actual costs in effecting a transfer.

**RECEIPT**

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 V's Barbershop Franchise, LLC ("V's") 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, or sooner if required by applicable state law. Applicable state law in (a) Michigan requires us to provide you this Disclosure Document at least 10 business 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 and (b) New York and Rhode Island require us to provide you this Disclosure Document the earlier of the first personal meeting or 10 business 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.

If V's 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, D.C. 20580 and the applicable state agency listed in Exhibit A.

Issuance Date: **March 24, 2017**

I received a Disclosure Document dated \_\_\_\_\_ that included the following Exhibits:

- |  |  |
|--|--|
| <b>A</b> List of Agents for Service of Process/State Administrator | <b>I</b> Form of Preauthorization to Debit Funds     |
| <b>B</b> Financial Statements                                      | <b>J</b> Form of Addendum to Lease                   |
| <b>C</b> Table of Contents of Operation Manual                     | <b>K</b> Form of Multi-Unit Agreement                |
| <b>D</b> List of Franchisees                                       | <b>L</b> General Release (Specimen)                  |
| <b>E</b> Form of Franchise Agreement (including exhibits)          | <b>M</b> Form of Franchisee Disclosure Questionnaire |
| <b>F</b> Agreement to Be Bound and Guarantee                       | <b>N</b> Addenda Required by Certain State Laws      |
| <b>G</b> Form of Principal, Director and Officer Agreement         | <b>O</b> Receipts                                    |
| <b>H</b> Form of Manager and Employee Agreement                    |  |

The franchise sellers offering the franchise to me are:

<b>Name</b>	<b>Principal Business Address</b>	<b>Telephone No.</b>
V's Barbershop Franchise, LLC, Diego Valenzuela II, Chris Mitchell Emily Brown	2320 W. Mission Lane, #3 Phoenix, Arizona 85021	(602) 414-4800
Dennis Fuller	308 Sunny Lane, Belleair, FL 33756 33756	(866) 522-8893

Franchisor's other employees, representatives, agents, subfranchisors and third-party brokers who are/were involved in franchise sales activities with the franchisee: \_\_\_\_\_

Date: \_\_\_\_\_  
Signature: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
On Behalf of: \_\_\_\_\_

**RECEIPT**

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 V's Barbershop Franchise, LLC ("V's") 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, or sooner if required by applicable state law. Applicable state law in (a) Michigan requires us to provide you this Disclosure Document at least 10 business 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 and (b) New York and Rhode Island require us to provide you this Disclosure Document the earlier of the first personal meeting or 10 business 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.

If V's 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, D.C. 20580 and the applicable state agency listed in Exhibit A.

Issuance Date: **March 24, 2017**

I received a Disclosure Document dated \_\_\_\_\_ that included the following Exhibits:

- |  |  |
|--|--|
| <b>A</b> List of Agents for Service of Process/State Administrator | <b>I</b> Form of Preauthorization to Debit Funds     |
| <b>B</b> Financial Statements                                      | <b>J</b> Form of Addendum to Lease                   |
| <b>C</b> Table of Contents of Operation Manual                     | <b>K</b> Form of Multi-Unit Agreement                |
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Date: \_\_\_\_\_  
Signature: \_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_  
On Behalf of: \_\_\_\_\_