



**BEAUTY BUNGALOWS FRANCHISING, LLC**

**FRANCHISE DISCLOSURE DOCUMENT**

**ISSUANCE DATE: MARCH ~~10, 2024~~ 2025**

## FRANCHISE DISCLOSURE DOCUMENT



### Beauty Bungalows Franchising, LLC

A Wyoming limited liability company  
257 Wake Forest Road  
Costa Mesa, CA 92626  
209-996-8722

franchise@beautybungalows.com  
www.beautybungalows.com

As a Beauty Bungalows franchisee, you will operate a franchised business that licenses individual turn-key salon studios to independent salon professionals under the “Beauty Bungalows” trade name and business system.

The total investment necessary to begin operation of a Beauty Bungalows franchised business ranges from ~~\$784,400 to \$936,650 to \$1,726,500~~ \$1,956,900. This includes \$49,900 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operation of a Beauty Bungalows area development business with the right to open between the minimum of two (2) and up to ten (10) franchised businesses ranges from ~~\$824,400 to \$1,991,500 (two (2) is the minimum required under a multi unit agreement)~~ \$976,650 to \$2,221,900. This includes \$89,900 to \$314,900 that must be paid to franchisor or its affiliate(s).

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 the 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 government agency has verified the information contained in this document.

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jade Blevens, at 257 Wake Forest Road, Costa Mesa, CA 92626; and 209-996-8722.

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 (“FTC”). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 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 ~~10, 2024~~ 2025

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. Out-of-State Dispute Resolution. The franchise agreement and area development agreement requires you to resolve any disputes with the franchisor by mandatory face-to-face negotiation, non-binding mediation, and/or arbitration. These proceedings to negotiate, mediate and/or arbitrate will take place in California. Out-of-state face-to-face negotiation, mediation and arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to negotiate, mediate, or arbitrate with us in California than in your home state.
2. Spousal Liability. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. Mandatory Minimum Payments. You must make minimum royalty and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
4. Franchisor's Financial Condition. The Franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support you.

~~5. Short Operating History. The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.~~

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

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

To simplify the language in this franchise disclosure document (“Disclosure Document”), the terms “we”, “us”, “our”, “Beauty Bungalows”, and “Franchisor” mean Beauty Bungalows Franchising, LLC. The term “You” means the person or entity that buys the franchise (the “Franchisee”). If an entity is the Franchisee, “you” includes the Franchisee’s owners.

**The Franchisor, any Parents, Predecessors and Affiliates**

We are a Wyoming limited liability company formed on July 29, 2021. We do not do business under any other name. Our principal business address is 257 Wake Forest Road, Costa Mesa, CA 92626. We offer franchised businesses (“Beauty Bungalows Franchise(s)”) under the name “Beauty Bungalows”. Our agent for service in Wyoming is Registered Agents, Inc. with an address at 30 N Gould St, Ste. R, Sheridan, WY 82801. Our agents for service of process for other states are listed in Exhibit C to this Disclosure Document. We began offering Beauty Bungalows Franchises in September of 2021. We have never offered franchises in any other line of business. We have not conducted and are currently not conducting any other business activities other than selling and supporting Franchised Businesses.

Beauty Bungalows, Inc. (“BBI”) is a California corporation and shares our principal business address. ~~Since~~ Beginning in October 2017, BBI has operated ~~two (2)~~ three (3) Beauty Bungalows locations in Huntington Beach, CA that are similar to the franchises offered under this disclosure document. We refer to these locations as the “Company-Owned Outlets” in this disclosure document. BBI does not offer franchises in any line of business and does not provide products or services to our franchisees, however the facilities operated by BBI may be utilized in a portion of the training programs we offer to franchisees.

We do not have any predecessors or parent entities. Other than the affiliates disclosed above, we do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

We have not previously conducted, nor currently conduct, a business of the type we offer in this disclosure document.

**Description of the Franchise**

~~We offer Beauty Bungalows offers~~ franchises for the operation of a business ~~providing that provides~~ build-out and ~~lease of~~ licenses turn-key salon studios to ~~salon beauty~~ professionals under the Beauty Bungalows trademarks, trade names, service marks, and logos (“Marks”). Throughout this Disclosure Document, your franchised business will also be referred to as your “location” or ~~your “unit”~~. ~~As a franchisee, you will typically purchase or lease existing building space ranging from 6,000 to 8,000 square feet and convert or remodel the purchased or leased space into individual salon studios which are then licensed to independent salon and beauty professionals. As a franchisee, you will provide general tenant and building management, cleaning and maintenance of common areas, and wireless internet. Each salon professional will control their independently owned business and schedule their own appointments. Each salon professional is required to obtain their own insurance, as well as business, health department, and other professional licenses from relevant state professional licensing boards, where required and depending on the types of services they offer.~~ “unit.”

As a franchisee, you will typically purchase or lease a commercial space ranging from 5,500 to 8,000 square feet and transform it into a collection of high-end, fully equipped salon studios. These studios are then licensed to independent salon and beauty professionals, giving them a private, upscale workspace to operate their businesses. As a Franchisee, you will oversee the daily operations and management of the facility, ensuring that all aspects of the business run smoothly, including but not limited to:

- general maintenance and upkeep of the building
- managing common areas to create a clean, inviting environment
- providing essential amenities such as premium salon equipment and laundry facilities
- ensuring high-quality services like regular cleaning and wireless internet access, and
- maintaining the Beauty Bungalows booking app and systems designed for salon professionals.

Each salon professional must obtain their own insurance, business licenses, health department approvals, and any other required professional licenses as dictated by state and local regulations. With Beauty Bungalows, you're not just opening a salon suite business—you're creating a luxury experience that empowers beauty professionals to thrive in their own businesses.

The Beauty Bungalows Franchise is operated under a business format that includes our valuable know-how, information, trade secrets, methods, Manual, standards, designs, methods of trademark usage, copyrightable works, rental space sources and specifications, software, confidential electronic and other communications, methods of internet usage, marketing programs, and research and development connected with the operation and promotion of the Business (collectively, the “System”) owned and developed by us and known as Beauty Bungalows (“Business”). We are designed to support you in your ongoing business efforts. We reserve the right to change or otherwise modify the System and add, modify, or delete any of our designs, lease processes, or services at any time in our sole discretion.

You must operate your Beauty Bungalows Franchise in accordance with our standard business operating practices and sign our standard franchise agreement (“Franchise Agreement”), which is attached to this Disclosure Document as Exhibit B. In the Franchise Agreement we grant you the right, and you undertake the obligation, to develop and operate one Beauty Bungalows franchise location at a mutually agreed upon site (the “Site”) with an area (the “Site Selection Area”) that we will specify in the Franchise Agreement. You will have no obligation, nor any right, to open any additional locations other than the Site or to use the Marks or the System in any wholesale, e-commerce, or other channel of distribution.

### **Multi-Unit Development Business**

We also offer, to qualified applicants, the opportunity to develop additional units by purchasing the rights to develop multiple Beauty Bungalows Franchises in a defined geographical area (the “Development Area”) in accordance with a specified business development schedule (“Development Schedule”). You will be required to sign our area development agreement (“Area development agreement” or “ADA”) at the same time you execute the Initial Franchise Agreement, and you will be required to develop these additional units within a fixed time period. The Initial Franchise Agreement will count as the first unit developed as part of your ADA. You must sign our then-current franchise agreement for each additional unit opened under the terms of the ADA. These franchise agreements may not be the same as the initial Franchise Agreement that you will sign for your first Franchise (“Initial Franchise Agreement”).

### **The Market and Competition**

The Beauty Bungalows Franchise targets its services to salon, beauty, and wellness professionals, such as stylists, nail technicians, estheticians, and massage therapists. The services we provide are not seasonal in nature. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar services to customers. The market for a centralized salon studio rental business is, in many areas of the country, moderately developed and moderately competitive. However, there are certain areas of the country where the concept is a mature concept, is well developed and highly competitive. The market for commercial leasing services around the country is well developed and highly competitive.

### **Industry Specific Law and Regulations**

Some states may have regulations that apply to barbers and cosmetologists. As a franchisee, you may be subject to general business, employment and other laws and regulations.

Many states and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your business. For example, some states may have real estate rental laws that govern the rental of space in your Beauty Bungalows Franchise. Your Beauty Bungalows Franchise must also comply with various health standards and regulations. You must also comply with laws that apply

## General

This Disclosure Document sets forth the terms on which we currently offer Beauty Bungalows Franchises. We may have offered Beauty Bungalows Franchises individually or under Area development agreements in the past or may currently offer Beauty Bungalows Franchises in other states or countries, on economic and/or other terms which differ from those offered by this Disclosure Document and there may be instances where we have varied, or will vary, the terms on which we offer Beauty Bungalows Franchises to suit the circumstances of a particular transaction.

We retain the right, in our business judgment, to award, or not award, a Beauty Bungalows Franchise to you, regardless of the stage of the franchise award process, costs expended by you or otherwise. You should understand that every detail of your Beauty Bungalows Franchise will be important not only to you, but to us and to all Beauty Bungalows Franchisees in order to: (a) maintain high and uniform operating standards based on the Beauty Bungalows core operating values; (b) increase the demand for the products and services sold by Beauty Bungalows Franchises; and (c) maintain a reputation for offering uniform and high quality products and services, ethical business practices and integrity. A fundamental requirement of your joining and remaining part of the Beauty Bungalows System will be your commitment to the operation of your Beauty Bungalows Franchise consistent with the then-current Beauty Bungalows System standards. During the term of the Franchise Agreement, you must, at all times, develop and operate your Beauty Bungalows Franchise in compliance with all Beauty Bungalows System standards, as we may modify in the future.

### ITEM 2. BUSINESS EXPERIENCE

#### Traci Hawkins – President and CEO

Ms. Hawkins has served as our President and CEO and as President and CEO of BBI in Huntington Beach, California since October of 2017. In addition, Ms. Hawkins has served as the Owner of Porcelain Luxury Salon Suites, LLC in Costa Mesa, California since October of 2017. She has served as the Owner of Porcelain Hair Studio in Huntington Beach, California since December of 2011.

#### Jade Blevens – Director of Franchise Development

Ms. Blevens has served as our Director of Franchise Development since July of 2022. Ms. Blevens served as Sales Manager for Haircare Australia in Brisbane, Australia from January of 2021 to June of 2022. Ms. Blevens served as an independent Sales Consultant for L’Oreal Australia in Gold Coast, Australia from November 2017 to December 2020. Ms. Blevens ~~was self-employed as a Sales Agent in Torquay, Australia from June 2015 to November 2017.~~ Ms. Blevens serves in her current capacity in Carlsbad, California.

### ITEM 3. LITIGATION

No litigation information is required to be disclosed in this Item.

### ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5.  
INITIAL FEES**

**Initial Franchise Fee**

You must pay us an Initial Franchise Fee of \$49,900 for the rights to open a single Beauty Bungalows franchise. The Initial Franchise Fee is due in a lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is deemed fully earned upon receipt and there are no refunds of the Initial Franchise Fee under any circumstances.

**Development Fee for Multi-Unit Development**

If you choose and we agree, you may purchase multiple Beauty Bungalows Franchises under an ADA. You may purchase multiple units in a group of two (2) or more units with our prior approval ~~=(two (2) is the minimum required)=~~ You will be required to sign our ADA and agree to open your additional Beauty Bungalows Franchises upon a set schedule. The Development Fee is deemed fully earned upon receipt and there are no refunds of the Development Fee under any circumstances. If you execute ~~a~~ an ADA, you will be required to execute a Franchise Agreement for the first unit in your ADA concurrently with your execution of the ADA.

The Development Fee you must pay to us depends upon the number of Beauty Bungalows Franchises we grant you the right to develop in your Development Area in accordance with the Development Schedule set forth in the ADA, and is calculated as follows:

**Development Fee Chart**

<b>Number of Franchised Businesses</b>	<b>Initial Franchise Fee</b>	<b>Cumulative Development Fee</b>
1	\$49,900	\$49,900
2	\$40,000	\$89,900
3	\$35,000	\$124,900
4	\$30,000	\$154,900
5	\$30,000	\$184,900
6	\$30,000	\$214,900
7	\$25,000	\$239,900
8	\$25,000	\$264,900
9	\$25,000	\$289,900
10	\$25,000	\$314,900

You must enter into our then-current form of franchise agreement for each Beauty Bungalows Franchise you wish to open under your ADA, but you will not pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements. You must execute our current form of Franchise

The initial fees described above are not refundable under any circumstances.

*[Remainder of page intentionally left blank.]*

**ITEM 6.  
OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5.5% of Gross Revenue or a minimum royalty of \$250 per week, whichever is greater.	Monthly, on the first Tuesday of each month	Your Royalty Fee will begin once your Beauty Bungalows Franchise is open for business. "Gross Revenue" is defined in Note (2) below this table.
Brand Fund Contribution ("Brand Fund")	Currently 1% of Gross Revenue per month. May be increased to a maximum of 2% of Gross Revenue.	Monthly, on the first Tuesday of each month	We may implement or change the contribution amount to the Brand Fund upon thirty (30) days' written notice. All franchisees will be required to contribute the same amounts to the Brand Fund; however the Company- Owned Outlets may not contribute to the Brand Fund in the same amounts as our franchisees.
<del>Contribution ("Brand Fund")</del>	<del>Gross Revenue per month. May be increased to a maximum of 2% of Gross Revenue.</del>	<del>Tuesday of each month</del>	<del>amount to the Brand Fund upon thirty (30) days' written notice. All franchisees will be required to contribute the same amounts to the Brand Fund; however the Company-Owned Outlets may not contribute to the Brand Fund in the same amounts as our franchisees.</del>
Local Area Marketing Requirement	Up to 2% of Gross Revenue. May be reduced to 0% based on your occupancy levels.	Monthly, on the first Tuesday of each month	In addition to the Brand Fund Contribution, you <u>must spend a minimum of 2% per month on local advertising and promotion implemented in a format and using materials and designs approved by us. We may reduce, or waive entirely, the Local Area Marketing Requirement if you reach 75% or greater suite occupancy for available suites at your Beauty Bungalows franchise. If we establish a Marketing Cooperative (described in Note 8 below) then your contributions to any Marketing Cooperative shall count toward your Local Area Marketing Requirement.</u>
Marketing	Revenue. May be	Tuesday of each	must spend a minimum of 2% per month on local

Requirement	reduced to 0% based on your occupancy levels.	month	advertising and promotion implemented in a format and using materials and designs approved by us.  We may reduce, or waive entirely, the Local Area Marketing Requirement if you reach 75% or greater suite occupancy for available suites at your Beauty Bungalows franchise. If we establish a Marketing Cooperative (described in Note 8 below) then your contributions to any Marketing Cooperative shall count toward your Local Area Marketing Requirement.
<u>Marketing Cooperative</u>	Not yet established.  <u>When established, as set by Marketing Cooperative, but not to exceed 2% of monthly Gross Revenue (Note 8)</u>	As established by <u>Marketing Cooperative</u>	See Note 8 regarding Marketing Cooperatives. If <u>we establish a Marketing Cooperative (described in Note 8 below) then your contributions to any Marketing Cooperative shall count toward your Local Area Marketing Requirement.</u>
<del>Cooperative</del>	<del>When established, as set by Marketing Cooperative, but not to exceed 2% of monthly Gross Revenue (Note 8)</del>	<del>Marketing Cooperative</del>	<del>we establish a Marketing Cooperative (described in Note 8 below) then your contributions to any Marketing Cooperative shall count toward your Local Area Marketing Requirement.</del>
<del>Pre-Opening Marketing Spend</del>	<del>\$20,000 – \$22,000</del>	<del>Prior to the opening of your Beauty Bungalows Franchise</del>	<del>You must spend this amount with our preferred marketing vendors for which we will provide you a list. We may reduce the Pre-Opening Marketing Spend if you reach 75% or greater suite occupancy prior to opening your Beauty Bungalows franchise.</del>
Technology Fee (Note 3)	Currently \$150 per month	Due on the 10th of each month	This amount includes your licensing and use of software, communications, or other custom technology for use in <u>your Business. We may add or delete services included in the Technology Fee</u>

Type of Fee	Amount	Due Date	Remarks
			<p><u>your Business. We may add or delete services included in the Technology Fee and raise or lower the Technology Fee upon 30 days' written notice to you.</u></p>
<p><u>Additional or Replacement Training Fee (Note 4)</u></p>	<p><del>\$0 for up to three</del> <del>(3)\$500 per person per day for any additional trainees that you require to attend initial training in a different session</del></p>	<p>Prior to attending training</p>	<p>We provide training for up to three (3) people per <u>Beauty Bungalows Franchise as part of your initial Franchise Fee (or Development Fee, if applicable). While the training is primarily done online, if you request and we agree to do the training in person, you are responsible for your travel and living expenses while training.</u></p> <p><u>If you elect to have more than three (3) people attend initial training, we may charge you the additional training fee per trainee, per day for the additional training sessions. You must have our prior written approval.</u></p>

<p>4)</p> <p>Replacement Training Fee</p>	<p><del>people to attend our initial training (but you are responsible for your travel and living expenses).</del></p> <p><del>\$500 per person per day for any additional trainees that you send to initial training (with our written approval).</del></p> <p><del>\$500 per trainer per day that we provide to conduct replacement training, plus your travel and living expenses.</del></p>	<p><del>training</del></p> <p><del>Prior to attending training</del></p>	<p><del>Beauty Bungalows Franchise as part of your initial Franchise Fee (or Development Fee, if applicable). You are responsible for your travel and living expenses while training.</del></p> <p><del>If you elect to send more than three (3) people to initial training, we may charge you the additional training fee per trainee, per day. You must have our prior written approval to send more than three (3) people to initial training.</del></p> <p><del>If you send a manager or other employee to our training program after you open, we may charge a replacement training fee.</del></p>
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Special Support Fee (Note 5)	\$500 per day for each <u>representative plus our reasonable travel and living expenses.</u>	On demand	Due if we (or a third party) provide <del>in-person</del> <u>in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).</u>
Fee (Note 5)	<del>representative plus our reasonable travel and living expenses.</del>		<del>support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).</del>
Site Selection Support Fee	\$500 per <u>representative per day if you request, and we agree to provide, site</u>	On demand	<del>If you request our on-site assistance or support in evaluating a site to lease or purchase for your Beauty Bungalows Franchise, we may charge you a Site Selection Support Fee. We are under no</del>
<u>Site Selection Support Fee</u>	<u>\$500 per representative per day if you request, and we agree to provide, site selection assistance.</u>	<u>On demand</u>	<u>If you request our on-site assistance or support in evaluating a site to lease or purchase for your Beauty Bungalows Franchise, we may charge you a Site Selection Support Fee. We are under no obligation to provide on-site support or assistance <u>for your site-selection efforts.</u></u>
Transfer Fee (Franchise Agreement) (Note 6)	<del>\$5,000 plus any broker fees associated with the transfer or</del>	<del>Prior to acceptance of transfer. You must pay us a \$1,000 non-</del>	<del>for your site-selection efforts. Payable before you sell your franchise.</del>
<u>Transfer Fee (Franchise Agreement) (Note 6)</u>	<u>\$5,000 plus any broker fees associated with the transfer or sale, per location.</u>	<u>Prior to acceptance of transfer. You must pay us a \$1,000 non-refundable deposit due at the time of application. The remaining balance is due at the time of approval of the transfer.</u>	<u>Payable before you sell your franchise.</u>
		<del>due at the time of application. The remaining balance is due at the time of approval of the transfer.</del>	

Type of Fee	Amount	Due Date	Remarks
Transfer Fee (Development Agreement) (Note 6)	\$5,000 plus any broker fees associated with the transfer or sale.	Prior to acceptance of transfer. You must pay us a \$1,000 non-refundable deposit due at the time of application. The remaining balance is due at the time of approval of the transfer.	This fee is payable for <i>each</i> location for which a franchise agreement has been signed under the ADA.
Audit	Our actual cost	On demand	We pay all audit costs unless the audit shows an understatement of at least 2% of Gross Revenue for any month. Also payable for failure to submit required reports.
Late Payments and Interest	\$100 per day plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law)	On demand	We may charge a late fee if you fail to make a required payment when due. The \$100 per day late fee will not exceed \$500 in any given calendar month.
Franchise Renewal Fee	15% of our then-current initial franchise fee or \$7,500, whichever is greater.	Upon expiration of the initial franchise agreement	Instead of paying the initial franchise fee, upon renewal of your franchise agreement you will pay the reduced renewal fee
National Conference Fee	\$500 per attendee	As incurred	If we conduct an annual conference of franchisees, you must send at least one (1) representative from your Beauty Bungalows Franchise to the conference. We may charge the National Conference Fee regardless of whether or not you actually attend.
Non-compliance Fee	\$500	On demand	We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the <del>non</del> -non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such <del>non</del> -non-compliance.

Third-party Vendors	Pass through of costs, plus reasonable administrative charge. Currently, none.	Varies	We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computersupport vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for
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Type of Fee	Amount	Due Date	Remarks
			<a href="#">support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors together with a reasonable markup or charge for administering the payment program.</a>
Alternative Supplier Evaluation	Our actual costs in inspecting, testing and investigating the alternative supplier or product, plus travel and living expenses.	Upon invoice	You may only use suppliers and products that we designate or approve in writing. If you propose an alternative supplier or product for use in your Beauty Bungalows Franchise, you must pay the costs of our investigation and testing of the supplier/product, including travel and living expenses incurred during the investigation and testing.
Insurance (Note 7)	Actual costs of obtaining insurance on your behalf plus a 10% administrative fee.	On demand	You must purchase the required insurance coverage described in Item 8. If you do not purchase and maintain the required insurance, we may purchase it on your behalf and you must reimburse us for the costs of insurance plus 10% of the premium as an administrative cost for obtaining insurance on your behalf.
Indemnification Costs and Attorney's Fees	Will vary according to circumstance	On demand	You must reimburse us for our attorneys' fees and other costs that we incur in connection with any <del>third-</del> <a href="#">third-</a> party claims brought against us that arise out of, or are related to, the operation of your Beauty Bungalows Franchise. You must pay us our attorney's fees and costs for enforcing the terms of any agreement between you and us if you do not comply with the terms of those agreements.
Lease Rider Review	\$500	Upon Invoicing	We will pass through the cost of having an attorney review the lease rider and negotiate with your landlord on our behalf if you hire an attorney, we have not pre-negotiated a rate with.

**Notes to Item 6:**

(1) We or our affiliates impose all the fees in this table, you pay them to us or our affiliate, and we (or our affiliate) do not refund them. All fees in this Item 6 are uniformly imposed unless otherwise noted.

~~(2)~~ (2) “Gross Revenue” means the total of all receipts derived from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange. Gross Revenue excludes only sales tax receipts that you must by law collect from customers and that you actually pay to the government, promotional or discount coupons to the extent that Franchisee realizes no revenue, and employee receipt of services, if free, or any portion not paid for by an employee. On a monthly basis, we will calculate the Gross Revenue generated from the operation of your Beauty Bungalows Franchise from reports generated by the software programs we require you to use. You must authorize us to make electronic funds transfer debits from your bank account for payment of the Royalty Fee and any other fees you owe to us.

~~(3)~~ (3) Technology Fees include amounts for technology services that we pay for on your behalf. We will automatically deduct the Technology Fees in the same manner that we deduct your royalty payments.

~~(4)~~

(4) Training for you, your Manager, and one additional person (a total of three (3) people) is included in the Initial Franchise Fee. Additional charges are only applied if you choose to train more than three people. Training fees can be increased or decreased by us at any time in our discretion.

(5) Ongoing assistance by telephone is included. We will charge you the Additional Assistance fee only if you require additional assistance at your Beauty Bungalows Franchise location. Fees for additional assistance can be increased or decreased by us at any time in our discretion.

(6) No Transfer Fee is required if you transfer your Beauty Bungalows Franchise to a corporation in which you are the majority stockholder, or if you transfer the Beauty Bungalows Franchise to your child, parent, sibling, or spouse. In all other cases, you must pay the Transfer Fee if you transfer the Beauty Bungalows Franchise.

(7) You must maintain insurance policies in amounts as specified by us periodically in the Manual. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, and all other occurrences against claims of any person, employee, customer, agent, or otherwise.

(8) We may establish and require a marketing cooperative in a geographic area in which two or more Beauty Bungalows are located (“Marketing Cooperative”). The Marketing Cooperative’s members will include all Beauty Bungalows operating in the geographic area, including those operated by us and our affiliates, if applicable. We may require you to join a Marketing Cooperative existing or established in a geographic area encompassing your Beauty Bungalows Franchise. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at least 51% of all Beauty Bungalows operating within the Marketing Cooperative’s area (including those that we and our affiliates operate, if any), with each Beauty Bungalows Franchise receiving one vote. We may collect Marketing Cooperative fees and transfer those fees to the Marketing Cooperative, or the Marketing Cooperative may collect the fees directly, as we determine. If a Marketing Cooperative is established in your geographic area, the members of the Marketing Cooperative will establish your required contribution to the Marketing Cooperative, provided your required contribution to the Marketing Cooperative will not exceed 2% of your Beauty Bungalows Franchise’s monthly Gross Revenue, and any contributions you make to the Marketing Cooperative will count toward your required Local Area Marketing Requirement. We may form, modify, change, dissolve, or merge Marketing Cooperatives. As of the date of this Disclosure Document, there are no cooperatives in existence in certain geographic areas, but these existing cooperatives are elective and are voluntarily formed and managed by the franchisees participating in the cooperative.

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**ITEM 7.  
ESTIMATED INITIAL INVESTMENT**

**A. YOUR ESTIMATED INITIAL INVESTMENT FRANCHISE AGREEMENT**

Type Of Expenditure <sup>(1)</sup>	Low Estimate	High Estimate	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee <sup>(2)</sup>	\$49,900	\$49,900	Lump sum	Upon signing Franchise Agreement	Us
Rent & Security Deposit <sup>3</sup>	\$20,000	\$60,000	As determined by Landlord	Upon signing lease	Landlord
Utilities <sup>4</sup>	\$250	\$3,500	As incurred	Prior to opening	Suppliers, Utilities, etc.
Leasehold Improvements <sup>5</sup>	<del>\$550,000</del> <u>\$675,000</u>	<del>\$1,350,000</del> <u>\$1,553,000</u>	As incurred	Prior to opening	Vendors <del>/</del> <u>and</u> Suppliers
Furniture, Fixtures, and Equipment <sup>6</sup>	<del>\$75,500</del> <u>\$100,000</u>	<del>\$130,600</del> <u>\$150,000</u>	As determined by Vendors	Prior to opening	Vendors and Suppliers
Architecture & Design <sup>7</sup>	\$25,000	\$25,000	As Incurred	Prior to opening	Vendors and Suppliers
Computer Systems <sup>8</sup>	\$500	\$1,000	As determined by Vendors	Prior to opening	Vendors and Suppliers
Insurance <sup>9</sup>	\$1,000	\$1,500	As incurred	Prior to opening or as incurred	Insurance <del>Company/C</del> <u>ompany/</u> Agent
Signage <sup>10</sup>	\$10,000	\$20,000	As incurred	As arranged with Vendors	Vendors
Office Expenses <sup>11</sup>	\$500	\$1,000	As incurred	As incurred	Vendors and Suppliers
Pre-Opening and Grand Opening Marketing Spend <sup>12</sup>	<del>\$20,000</del> <u>\$22,000</u>	<del>\$22,000</del> <u>\$24,000</u>	As incurred	<del>As-incurred</del> <u>Beginning 5 months prior to opening</u>	Vendors and Suppliers
Business Licenses and Permits <sup>13</sup>	<del>\$250,400</del> <u>0</u>	<del>\$1,000</del> <u>10,000</u>	As incurred	As incurred	Government agencies
Professional Fees <sup>14</sup>	\$3,500	\$5,000	As incurred	As incurred	Attorneys, accountants, and other professionals
Travel and Living Expenses to Training <sup>15</sup>	<del>\$3,000</del> <u>0</u>	<del>\$6,000</del> <u>3,000</u>	As incurred	As incurred	Airlines, hotels, food vendors, and other merchants.

Additional Funds (3 Months) <sup>16</sup>	\$25,000	\$50,000	As incurred	As incurred	Suppliers, Utilities
<b>TOTALS<sup>17</sup></b>	<b>\$784,400</b> <b>\$936,650</b>	<b>\$1,726,500</b> <b>\$1,956,900</b>			

**Notes:**

1. Type of Expenditure: The amounts provided in this Item 7 include costs you will incur to start your business. These estimates are based upon Beauty Bungalow's experience developing and operating the Company-Owned outlets and based upon industry data and upon the experience of our management team in operating similar businesses. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. The estimates provided in this Item 7 assume that you will rent the premises in which your Beauty Bungalows Franchise will be located from a third-party landlord. It does not include costs associated with the acquisition of real estate if you decide to operate from a building you purchase. The costs for rent, fixtures and improvements will vary based on the square footage, location, economic climate, market conditions, prevailing interest rates, other financing costs, the conditions of the property, and other physical characteristics of your Beauty Bungalows Franchise.

~~2.~~ 3-Initial Franchise Fee: The Initial Franchise Fee is \$49,900. We will not refund the Initial Franchise Fee(s) or any other fees paid to us or our affiliates under any circumstances. Neither we nor our affiliates offer any other financing. (See Items 10 and Item 11). We describe the Initial Franchise Fee in Item 5.

~~3.~~ 4-Rent & Security Deposit: If you do not own adequate space, you must lease the space for your Business. Generally, your pre-opening lease expenses will include prepayment of your first months' rent and a security deposit equal to one month's rent payment. The numbers provided are based on our collective experience in the salon business and real estate industry. Typical Franchises are located in commercial centers, strip centers or buildings on commercial streets with heavy traffic, malls and office buildings. Generally, Beauty Bungalows are located in an existing shopping center with an approximately ~~6,000~~-5,500 to 8,000 square feet. We base our estimates for Rent or Real Estate on a prototypical store of approximately 7,000 square feet. The terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you. We require you to include certain lease provisions as set forth in Section 10.05 of the Franchise Agreement. Legal fees are included in our estimates for leasing the premises but not for the purchase of real estate. The purchase of real estate may have additional legal expenses.

Your rent will depend on the site's size, condition, visibility, accessibility, and location, local market conditions, and demand for the premises among prospective lessees.

~~4.~~ 5-Utilities: Includes utility costs and deposits through the initial month of operation of your Franchise location.

~~5.~~ 6-Leasehold Improvements: The numbers provided cover the interior build out of a location and are based on our collective experience in the salon business and our combined years in the real estate industry. These estimates are based on the build out of one location. If you purchase multiple franchises at one time, you will incur additional expenses for each location purchased. Your location will typically be leased, although some franchisees own their locations. These costs are the same regardless of whether you buy a building or lease space. Franchisees can choose whether to office from home, maintain onsite offices or lease other space. This is not a Beauty Bungalows requirement. You should investigate all of these costs in the area where you wish to establish a Beauty Bungalows Franchise.

If you are able to negotiate a tenant improvement allowance from your landlord, the landlord typically may require you to provide proof that you have paid for the leasehold improvements before reimbursing you the money. Some landlords may require you to receive the tenant improvement allowance in the form of reduced rent over the life of your lease, rather than in the form of a lump sum reimbursement.

Your actual costs will depend on, among other factors, the Franchise location, the size of the Franchise, the condition of the premises being remodeled, national and local economic factors, the local costs of materials and labor, and the amount of tenant improvement allowances that you are able to obtain, if any.

6. ~~7.~~ Furniture, Fixtures, and Equipment: This estimate includes your costs for furniture and fixtures in the common areas and suites portions of your Franchise. Common area spaces should be equipped with an entrance logo, seating, sconces, individual studio signs, and interior decor. Individual studios should be equipped with a sink and cabinet or shampoo basin, ~~and~~ locking doors. Each studio will differ based on size, ~~but~~ we will provide you with the Design and Brand Standards Manual.

7. ~~8.~~ Architecture & Design: This estimate includes your costs for architectural plan drawings (including MEP) drawings for your Beauty Bungalows Franchise. You must use an architecture design firm that we approve.

~~9.~~

8. ~~10.~~ Computer Systems: You will be required to purchase or license computer equipment and software for the operation of your Beauty Bungalows Franchise. While we do not require any specific vendors for computer, Internet, and communications equipment, we require that you meet certain minimum standards established periodically in the Manual.

9. ~~11.~~ Insurance: You must obtain and maintain certain types and amounts of insurance. Item 8 describes in further detail these requirements. The cost figures stated above are only estimates. Insurance costs depend on policy limits, types of policies, nature and value of physical assets, gross revenue, number of employees and lifestyle professionals, square footage, location, business contents, and other factors bearing on risk exposure. The above estimate contemplates insurance costs for three (3) months.

10. ~~12.~~ Signage: This estimate includes the cost of outdoor identification on the Franchise and displays and signage through the Franchise location.

11. ~~13.~~ Office Expenses: These estimates include your costs for general office supplies and furniture used in the operation of your Beauty Bungalows Franchise. You are not required to maintain a dedicated office space within your Beauty Bungalows Franchise location, but you may choose to do so depending on the size and layout of the space you secure for your Site.

12. ~~14.~~ Pre-Opening and Grand Opening Marketing Spend: You must spend between \$20,000 and \$22,000 on approved advertising and marketing with our preferred marketing vendors during the ~~6 to 8 weeks~~ 5 months prior to your grand opening date. ~~Of In addition to~~ the ~~estimated~~ amount, ~~\$1,000-2,000~~ should be directed to advertising and event promotions during the week of the grand opening of your Beauty Bungalows Franchise. You must provide us with sufficient evidence to show you have spent the minimum Pre-Opening Marketing Spend amounts. We may permit you to reduce the amount of your Pre-Opening Marketing Spend if you have at least 75% of your suites booked prior to opening your Beauty Bungalows Franchise.

13. ~~15.~~ Business Licenses and Permits: This estimate includes the cost of acquiring business licenses and permits. Your costs will vary depending upon your Beauty Bungalows location.

14. ~~16.~~ Professional Fees: This estimate includes the cost of professional fees that you may incur in establishing your business.

15. ~~17.~~ Travel and Living Expenses to Training: ~~This estimate is for the cost of three people to attend Initial Training in Costa Mesa, California.~~ We provide the initial training program tuition-free for up to three (3) of your representatives in an online format. ~~However,~~ however if you request and we agree to provide you training in person, you are required to pay the expenses that you will incur for travel, food, and lodging during the initial training program. The costs you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. The low end of this estimate assumes ~~that one (1) person your representatives~~ will be attending initial training ~~at our corporate offices in Costa Mesa, California and that you online and~~ will not need to ~~purchase a flight travel~~ to attend training, while the high end assumes that a total of three (3) individuals will attend the initial training and will be required to purchase a flight

16. ~~18.~~ Additional Funds (3 Months): Based on our experience with our Company-Owned Outlet locations, this estimates your initial startup expenses for an initial three-month period, not including payroll costs, and does not include any revenue generated by the operation of your Business. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting your Business.

17. ~~19.~~ Total:- We relied on our collective experience in the salon business and combined years in the real estate industry to compile these estimates. We do not provide financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors.

**B. YOUR ESTIMATED INITIAL INVESTMENT —~~ADA~~— AREA DEVELOPMENT AGREEMENT**

Type of Expenditure	Low Estimate (2 Units)	High Estimate (10 Units)	Method of Payment	When Due	To Whom Payment Is Made
Development Fee (1)	\$89,900	\$314,900	Lump sum	Upon signing ADA	Us
Estimated Initial Investment for First Business (2)	<del>\$734,500</del> <u>\$886,750</u>	<del>\$1,676,600</del> <u>\$1,907,000</u>	As incurred	As incurred	Us and third parties
<b>TOTAL (3)</b>	<del>\$824,400</del> <u>\$976,650</u>	<del>\$1,991,500</del> <u>\$2,221,900</u>			

1. Development Fee. Upon signing the ADA, you must pay us the Development Fee. The Development Fee varies based on the number of Beauty Bungalows Franchises you commit to develop. The low estimate is based on a commitment to develop two (2) Beauty Bungalows Franchises, and the high estimate is based on a commitment to develop ten (10) Beauty Bungalows Franchises. (two (2) is the minimum required) We may, in our discretion, permit you to enter into a ADA for more than ten Beauty Bungalows Franchises. The Development Fee will be credited towards the initial Franchise Fee for each Beauty Bungalows Franchise developed under the ADA. The Development Fee is not refundable. See Item 5.

2. Estimated Initial Investment for First Business. For each Beauty Bungalows Franchise that you develop under ~~a~~ an ADA, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Beauty Bungalows Franchise as described in the first table of this Item 7 This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Franchise Fee, since the Development Fee is credited towards the Franchise Fee for each Studio.

3. Total. We do not provide financing to franchisees either directly or indirectly in connection with their initial investment requirements.

**ITEM 8.  
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We require that you establish and operate your franchised location in compliance with your Franchise Agreement. You must strictly follow our specifications as set forth in the operations manual we provide to you or other written materials from us (collectively, the “Manual”), which we may modify from time to time, and which may be in print or electronic format. We reserve the right to require you to use an electronic version of the Manual and to require you to access the document using the Internet or an intranet created and supported by us. Our standards and specifications have been prescribed in order to Beauty Bungalows Franchising,

have been established through years of experience. In the future, we may modify our fixtures, furniture, and equipment and salon design specifications.

You are required to subscribe to and use the bookkeeping, accounting and record keeping and data processing system conforming to the requirements and formats that we prescribe, including our standard chart of accounts and methodology, format, submission process and timelines. You must use the operational data control system approved by us, as further described in the Manuals. You must furnish us period reports, which include and are not limited to, gross revenue and rent revenue reports, vacancy and occupancy reports, lease expirations reports, profit and loss statements, balance sheets, statement of cash flows, sales activity reports and annual tax returns for all entities and corporations related to your Beauty Bungalows Franchise. We may require you to provide us access to some or all of these reports via our accounting and/or CRM software programs.

You are required to use our preferred marketing vendors for your pre-opening marketing spend.

During the ~~2023~~-2024 fiscal year, neither we nor our affiliates earned any revenue, rebates, or other material considerations from required purchases or leases in the ~~2023~~-2024 fiscal year.

We estimate that your purchases from designated or approved suppliers or in accordance with our specifications will represent approximately between 60% and 85% of your total purchases in connection with the establishment of your business and will represent from 25% to 50% of your ongoing expenses.

We and our affiliates may receive rebates from suppliers and vendors based on your purchases of products and services, promotional allowances, volume discounts and other programs. As we have just begun franchising, we and our affiliates have not received any rebates from suppliers or vendors based upon franchisee purchases of products or services. None of our owners, directors, or principal officers owns any interest in any designated or approved supplier. There is one designated supplier for certain items of furniture, fixtures, and equipment that you will use in the build-out of your Beauty Bungalows franchise. We are entitled to receive a rebate equal to 5% of the amount a franchisee purchases for items sourced through this supplier. None of our owners, directors or affiliates owns any interest in this designated supplier. In the ~~2023~~-2024 fiscal year we did not receive any amounts from our suppliers.

If you would like to purchase required items from another supplier (other than our designated supplier), you may request our approval by submitting a written request for an evaluation of the alternative product or supplier. Based on the information and samples you supply to us, we will test the items supplied and review the proposed supplier's business reputation, delivery performance, credit rating and other information. You will be required to pay our actual costs incurred by us in investigating the supplier or vendor. The additional costs are estimated to be between \$1,000 and ~~\$2,000~~-2,000 but may be more. The costs will include time, travel and materials associated with our reasonable efforts to investigate, inspect, test, and do reasonable due diligence on the proposed supplier or vendor. We expect to complete our review and advise you of our decision within 30 days after you submit the required information. The specifications and standards for these required purchases are in the Manual. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. We will make any approvals of new vendors or revoke approval of vendors in writing based on the vendor's credit worthiness, delivery standards, and cost and will incorporate our decision in the Manual. The specifications and standards for these required purchases are in the Manual.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may implement a centralized purchasing system in the future, and we may negotiate purchase arrangements with suppliers and distributors, including price terms, for the benefit of the Beauty Bungalows system as a whole, including us, our affiliates, and our Franchisees, in the future. We may receive rebates or volume discounts from our purchase of salon equipment, beauty supplies, hair care products or salon or spa inventory that we resell to you. We do not provide material benefits, such

## Insurance

You must, at all times, maintain insurance as follows:

A. If you have employees, workers' compensation insurance in amounts prescribed by law in your territory but not less than \$500,000 in coverage;

~~B.~~

~~B.~~ ~~C.~~ Fire and lightning, extended coverage, theft, vandalism and malicious mischief, flood (if the Beauty Bungalows Franchise is in a Designated Flood Hazard Area), and sprinkler leakage insurance on the Beauty Bungalows Franchise and all fixtures, equipment, supplies and other property used in the operation of the Beauty Bungalows Franchise, for not less than 100% of the replacement value of the same, except that an appropriate deductible clause will be permitted;

~~C.~~ ~~D.~~ Comprehensive general liability insurance and product liability insurance coverage in such amounts and upon such terms as may from time to time be customary for a salon studio rental business located in your Protected Territory, but not less than \$1,000,000, insuring both you and Beauty Bungalows against all claims, suits, obligations, liabilities and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of the Beauty Bungalows Franchise.

~~D.~~ ~~E.~~ Professional liability insurance must be maintained at all times in amounts not less than \$1,000,000 per occurrence. It must protect the Beauty Bungalows Franchise against all professional related claims. If renters of said Beauty Bungalows Franchise have operations that are excluded on professional liability policy, Franchisee is responsible for ensuring that the excluded operation is covered under a separate policy.

~~E.~~ ~~F.~~ Such additional insurance as may be required by the terms of any lease or mortgage for the Beauty Bungalows Franchise.

~~F.~~ ~~G.~~ If you do not maintain the required insurance, then we may obtain it for you and you will owe us the cost of the insurance premium plus 20% of the premium amount as an administrative fee.

## Computer Requirements

We do not currently require you to purchase any particular computer hardware brand to establish or operate your Beauty Bungalows Franchise, but we do specify the standards for computer and communication equipment and Internet access. You will be required to purchase or lease certain software to use in the operation of your Beauty Bungalows Franchise as prescribed periodically in the Operations Manual. We reserve the right, to require you in the future, to use computer hardware or software, and other communications equipment, and to specify other computer-related and communications standards.

## **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.**

	<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Section in ADA</b>	<b>Item in Disclosure Document</b>
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~~1~~-Franchise. If your site is not already known and approved by us when you sign your franchisee agreement, then we will specify in your franchise agreement the Site Selection Area in which you must select a Site. Upon selection of an approved site, we will designate your Protected Territory based upon our then-current methods of territory determination set forth in the Manuals. (See Sections 4 and 10 of the Franchise Agreement).

~~2~~-

2. Provide you with access to an electronic copy of our confidential operating Manual, which contains mandatory and suggested specifications, standards, operating procedures, and rules. The Manual is confidential and remains our property. We may modify the Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. (See Section 7.04 of the Franchise Agreement). We have included a copy of the Table of Contents of our Manual as Exhibit F to this Disclosure Document. The Manual currently contains 188 pages.

3. Provide advice about selecting and analyzing a Site for the Franchise. Your Site must meet our minimum requirements as set forth in the Manuals for square footage, layout, visibility, and other factors that we may determine from time to time. Site selection is your responsibility, but we will assist you in the site selection process by considering population density, traffic patterns, and proximity of the proposed site to other Beauty Bungalows or any other reasonable criteria. You must secure a Site that we have approved by signing a lease or purchase agreement within ninety (90) days of the date of this Agreement. We may extend the deadline for acquisition of a Site by 90 days in our sole discretion, and we may require you to pay a \$2,500 extension fee and execute a general release as a condition of us agreeing to grant such extension. We will approve or disapprove your proposed Site within 30 days after we receive notice from you of your proposed Site. (See Section 8.02 and 10.01 of the Franchise Agreement). If you enter into a ADA with us, then upon execution of the ADA, we will designate an exclusive Development Area within which you will develop and establish franchised locations. You must execute our then-current form of franchise agreement for each franchised location to be developed under ~~a~~-an ADA. For each franchised location under a Franchise Agreement executed pursuant to ~~a~~-an ADA, we will approve the Site, and provide the site selection assistance, in accordance with such Franchise Agreement as summarized in this Item 11 and in Item 12. We generally do not own your premises and lease it to you. (See Sections 1.1 and 3.1 of ADA.)

4. Upon your request, provide you advice about the negotiation of the lease or purchase of a location for your Beauty Bungalows Franchise, which will be leased or purchased by you from independent third parties. We do not own premises that are then leased to you. We are not acting as your direct representative or attorney in lease negotiations and our assistance in no way constitutes a representation or warranty with respect to the lease or purchase. (See Section 8.02 and 10.01 of the Franchise Agreement)

5. Provide information regarding our pre-approved salon equipment vendors, design firms and beauty supplies for your opening inventory and supplies used in the Business. We do not deliver to or install any of these items in your Business.

6. We will advise you regarding the planning and execution of a grand opening event at or around the time of opening your Beauty Bungalows Franchise.

7. We are under no obligation to assist you in establishing prices, such as setting minimum and/or maximum prices at which you must sell products and services.

8. Prior to opening your Beauty Bungalows franchise, we will provide training to you as follows:

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On- the- Job Training</b>	<b>Location</b>
<del>Orientation and Overview</del> <u>Onboarding</u>	<del>4</del> <u>1</u>	0	<del>Costa Mesa; California; an existing Beauty Bungalows location, or virtual</del> <u>Virtual</u>
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On- the- Job Training</b>	<b>Location</b>
CRM and IT	<del>4</del> <u>1</u>	0	<del>Costa Mesa; California; an existing Beauty Bungalows location, or virtual</del> <u>Virtual</u>
<u>Tenant CRM</u>	<u>1</u>	<u>0</u>	<u>Virtual</u>
<del>Real Estate and Construction &amp; Suppliers</del>	<del>2</del> <u>3</u>	0	<del>Costa Mesa; California; an existing Beauty Bungalows location, or virtual</del> <u>Virtual</u>
Marketing & Promotions	<del>4</del> <u>3</u>	0	<del>Costa Mesa; California; an existing Beauty Bungalows location, or virtual</del> <u>Virtual</u>
Leasing Your Suites	<del>4</del> <u>2</u>	0	<del>Costa Mesa; California; an existing Beauty Bungalows location, or virtual</del> <u>Virtual</u>
<u>Design, Suppliers, and Vendors</u>	<u>2</u>	<u>0</u>	<u>Virtual</u>
<u>Outside Vendor Training</u>	<u>7</u>	<u>0</u>	<u>Virtual</u>
Operations	<del>5</del> <u>2</u>	0	<del>Costa Mesa; California; an existing Beauty Bungalows</del>

			<del>location, or virtual</del> <u>Virtual</u>
<u>Grand Opening, Events and Culture</u>	<u>2</u>	<u>0</u>	<u>Virtual</u>
Ongoing Operations Support, <del>and Follow-Up Training &amp; Pre-Opening Support</del>	<del>5</del> <u>4</u>	0	<del>Costa Mesa, California; an existing Beauty Bungalows location, or virtual</del> <u>Virtual</u>
<b>TOTALS</b>	<b>28</b>	<b>0</b>	

Our training materials will consist of the Operations Manual, real-time, or recorded virtual training sessions delivered via video conference, online database or other learning management system, and live instruction. We conduct our training programs at least once per calendar quarter, but we reserve the right to hold training more or less often. You or your designated Manager must attend training, but we do not charge an additional fee for this training or service unless more than three persons are attending. You will, however, be required to pay the travel and living expenses for you, your designated Manager, and your employee(s) who attend training. All training, except any on-site training, will be held at our corporate headquarters in Costa Mesa, California virtually, or at another designated location. You must complete this training to our satisfaction or repeat this training, at no cost, prior to commencing operation of your Beauty Bungalows Franchise. Training is conducted or supervised by our CEO, Traci Hawkins. Ms. Hawkins has been our CEO since our formation and has been working in the salon services industry since 2005. Training may also be conducted by one or more of our staff trainers, all of whom have at least 1 year of experience in the salon services industry. After satisfactorily completing this initial training, there is no mandatory training requirement, however, you may be required to attend mandatory conferences (See Item 11 and Sections 8.04 and 8.05, Franchise Agreement).

We may also provide to you on-site initial training at your Beauty Bungalows Franchise location and assistance with respect to opening activities within the first four weeks of the operation of your Franchise at no additional cost to you, but we are under no obligation to do so. (See Section 8.07, Franchise Agreement).

9. ~~10.~~ Approve, if it meets our standards and specifications for approval, plans submitted for the design of your Franchise. Construction or remodeling, if needed, should begin as soon as possible after signing the Franchise Agreement, but, in any case, will not begin later than twelve months after signing the Franchise Agreement. You must purchase cabinetry, doors and interior signage, and design services from our approved supplier(s) (See Item 8). We must approve your exterior signage. You must pay for construction or remodeling and all other costs associated with compliance and permits. Our approval means that the site and plans meet minimum specifications and is not a warranty for their appropriateness. (See Section 10 of the Franchise Agreement).

10. ~~11.~~

Unless otherwise agreed to in writing by the parties, you must open your Initial Franchise unit no later than twelve (12) months after you sign a Franchise Agreement. The factors that affect this time are the ability to obtain a building or lease, obtain general business permits, training, financing, or building permits, zoning and local ordinances, weather conditions, shortages, and installation of equipment, fixtures and signs. Our assistance does not include conforming the premises to local ordinances and building codes or obtaining any required permits. Unless otherwise agreed to in writing by the parties if you do not make reasonable efforts to open your franchise by the end of twelve (12) months we may terminate the Franchise Agreement and retain all monies received. (See Section 10.03, Franchise Agreement).

### **Schedule for Opening**

It is estimated that the length of time between the signing of the Initial Franchise Agreement and the opening of your Business will usually be about 12 to 18 months. Factors affecting this length of time include financing arrangements, property lease terms, construction or conversion requirements, and scheduling and completion of the training program.

If you enter into ~~a~~an ADA with us and unless otherwise agreed to in writing, you will be required to sign our ADA (Exhibit H) and agree to open your additional units upon a set schedule that we determine (your “Development Schedule”). Your failure to meet the development schedule is a default under your ADA. Upon default we may terminate your rights to develop one or more of the additional franchises in your Development Schedule or terminate the ADA in its entirety. However, a default under the ADA will not, by itself, be a default of any effective Franchise Agreements between you and us.

### **Ongoing Assistance**

During the operation of the franchised business, we will:

1. Offer you a reasonable amount of continuing advisory services by telephone during normal business hours. We may also provide additional trainings or conferences, for which you may incur a fee. We may also provide to you visits by our field representative, but any additional on- site consultation or advisory services you request may incur a fee. (See Sections 8.01, 8.05, and 8.06 of the Franchise Agreement).
2. We will include information about your Beauty Bungalows Franchise on our website. (See Section 8.11 of the Franchise Agreement).
3. Provide marketing, promotional materials, and services to you. Materials provided may include video and photography, copy-ready print marketing materials, posters, mailers, banners social media graphics and copy, digital advertising collateral, and miscellaneous items. You will receive one sample of each at no charge. If you want additional copies, you must pay duplication costs. We may use either national advertising agency or a regional advertising agency and marketing agencies and internal staff to create advertising. You may develop marketing materials for your own use, at your own cost. We must approve the marketing materials in advance and in writing within fifteen days from receipt. We reserve the right to utilize marketing and photography/videography developed by you for the use of all Franchisees without any payment or other compensation to you. (See Section 9.02 of the Franchise Agreement).
4. We may hold periodic regional or national conferences to discuss on-going changes in the industry, operational techniques, studio rental developments, training, bookkeeping, accounting, advertising programs and new service procedures. We may require you to attend these conferences at our then-current conference attendance fee, currently \$500 per attendee. If we charge a conference fee, you will be required to pay the fee regardless of your attendance at the conference (See Item 6). You must pay all of the travel and living expenses for you and any other employees who attend. These conferences will be held at our corporate headquarters or at another location chosen by us. We estimate the cost of the Beauty Bungalows Franchising,

fee for attending these additional trainings/ conferences based upon the direct costs to us of retaining speakers and other direct expenses associated with the conference. You must pay all of the travel and living expenses for you and any other employees who attend. (See Section 8.05 of the Franchise Agreement).

5. You are also required to participate in any continuing advanced training which we may choose to offer in the future (“Continuing Advanced Training”). The Continuing Advanced Training may be provided by various methods, including by telephone, video conference, e-mail, or via online learning management systems. We do not charge any fee for the Continuing Advanced Training. (See Section 8.05 of the Franchise Agreement).

## **Marketing Programs**

### Local

You are required to market on a local basis as an individual Beauty Bungalows Franchise or by local marketing agencies hired by you. We do not require you to spend any specific amounts on local marketing, but we recommend you spend approximately 1% to 2% of gross revenue on local marketing efforts. These expenditures may include wages and bonuses paid to your Manager or other employees who secure Bungalow renters in your Business. The amounts you spend on marketing will be influenced largely by the number of vacant suites at any given time in your Business.

Prior to opening your business, you must spend between \$20,000 and \$22,000 for advertising and promotion of your Beauty Bungalows Franchise with our preferred marketing vendors in your local market. ~~During~~ Additionally, during the week of your anticipated opening date, you must spend a minimum of \$~~1,000~~ 2,000 on a grand opening specific marketing ~~effort~~ effort.

There are no restrictions on your marketing, except that you may not advertise independently on the World Wide Web (See Sections 4.03 and 9.01 of the Franchise Agreement) and any advertising or marketing materials must be approved by us prior to your use of such materials. We will include your Business on our website.

### Multi-Area Marketing Programs

You must participate, at your sole cost and expense, in any national, international, regional, and/or multi-area marketing programs we require from time to time (collectively, “Multi-Area Marketing Program(s)” or “MAM Program(s)”). MAM Programs will be administered and/or directed by our marketing and accounting staff. In any given month, your combined expenditures in connection with a MAM Program and required monthly contribution to the Brand Fund (discussed below) will not exceed 2% of your Gross Revenue. MAM Programs may require your cooperation and participation, including refraining from certain channels of marketing and distribution, and payment of commissions, referral fees, or other amounts to us, our affiliates, or third parties. We reserve the right to require you to pay a fee to us, in an amount we determine at our sole option subject only to the combined monthly cap noted above, in connection with MAM Programs. Any such fee will be due at the same time and manner as the Royalty Fee. We will use and direct amounts collected in connection with a MAM Program in our sole determination and we may use such amounts to reimburse our costs and expenses incurred in administering or directing such MAM Program. We have no fiduciary duty to you regarding any MAM Program or your expenditures or payments in connection with any MAM Program. We have no obligation to ensure that any particular franchisee benefits directly or pro rata from any MAM Programs or that any expenditures related to MAM Programs are equivalent or proportionate to any individual franchisee’s payments or expenditures related to such MAM Programs.

We have registered the following Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”) and we have filled all required affidavits with respect to each of the Marks.

Trademark	Registration Number	Registration Date
BEAUTY BUNGALOWS	6824857	August 23, 2022
<del>BEAUTY</del> BUNGALOWS <u>Beauty</u> <u>Bungalows</u>	6521235	October 12, 2021
BEAUTY <i>Bungalows</i>	7135897	August 15, 2023

There is no currently effective determination of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition, or cancellation proceeding, or any pending material litigation involving the Marks that is relevant to your use of these Marks.

No currently effective litigation affects our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to the franchise.

You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Beauty Bungalows Franchise and will use the appropriate Marks as indicated by us. You must follow our rules when you use any of the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques except as we license to you. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated from time to time in our discretion.

We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you. You must notify us within three days of when you learn about an infringement of or challenge to your use of our Marks. We will take the action necessary, in our sole and absolute discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We will indemnify you for any claims of infringement or challenges resulting from your approved use of our Marks in accordance with the Franchise Agreement, and we will be responsible for the defense and the cost thereof. If your use of the Marks in a manner that is unapproved under the Franchise Agreement or the Manuals results in any action against, we will not have any obligation to indemnify or defend you in any action resulting from that unapproved use.

You must modify or discontinue the use of a Mark if we modify or discontinue use. The use of a new or modified trademark may be required, and you may be required to replace existing signs using new signs displaying our new or modified trademark. If this happens, we will reimburse you for your tangible cost of compliance (for example, changing signs). You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Marks.

While we have not yet been required to renew any registrations, we ~~intend~~intent to file all affidavits and renewals as required by the USPTO to maintain our Marks.

#### **ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

##### Patents and Copyrights

There are no pending patent applications that are material to the franchise. We hold no patents and have no pending patent applications. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our Confidential Operating Manual.

There are no agreements currently in effect that significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the USPTO, the U.S. Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights, which could materially affect your use of them in any state.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Marks described in Item 13 of this Disclosure Document.

##### Confidential Information

You may not, during the Initial Term, any Renewal Term, or after the expiration or termination of the Franchise Agreement, reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a third party except as we authorize. All persons affiliated with you who perform work for the business or who have access to our confidential information must first sign our then-current form of Nondisclosure and Noncompetition Agreement, the current form of which is attached to this Disclosure Document as Exhibit G.

Our confidential information will include services, technologies and procedures relating to the operation of a Beauty Bungalows Franchise; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the Beauty Bungalows System; the Manual; methods of advertising and promotion; instructional materials; and other matters.

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

You or a fully trained and qualified manager (“Manager”), who has completed our training program, must directly supervise, and participate in the actual day-to-day operation of the Beauty Bungalows Franchise on a full-time basis. Neither you nor your Manager may have an interest or business relationship with any of our business competitors. In the event that your Manager resigns or is otherwise terminated, you must hire a replacement approved by us in writing who meets our then current standards for Managers and who is approved by us in writing before hiring, within 30 days after the resignation or termination of the former Manager. You must train the new Manager within 30 days of hiring. If you are an entity, we do not require that your designated Manager own an equity interest in such entity. You are responsible for ensuring that your Manager, employees and contractors do not disclose our confidential information. Each of your officers, directors, partners, shareholders, or members (and, if you are an individual, immediate family members) who perform work for the business or who have

T	Integration/merger clause	Section 18.01	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.
U	Dispute resolution by arbitration or mediation	Section 16	Except for certain claims, all disputes must be arbitrated (subject to state law).
V	Choice of forum	Section 16.06	Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of California (subject to state law).
W	Choice of law	Section 16.06	California law applies, excluding the California Franchise Relations Act and the California Franchise Investment Law except with respect to franchises which are physically located in California and/or operated by residents of the state of California (subject to <a href="#">applicable</a> state law).

See Exhibit E, the state specific addenda to the Franchise Agreement and Disclosure Document for special state disclosures.

### THE MULTI-UNIT DEVELOPER RELATIONSHIP

**This table lists certain important provisions of the Area development agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.**

	Provision	Section in ADA Agreement	Summary
A	Length of the ADA term	Section 5	The term expires upon the deadline to develop the Franchised Businesses specified in the Development Schedule or upon the development of all Franchised Businesses.
B	Renewal or extension of term	Not Applicable	Not Applicable
C	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
D	Termination by franchisee	Not Applicable	Breach by us of material provision and failure to cure following proper notice (subject to state law).
E	Termination by franchisor without cause	None	Not Applicable

	Provision	Section in ADA Agreement	Summary
			law). Any promises outside the Development Agreement, the Franchise Agreements, and this FDD may not be enforceable. However, nothing in the Franchise Agreement will have the effect of disclaiming any of the representations made in this FDD.
U	Dispute resolution by arbitration or mediation	Section 8	The dispute resolution provisions of the Franchise Agreement apply to any disputes under the Development Agreement (subject to applicable state law)
V	Choice of forum	Section 8	The choice of forum provisions of the Franchise Agreement apply to the Development Agreement (subject to applicable state law)
W	Choice of law	Section 8	The choice of law provisions of the Franchise Agreement apply to the Development Agreement (subject to state law)

**ITEM 18.  
PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19.  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

The financial performance representation in this Item 19 is historic based upon our existing Company-Owned Outlets. It includes the historical financial and operational results from our ~~2-3~~ existing Company-Owned Outlets during the period beginning January 1, ~~2023-2024~~ and ending December 31, ~~2023-2024~~ (the “Measurement Period”). ~~There is one additional Company Owned Outlet which began operating in January 2023. Because this Company Owned Outlet was not in operation throughout the entire Measurement Period, it is not included in this Item 19. There are no~~ We do not have any franchise outlets in operation as of the issuance date of this Disclosure Document. We have a reasonable basis ~~and written substantiation~~ for the financial performance information disclosed in this Item 19. ~~Written and written~~ substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

~~Part I and Part II~~ Parts I - III of this Item 19 details the Gross Revenue generated by the Company-Owned Beauty Bungalows Franchising, LLC ~~2024-2025~~ FDD

agreement (collectively, the “Estimated Fees”) over the Measurement Period. Any differences between the operations of a Company-Owned Outlet and the operations of our franchised outlets are described in the footnotes to each table. The Company-Owned Outlet’s fiscal year follows the calendar year ~~beginning January 1 and~~ ending December 31.

Except for the Estimated Franchise Operating Expenses that are (a) estimated and calculated based on the Gross Revenue figures reported by the Company-Owned Outlet, and (b) required to be disclosed herein under applicable pre-sale disclosure laws, the data and information provided in ~~Part I and Part II~~ Parts I - III of this Item 19 are based on the historical and actual performance of the Company-Owned Outlets over the Measurement Period(s) detailed above.

The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following charts.

**Some outlets have sold this amount. Your individual results may differ. There is no assurance you will sell as much.**

**Part I - Company-Owned Outlet #1 (15 Suites | ~3,000 ~~sq ft.~~<sup>†</sup>sqft.)<sup>1</sup>**

January 1, <del>2023</del> <u>2024</u> to December 31, <del>2023</del> <u>2024</u>	
<b>GROSS REVENUE<sup>2</sup></b>	<del>\$283,619</del> <u>\$293,768</u>
<b>Key Operating Expenses</b>	
Advertising	<del>\$400</del> <u>412</u>
Cleaning Supplies	<del>\$589</del> <u>609</u>
Insurance	<del>\$2,465</del> <u>735</u>
Janitorial	\$7,280
Legal/ licenses	<del>\$705</del> <u>284</u>
Manager <sup>3</sup>	\$0
Rent/NNN/CAMS Expense	<del>\$141,036</del> <u>\$146,654</u>
Repairs & Maintenance	<del>\$2,400</del> <u>7,920</u>
Utilities	<del>\$11,320</del> <u>\$11,429</u>
Bank Fees	<del>\$384</del> <u>238</u>
<b>Total Key Operating Expenses</b>	<del>\$166,579</del> <u>\$175,561</u>
<b>Estimated Franchise Operating Expenses<sup>4</sup></b>	
Royalty Fees (5.5%)	<del>\$15,599</del> <u>\$16,157</u>
Brand Fund Contribution (1%)	<del>\$2,836</del> <u>2,938</u>
<del>Advertising Adjustment (2% minus the actual advertising expenses listed above)</del>	<del>\$5,272</del>
Technology Fee	\$1,800
<b>Total Franchise Expenses</b>	<del>\$25,508</del> <u>\$20,895</u>
<b>EBITDA (if franchised)<sup>5</sup></b>	<del>\$91,532</del> <u>\$97,312</u>
<b>EBITDA (if franchised) Margin<sup>6</sup></b>	<del>32.3</del> <u>33</u> %

Suite Profiles <sup>8</sup>
Total Suites: 15
Suite Size Range: 111 - 185 sq. ft.
Suite Rent Range: \$350 - \$490 per week.

## Notes to Part I:

- Company Owned Outlet #1** – Company-Owned Outlet #1 operates in Huntington Beach, California and has been open since March 2017. It is comprised of 15 individual suites of varying sizes. We estimate that your Beauty Bungalows Franchise location will typically be between ~~6,000~~ 5,500 to 8,000 square feet and will contain ~~30-40~~ 25-40 individual suites of varying sizes.
- Gross Revenue** – “Gross Revenue” means all amounts collected from suite rental income generated at Company-Owned Outlet #1 during each Measurement Period. Gross Revenue does not include any revenue collected in the form of taxes collected and then paid to applicable government agencies.
- Manager Compensation** – Company-Owned Outlet #1 was owner-operated and did not employ a dedicated Manager.
- Estimated Franchise Operating Expenses** – Company-Owned Outlet #1 did not pay us Royalty Fees, Brand Fund Contributions, or Technology Fees during the Measurement Periods. We have included a Royalty Fee, a Brand Fund Contribution, and a Technology Fee, ~~and an adjustment for advertising amount~~ in the tables above as if Company-Owned Outlet #1 had paid these fees as required by the Franchise Agreement attached to this disclosure document. We did not include an adjustment for the required local advertising amount because we do not require you to spend a minimum amount once a location is rented at or above 75% capacity.
- EBITDA (if franchised)** – “EBITDA (if franchised)” does not include expenses related to taxes, interest on debt, depreciation, or amortization costs. The numbers included in this figure are equal to the Gross Revenue, minus the Total Key Operating Expenses and Estimated Franchise Operating Expenses, for each Measurement Period.
- EBITDA (if franchised) Margin** – EBITDA (if franchised) Margin is calculated by dividing the EBITDA (if franchised) figure by the Gross Revenue figure for a given Measurement Period.
- Suite Occupancy Rate** – The Suite Occupancy Rate measures the suites at Company-Owned Outlet #1 were under contract for rent during the entirety of the Measurement Period. The occupancy rates disclosed above do not account for partial months in which tenants were moving into, or out of, a given suite.
- Suite Profiles** – Company-Owned Outlet #1 operated from a location with a smaller footprint, and with less total suites than we anticipate your Beauty Bungalows Franchise have. Typical Beauty Bungalows franchise locations will be ~~6,000~~ 5,500 to 8,000 square feet with ~~30-40~~ 25-40 suites available.

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**Part II - Company-Owned Outlet #2 (27 Suites | ~5,700 sq-ft.)<sup>1</sup>sqft.)<sup>1</sup>**

January 1, <del>2023</del> 2024 to December 31, <del>2023</del> 2024	
<b>GROSS REVENUE<sup>2</sup></b>	<b><del>\$509,170</del> \$534,966</b>
Key Operating Expenses	
Advertising	<del>\$800</del> 643
Cleaning Supplies	<del>\$622</del> 691
Insurance	<del>\$5,971</del> 8,703
Janitorial	<del>\$21,010</del> \$21,900
Legal/Licenses	<del>\$207</del> 109
Manager <sup>3</sup>	\$0
Rent/NNN/CAMS Expense	<del>\$240,838</del> \$251,715
Repairs & Maintenance	<del>\$1,500</del> 6,500
Utilities	<del>\$20,496</del> \$19,406
Bank Fees	<del>\$529</del> 1,320
<b>Total Key Operating Expenses</b>	<b><del>\$291,973</del> \$310,987</b>
<b>Estimated Franchise Operating Expenses<sup>4</sup></b>	
Royalty Fees (5.5%)	<del>\$28,004</del> \$29,423
Brand Fund Contribution (1%)	<del>\$5,092</del> 5,350
<del>Advertising Adjustment (2% minus the actual advertising expenses listed above)</del>	<del>\$9,383</del>
Technology Fee	\$1,800
<b>Total Franchise Expenses</b>	<b><del>\$44,279</del> \$36,573</b>
<b>EBITDA (if franchised)<sup>5</sup></b>	<b><del>\$172,918</del> \$187,406</b>
<b>EBITDA (IF FRANCHISED) Profit Margin<sup>6</sup></b>	<b><del>34.0</del> 35%</b>

<b>FY 2023 Suite Occupancy Rate</b>
<b>98%</b>

<b>Suite Profiles</b>
Total Suites: 27
Suite Size Range: 110 - 200 sq-ft.
Suite Rent Range: \$310 - \$545 per week

**Notes to Part II:**

1. **Company Owned Outlet #2** – Company-Owned Outlet #2 operates in Huntington Beach, California and has been open since April 2022. It is comprised of 27 individual suites of varying sizes. We estimate that your Beauty Bungalows Franchise location will typically be between ~~6,000~~ 5,500 to 8,000 square feet and will contain ~~30-40~~ 25-40 individual suites of varying sizes.

2. **Gross Revenue** – “Gross Revenue” means all amounts collected from suite rental income

generated at Company-Owned Outlet #2 during each Measurement Period. Gross Revenue does not include any revenue collected in the form of taxes collected and then paid to applicable government agencies.

~~3.~~

3. ~~4.~~ **Manager Compensation** – Company-Owned Outlet #2 was owner-operated and did not employ a dedicated Manager.

4. ~~5.~~ **Estimated Franchise Operating Expenses** – Company-Owned Outlet #2 did not pay us Royalty Fees, Brand Fund Contributions, or Technology Fees during the Measurement Period. We have included a Royalty Fee, a Brand Fund Contribution, and a Technology Fee, ~~and an adjustment for advertising amount~~ in the tables above as if Company-Owned Outlet #2 ~~had paid these fees as required by the Franchise Agreement attached to this disclosure document.~~

Outlet #2 had paid these fees as required by the Franchise Agreement attached to this disclosure document. We did not include an adjustment for the required local advertising amount because we do not require you to spend a minimum amount once a location is rented at or above 75% capacity.

5. **EBITDA (if franchised)** – “EBITDA (if franchised)” does not include expenses related to taxes, interest on debt, depreciation, or amortization costs. The numbers included in this figure are equal to the Gross Revenue, minus the Total Key Operating Expenses and Estimated Franchise Operating Expenses, for each Measurement Period.

6. **EBITDA (if franchised) Margin** – EBITDA (if franchised) Margin is calculated by dividing the EBITDA (if franchised) figure by the Gross Revenue figure for a given Measurement Period.

**Part III - Company-Owned Outlet #3 (29 Suites | ~6,000 sq ft.)<sup>1</sup>**

<u>January 1, 2024 to December 31, 2024</u>	
<b><u>GROSS REVENUE<sup>2</sup></u></b>	<b><u>\$334,405</u></b>
<u>Key Operating Expenses</u>	
<u>Advertising</u>	<u>\$25,300</u>
<u>Cleaning Supplies</u>	<u>\$1,157</u>
<u>Insurance</u>	<u>\$4,173</u>
<u>Janitorial</u>	<u>\$14,040</u>
<u>Legal/Licenses</u>	<u>\$590</u>
<u>Manager<sup>3</sup></u>	<u>\$16,400</u>
<u>Rent/NNN/CAMS Expense (3 months free)</u>	<u>\$97,319</u>
<u>Repairs &amp; Maintenance</u>	<u>\$5,325</u>
<u>Utilities</u>	<u>\$16,637</u>
<u>Bank Fees</u>	<u>\$977</u>
<b><u>Total Key Operating Expenses</u></b>	<b><u>\$181,918</u></b>
<b><u>Estimated Franchise Operating Expenses<sup>4</sup></u></b>	
<u>Royalty Fees (5.5%)</u>	<u>\$18,392</u>
<u>Brand Fund Contribution (1%)</u>	<u>\$3,344</u>
<u>Technology Fee</u>	<u>\$1,800</u>
<b><u>Total Franchise Expenses</u></b>	<b><u>\$23,536</u></b>
<b><u>EBITDA (if franchised)<sup>5</sup></u></b>	<b><u>\$128,951</u></b>
<b><u>EBITDA (IF FRANCHISED) Profit Margin<sup>6</sup></u></b>	<b><u>39%</u></b>

<u>Suite Profiles</u>
<u>Total Suites: 29</u>
<u>Suite Size Range: 115 – 213 sq ft.</u>
<u>Suite Rent Range: \$285 - \$530 per week</u>

**Notes to Part III:**

7. **Company Owned Outlet #3** – Company-Owned Outlet #3 operates in Clovis, California and has been open since March 2023. It is comprised of 29 individual suites of varying sizes. We estimate that your Beauty Bungalows Franchise location will typically be between 5,500 to 8,000 square feet and will

contain 25-40 individual suites of varying sizes.

8. **Gross Revenue** – “Gross Revenue” means all amounts collected from suite rental income generated at Company-Owned Outlet #3 during each Measurement Period. Gross Revenue does not include any revenue collected in the form of taxes collected and then paid to applicable government agencies.

9. **Estimated Franchise Operating Expenses** – Company-Owned Outlet #3 did not pay us Royalty Fees, Brand Fund Contributions, or Technology Fees during the Measurement Period. We have included a Royalty Fee, a Brand Fund Contribution, and a Technology Fee.

10. ~~6-~~**EBITDA (if franchised)** – “EBITDA (if franchised)” does not include expenses related to taxes, interest on debt, depreciation, or amortization costs. The numbers included in this figure are equal to the Gross Revenue, minus the Total Key Operating Expenses and Estimated Franchise Operating Expenses, for each Measurement Period.

11. ~~7-~~**EBITDA (if franchised) Margin** – EBITDA (if franchised) Margin is calculated by dividing the EBITDA (if franchised) figure by the Gross Revenue figure for a given Measurement Period.

#### **Notes Regarding the Company-Owned Outlets and Item 19 Generally:**

1. This Item 19 does not reflect certain pre-opening costs and expenses over the Measuring Period that you are likely to incur in connection with development of a new Outlet. See Item 7 for details about pre-opening costs for your Business.

2. The financial performance representation does not reflect all of the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Beauty Bungalows business. Franchisees or former franchisees, listed in Exhibit D of this Franchise Disclosure Document, may be one source of this information.

Other than the preceding financial performance representation, Beauty Bungalows Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jade Blevens, 526 Main Street, Huntington Beach, Ca 92648, and 209-996- 8722, the Federal Trade Commission, and the appropriate state regulatory agencies.

*[Remainder of page intentionally left blank.]*

**ITEM 20.  
OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1  
SYSTEMWIDE OUTLET  
SUMMARY  
FOR YEARS ~~2021 TO 2023~~ 2022 TO 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2021</del> <u>2022</u>	0	0	0
	<del>2022</del>	<del>0</del>	<del>0</del>	<del>0</del>
	2023	0	0	0
	<u>2024</u>	<u>0</u>	<u>0</u>	<u>0</u>
Company-Owned <b>Outlet Type</b>	<del>2021</del> <u>2022</u>	1	<u>1</u>	<u>0</u>
	<del>2022</del>	<del>1</del>	<del>2</del>	<del>+1</del>
	2023	2	<u>2</u>	<u>0</u>
	<u>2024</u>	<u>3</u>	<u>4</u>	<u>1</u>
Total Outlets	<del>2021</del> <u>2022</u>	1	<u>1</u>	<u>0</u>
	<del>2022</del>	<del>1</del>	<del>2</del>	<del>+1</del>
	2023	2	<u>2</u>	<u>0</u>
	<u>2024</u>	<u>3</u>	<u>4</u>	<u>1</u>

**TABLE NO. 2  
TRANSFERS OF OUTLETS FROM FRANCHISEES  
TO NEW OWNERS (OTHER THAN THE  
FRANCHISOR) FOR YEARS ~~2021 TO 2023~~ 2022 TO  
2024**

STATE	YEAR	NUMBER OF TRANSFERS
TOTAL	<del>2021</del> <u>2022</u>	0
	<del>2022</del>	<del>0</del>
	2023	0
	<u>2024</u>	<u>0</u>

**TABLE NO. 3  
STATUS OF FRANCHISED  
LOCATIONS FOR YEARS ~~2021 TO  
2023~~ 2022 TO 2024**

State	Year	Outlets at the Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
	2021	0	0	0	0	0	0	0
Totals	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

*[Remainder of page intentionally left blank. Item 20 continues next page.]*

**TABLE NO. 4**  
**STATUS OF COMPANY-OWNED**  
**OUTLETS FOR YEARS ~~2021 TO~~**  
**~~2023~~ 2022 TO 2024**

State	Year	Outlets at the Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California <del>Totals</del>	<del>2021</del> <u>2022</u>	1	<u>0</u> <del>1</del>	0	0	0	<u>1</u> <del>2</del>
	<del>2022</del>	<del>1</del>	<del>1</del>	<del>0</del>	<del>0</del>	<del>0</del>	<del>2</del>
	2023	2	<u>0</u> <del>1</del>	0	0	0	<u>2</u> <del>3</del>
	<del>2021</del> <u>2024</u>	<del>1</del> <u>3</u>	<del>0</del> <u>1</u>	0	0	0	<del>1</del> <u>4</u>
<u>Totals</u>	2022	1	1	0	0	0	2
	2023	2	<u>0</u> <del>1</del>	0	0	0	<u>2</u> <del>3</del>
	<u>2024</u>	<u>3</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>

**TABLE NO. 5**  
**PROJECTED OPENINGS AS OF DECEMBER 31,**  
**~~2023~~ 2024**

State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	<u>14</u>	<u>57</u>	<u>0</u>
<del>State</del>	<del>Franchise Agreements Signed but Outlet Not Opened</del>	<del>Projected New Franchised Outlets in the Next Fiscal Year</del>	<del>Projected New Company-Owned Outlets in the Next Fiscal Year</del>
Texas	1	<u>24</u>	0
<u>Florida</u>	<u>2</u>	<u>2</u>	<u>0</u>
Totals	<u>27</u>	<u>713</u>	<u>0</u>

Exhibit D lists (i) the names of all current Beauty Bungalows franchisees and the addresses and telephone numbers of their outlets as of the date of this Disclosure Document, and (ii) the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within ten weeks of the issuance date of this Disclosure Document. If you buy a Beauty Bungalows Franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Agreements

During the last three fiscal years, we have not signed any confidentiality clauses with current or former franchisees.

Associations and/or Organizations

Beauty Bungalows Franchising,  
 LLC ~~2024~~2025 FDD

As of the date of the issuance date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with our franchise system.

## **ITEM 21. FINANCIAL STATEMENTS**

Included in Exhibit A to this disclosure document is our audited financial statements as of December 31, [2024, December 31, 2023](#), ~~audited financial statements as of December 31, 2022, and audited financial statements as of December 31, 2021.~~ In addition, we have also included our unaudited balance sheet as of August, 2024 and our profit and loss statement from January through August, 2024 [and December 31, 2022](#). Our fiscal year end is December 31.

*[Remainder of page intentionally left blank. Item 22 begins next page.]*

**ITEM 22.  
CONTRACTS**

Attached to this Disclosure Document are the following contracts:

<b>Contract</b>	<b>Location in FDD</b>
Franchise Agreement <a href="#">&amp; Appendices</a>	FDD Exhibit B
Collateral Assignment of Phone Numbers	FA <del>Attachment</del> <a href="#">Appendix C</a>
Personal Guaranty	FA <del>Attachment</del> <a href="#">Appendix E</a>
Franchisee Compliance Questionnaire	FA <del>Attachment</del> <a href="#">Appendix H</a>
Sample General Release	FA <del>Attachment</del> <a href="#">Appendix F</a>
State Specific Addenda (if applicable)	FDD Exhibit E
Sample Non-compete and Non-disclosure Agreement	FDD Exhibit G
<del>Area development agreement &amp; Exhibits</del> <a href="#">Area Development Agreement &amp; Appendix</a>	FDD Exhibit H
Receipts	Last 2 Pages

**ITEM 23.  
RECEIPTS**

Attached as the last two pages of this Disclosure Document are duplicate Receipts to be signed by you. Keep one for your records and return the other one to us.

## **EXHIBIT A**

### **FINANCIAL STATEMENTS**

~~These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.~~

# Beauty Bungalows Franchising, LLC

(A Wyoming Limited Liability Company)

Financial Statements with Report of Independent Auditors  
December 31, 2024, and 2023



Report of Independent Auditors

To the Member(s) of  
Beauty Bungalows Franchising, LLC:

Opinion

We have audited the accompanying financial statements of Beauty Bungalows Franchising, LLC (the Company), a Wyoming Limited Liability Company, which comprise the balance sheets as of December 31, 2024, and 2023, and the related statements of operations, members' equity and cash flows for the years ended December 31, 2024, and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, and 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after March 5, 2025.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

**DA Advisory Group PLLC**

Troy, MI  
March 5, 2025

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Beauty Bungalows Franchising, LLC  
BALANCE SHEETS  
As of December 31, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
<u>Current assets:</u>		
<u>Cash and cash equivalents</u>	<u>\$ 148,703</u>	<u>\$ 115,727</u>
<u>Deferred cost - current</u>	<u>26,544</u>	<u>-</u>
<u>Total current assets</u>	<u>175,247</u>	<u>115,727</u>
<u>Noncurrent assets:</u>		
<u>Deferred cost - net of current portion</u>	<u>286,113</u>	<u>115,783</u>
<u>Total noncurrent assets</u>	<u>286,113</u>	<u>115,783</u>
<u>Total assets</u>	<u>\$ 461,360</u>	<u>\$ 231,510</u>
 <u>LIABILITIES AND MEMBERS' (DEFICIT) EQUITY</u>		
<u>Current liabilities:</u>		
Credit card	\$ 13,933	\$ -
Deferred revenue - current	<u>61,980</u>	<u>37,010</u>
Total current liabilities	75,913	37,010
<u>Noncurrent liabilities:</u>		
Deferred revenue - net of current portion	<u>595,220</u>	<u>177,590</u>
Total noncurrent liabilities	595,220	177,590
Total liabilities	<u>671,133</u>	<u>214,600</u>
<u>Members' (deficit) equity:</u>		
<u>Total members' (deficit) equity</u>	<u>(209,773)</u>	<u>16,910</u>
<u>Total liabilities and members' (deficit) equity</u>	<u>\$ 461,360</u>	<u>\$ 231,510</u>

see accompanying notes

Beauty Bungalows Franchising, LLC  
STATEMENTS OF OPERATIONS  
For the years ended December 31, 2024 and 2023

	2024	2023
<u>Operating revenues:</u>		
<u>Revenue</u>	\$ 46,800	\$ -
<u>Technology fee</u>	200	-
<u>Total operating revenues</u>	47,000	-
<u>Operating expenses:</u>		
<u>Consulting costs</u>	182,185	-
<u>Advertising &amp; marketing</u>	21,514	10,613
<u>Legal fees</u>	18,433	47,102
<u>Software</u>	13,464	-
<u>Referral fee</u>	12,626	-
<u>Professional fees</u>	12,195	-
<u>Travel</u>	9,133	1,538
<u>Insurance</u>	7,722	-
<u>Supplies</u>	5,644	-
<u>Rent</u>	3,000	6,500
<u>Meals &amp; entertainment</u>	2,128	-
<u>Office supplies</u>	1,362	19,274
<u>Other expenses</u>	895	284
<u>Total operating expenses</u>	290,301	85,311
<u>Operating loss</u>	(243,301)	(85,311)
<u>Net loss</u>	\$ (243,301)	\$ (85,311)

see accompanying notes

Beauty Bungalows Franchising, LLC  
STATEMENTS OF MEMBERS'  
EQUITY  
For the years ended December 31, 2024 and 2023

	<u>Total Members'</u> <u>Equity</u>
<u>BALANCE, DECEMBER 31, 2022</u>	<u>\$ 124,233</u>
<u>Member contributions</u>	<u>37,988</u>
<u>Member distributions</u>	<u>(60,000)</u>
<u>Net loss</u>	<u>(85,311)</u>
<u>BALANCE, DECEMBER 31, 2023</u>	<u>\$ 16,910</u>
<u>Member contributions</u>	<u>16,618</u>
<u>Member distributions</u>	<u>=</u>
<u>Net loss</u>	<u>(243,301)</u>
<u>BALANCE, DECEMBER 31, 2024</u>	<u>\$ (209,773)</u>

see accompanying notes

Beauty Bungalows Franchising,  
LLC STATEMENTS OF CASH  
FLOWS  
For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
<u>Net loss</u>	<u>\$ (243,301)</u>	<u>\$ (85,311)</u>
<u>Change in:</u>		
<u>Deferred revenue</u>	<u>442,600</u>	<u>214,600</u>
<u>Credit card</u>	<u>13,933</u>	<u>=</u>
<u>Deferred acquisition costs</u>	<u>(196,874)</u>	<u>(115,783)</u>
<u>Net cash provided by operating activities</u>	<u>16,358</u>	<u>13,506</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
<u>Member contributions</u>	<u>16,618</u>	<u>37,988</u>
<u>Member distribuions</u>	<u>-</u>	<u>(60,000)</u>
<u>Net cash provided by (used in) financing activities</u>	<u>16,618</u>	<u>(22,012)</u>
<u>Net change in cash and cash equivalents</u>	<u>\$ 32,976</u>	<u>\$ (8,506)</u>
<u>Cash and cash equivalents at beginning of year</u>	<u>115,727</u>	<u>124,233</u>
<u>Cash and cash equivalents at end of year</u>	<u>\$ 148,703</u>	<u>\$ 115,727</u>
<u>Total cash and cash equivalents</u>	<u>\$ 148,703</u>	<u>\$ 115,727</u>

see accompanying notes

Beauty Bungalows Franchising, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

1. Organization

Beauty Bungalows Franchising LLC (the “Company”) is a Wyoming limited liability company formed in July 2021. The Company was formed for the purpose of franchising beauty stores nationally in the United States. The company has one member with 100% ownership.

For the years ended December 31, 2024, and 2023, total member contributions were \$16,618 and \$37,988, respectively and total member distributions were \$0 and \$60,000, respectively.

Below is the summary of agreements during the years ended December 31, 2024, and

2023:

	<u>2024</u>	<u>2023</u>
<u>Agreements, beginning</u>	<u>2</u>	<u>=</u>
<u>Agreements signed</u>	<u>7</u>	<u>2</u>
<u>Agreements terminated</u>	<u>-</u>	<u>-</u>
<u>Agreements, ending</u>	<u>9</u>	<u>2</u>
<u>Franchise agreements</u>	<u>9</u>	<u>2</u>
<u>Affiliate owned locations</u>	<u>=</u>	<u>=</u>

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The accompanying financial statements have been prepared under the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could vary from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition. The Company maintains its cash in bank deposit accounts which could exceed federally insured limits. The

Company has not experienced an instance where cash held in the account exceeded insured limits since its inception and has not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Beauty Bungalows Franchising, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Revenue and expenses

The Company recognizes revenue under the guidance of ASC 606 “Contracts with Customers”. The Company’s revenue is principally generated through franchise agreements executed with the Company’s franchisees. Each franchise agreement is comprised of several performance obligations.

The Company identifies those performance obligations, determines the contract price for each performance obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

When a franchisee purchases a franchise, the Company grants the franchisee the rights to operate in a designated area and to use the proprietary methods, techniques, trade dress, trademarks, and logos (“the license”). The license is considered to be symbolic intellectual property. Revenues related to the license are continuing royalties based on a fixed percentage of gross sales of each location. These revenues will be used to continue the development of the Company’s brand, the franchise system and provide ongoing support for the Company’s franchisees over the term of the agreement. The royalties are billed monthly and are recognized as revenue when earned. For the years ended December 31, 2024 and 2023, there were no royalties earned.

Revenue from initial fees is allocated to the performance obligations in the franchise agreement that are distinct from the territory and license rights. These primarily include training services, opening support services, opening marketing assistance and franchisee acquisition and acceptance. The amount allocated to each identified performance obligation is determined using the expected cost plus a margin approach. Revenue from initial fees is recognized when the performance obligation is satisfied, and control of the goods or service has been transferred to the franchisee. Performance obligations that are normally satisfied by the opening of the franchised business to the public are determined to be earned during the period from the execution of the contract to the opening of the franchised business which is generally less than one year. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred nonrefundable revenue and recognized as revenue over the term of the contract which is currently 10 years from the date the franchisee opens the franchise business to the public. Incremental costs of obtaining a franchise agreement with a franchisee related to unsatisfied performance obligations will be recorded as a franchise acquisition asset and are recognized as cost of sales over the same term as the related performance obligation which is currently 10 years. Revenue from multi-unit development agreements is recognized over the term of the development agreement

Disaggregation of revenues

The Company disaggregates revenue from contracts with customers by the timing of revenue recognition by type of revenue, as it believes this best depicts how nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Beauty Bungalows Franchising, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Revenues by timing of recognition were as follows:

	2024	2023
<u>Point in time:</u>		
<u>Franchise fees</u>	\$ <u>46,800</u>	\$ <u>-</u>
<u>Technology fee</u>	<u>200</u>	<u>-</u>
<u>Total point in time</u>	<u>47,000</u>	<u>=</u>
 <u>Over time:</u>		
<u>Franchise fees</u>	<u>-</u>	<u>-</u>
<u>Total over time</u>	<u>-</u>	<u>-</u>
 <u>Total revenue</u>	 <u>\$ 47,000</u>	 <u>\$ -</u>

Contract balances

The Company recorded an asset for acquisition costs incurred to obtain franchise agreements and a liability for unearned revenue associated with the performance obligation of the Company's franchise agreements.

A summary of acquisition costs incurred as of December 31, 2024 and 2023 is as follows:

	2024	2023
<u>Deferred acquisition costs - beginning</u>	\$ <u>115,783</u>	\$ <u>-</u>
<u>Additional costs incurred</u>	<u>209,500</u>	<u>115,783</u>
<u>Deferred acquisition costs recognized</u>	<u>(12,626)</u>	<u>=</u>
<u>Deferred acquisition costs - ending</u>	<u>\$ 312,657</u>	<u>\$ 115,783</u>

Beauty Bungalows Franchising, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Deferred acquisition costs are expected to be amortized over the remaining term of the associated franchise agreement as follows:

Year ending December 31, 2024:

<u>2025</u>	<u>\$ 26,544</u>
<u>2026</u>	<u>39,732</u>
<u>2027</u>	<u>28,043</u>
<u>2028</u>	<u>28,043</u>
<u>2029</u>	<u>28,043</u>
<u>Thereafter</u>	<u>162,252</u>
<u>Total</u>	<u>\$ 312,657</u>

Year ending December 31, 2023:

<u>2024</u>	<u>\$ 12,625</u>
<u>2025</u>	<u>10,316</u>
<u>2026</u>	<u>10,316</u>
<u>2027</u>	<u>10,316</u>
<u>2028</u>	<u>10,316</u>
<u>Thereafter</u>	<u>61,894</u>
<u>Total</u>	<u>\$ 115,783</u>

Deferred franchise revenue

This represents franchise fees received in advance that are not yet earned under the terms of franchise agreement.

A summary of deferred franchise revenue as of December 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
<u>Deferred revenue - beginning of year</u>	<u>\$ 214,600</u>	<u>\$ -</u>
<u>Additions for initial franchise fees received</u>	<u>489,400</u>	<u>214,600</u>
<u>Revenue recognized during the year</u>	<u>(46,800)</u>	<u>=</u>
<u>Deferred revenues - end of year</u>	<u>\$ 657,200</u>	<u>\$ 214,600</u>

Beauty Bungalows Franchising, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Deferred franchise fee revenue is expected to be amortized over the remaining term of the associated franchise agreement as follows:

Year ending December 31, 2024:

<u>2025</u>	<u>\$ 61,980</u>
<u>2026</u>	<u>60,865</u>
<u>2027</u>	<u>59,870</u>
<u>2028</u>	<u>59,870</u>
<u>2029</u>	<u>59,870</u>
<u>Thereafter</u>	<u>354,745</u>
<u>Total</u>	<u>\$ 657,200</u>

Year ending December 31, 2023:

<u>2024</u>	<u>\$ 23,400</u>
<u>2025</u>	<u>19,120</u>
<u>2026</u>	<u>19,120</u>
<u>2027</u>	<u>19,120</u>
<u>2028</u>	<u>19,120</u>
<u>Thereafter</u>	<u>114,720</u>
<u>Total</u>	<u>\$ 214,600</u>

Income taxes

The Company filed an election with the Internal Revenue Service to be treated as a flow-through entity for all taxable years. Therefore, the Company is not subject to corporate income tax and all taxable income or loss will pass through to the Member of the Company.

Advertising costs

The Company expenses and advertising costs as incurred. Advertising expenses for the years ended December 31, 2024, and 2023 were \$21,514 and \$10,613, respectively.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. No write-offs were made in the reporting period.

Beauty Bungalows Franchising, LLC  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2024 and 2023

2. Summary of significant accounting policies and nature of operations (continued)

Fair value of financial instruments

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Codification establishes a framework for measuring fair value that is based on the inputs market participants use to determine fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs.

The accounting guidance describes a hierarchy of three levels of input that may be used to measure fair value:

Level 1 Inputs based on quote **prices in active markets for identical assets** and liabilities.

Level 2 Inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities; quoted prices **in markets that are not active**; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 Unobservable inputs based on little market or no market activity and which are significant to the fair value of the assets and liabilities.

The Company's material financial instruments consist of primarily cash and cash equivalents and accounts payable and accrued expenses. The fair values of cash, accounts and notes receivable, accounts payable and accrued expenses are equal to their carrying values based on their liquidity. The fair value measurement of these assets is categorized as Level 1.

3. Litigation

The Company may be party to various claims, legal actions and complaints arising **in the ordinary course of business**. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

4. Related-party transactions

During the year ended December 31, 2024, and 2023, the Company paid rent expenses of \$6,500 and \$3,000 to its affiliate for the usage of common workspace. No amount is outstanding for the year ending December 31, 2024, and 2023.

5. Subsequent events

Subsequent events have been evaluated through March 5, 2025, which is the date **the financial statements were available to be issued**. No significant events or transactions were identified that would require adjustment to the financial statements or disclosure.

# Beauty Bungalows Franchising, LLC

## Financial Statements with Report of Independent Auditors December 31, 2022

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Report of Independent Auditors

To the Member(s) of  
Beauty Bungalows Franchising, LLC:  
*Report on the Financial Statements*

We have audited the accompanying financial statements of Beauty Bungalows Franchising, LLC, a Wyoming limited liability company, which comprise the balance sheets as of December 31, 2022, and the related statements of operations, changes in members' capital and cash flows for the years ended December 31, 2022, 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 audit 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 auditors consider internal control relevant to the Company'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 Company'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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beauty Bungalows Franchising, LLC as of December 31, 2022, and the results of its operations and its cash flows for the years ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

# ~~DAE AEs:00sç (soup~~

Troy, MI  
March 23, 2023

<del>Beauty Bungalows Franchising, LLC BALANCE SHEET</del>	
<del>December 31, 2022</del>	
<u>12/31/2022</u>	
<del>ASSETS</del>	
<del>Current assets:-</del>	
<del>Cash</del>	<del>\$ 124,233</del>
<del>Total current assets</del>	<del>124,233</del>
<del>Total assets</del>	<del>\$ 124,233</del>

## ~~LIABILITIES AND MEMBERS' EQUITY~~

<del>Members' equity</del>	<del>124,233</del>	<del>Total</del>
<del>Liabilities and members' equity</del>	<del>\$ 124,233</del>	

## ~~Beauty Bungalows Franchising, LLC STATEMENT OF OPERATIONS~~

~~For the Year Ended December 31, 2022~~

		<u>2022</u>
<del>OPERATING EXPENSES</del>		
<del>Bank charges &amp; fees</del>		<del>31</del>
<del>Legal and other professional fees</del>		<del>12,125</del>
<del>Franchise consultant fees</del>	<del>56,178</del>	
<del>Selling and administrative expenses</del>	<del>68,334</del>	
<del>Net loss</del>	<del>\$ (68,334)</del>	

## ~~Beauty Bungalows Franchising, LLC STATEMENT OF CHANGES IN MEMBERS' EQUITY~~

~~For the Year Ended December 31, 2022~~

~~Total Members'  
Equity~~

BALANCE, January 1, 2022	\$ 25,040
Capital contributions	206,568
Capital distributions	(39,041)
Net loss	<u>(68,334)</u>
BALANCE, December 31, 2022	<u>\$ 124,233</u>

Beauty Bungalows Franchising, LLC  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2022

	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net loss	<u>\$ (68,334)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Member capital contributions	206,568
Net change in cash and cash equivalents	\$ 99,193
Cash and cash equivalents at beginning of year	<u>25,040</u>
Cash and cash equivalents at end of year	<u>\$ 124,233</u>
Total cash and cash equivalents	<u>\$ 124,233</u>

Beauty Bungalows Franchising,  
LLC NOTES TO FINANCIAL  
STATEMENTS  
December 31, 2022

1. Organization

Beauty Bungalows Franchising LLC (the "Company") is a Wyoming limited liability company formed in July 2021. The Company was formed for the purpose of franchising beauty stores nationally in the United States. The company has one member with 100% ownership. For the year ended December 31, 2022, total member contributions were \$206,568 and total member distributions were \$39,041.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and expenses

Income will consist of franchise sales to customers in addition to revenues earned by the Company from sales of marketing materials and services as well as royalties from each customer. Royalties are based on a percentage of monthly sales which are recognized as revenue in the month earned as well as revenue from other contractual agreements.

For franchise revenues, the Company has obligations to provide franchisees with the franchise

~~rights to open a studio within the franchise system, training, and site selection. The Company's revenue recognition policies for franchise fees are in compliance with accounting standards ASC Topic 606, Revenue from Contracts with Customers. In 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU), Franchisors Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient. The expedient has allowed franchisors that are not public business entities to account for pre-opening activities as a single performance obligation. The Company has concluded that these preopening activities represent performance obligations to which the franchise fee is allocated. Therefore, initial franchise fees for each agreement are allocated to each performance obligation and recognized as these preopening activities are performed, which typically aligns with the date a franchisee opens. For the year ended December 31, 2022, initial franchise fees were \$0.~~

~~Beauty Bungalows Franchising,  
LLC NOTES TO FINANCIAL  
STATEMENTS  
December 31, 2022~~

~~2. Summary of significant accounting policies and nature of operations (continued)~~

~~Cash and cash equivalents~~

~~Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.~~

~~The Company maintains its cash in bank deposit accounts which, could exceed federally insured limits. The Company has not experienced an instance where cash held in the account exceeded insured limits since their inception and have not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.~~

~~Income taxes~~

~~Income taxes on Company income are levied on the members at the individual level. Accordingly, all profits and losses of the Company are recognized by each member on their respective tax return.~~

~~Subsequent events~~

~~Subsequent events have been evaluated through March 23, 2023, which is the date the financial statements were available to be issued. No significant events or transactions were identified that would require adjustment to the financial statements or disclosure.~~

Financial Statements For The Year Ended December 31, 2021  
 TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

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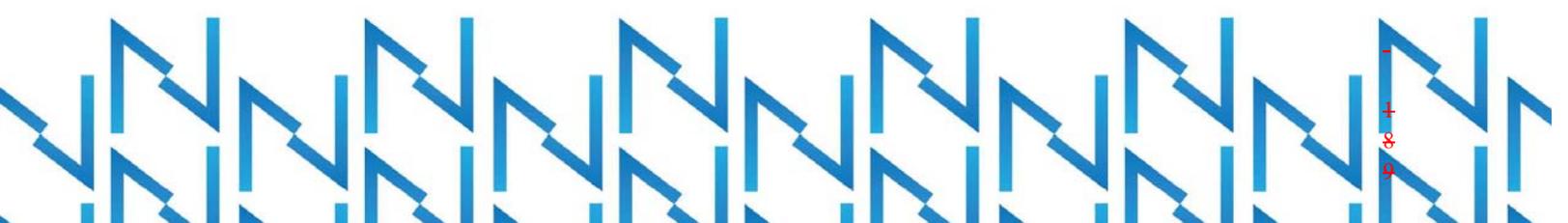
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## INDEPENDENT ACCOUNTANT AUDIT REPORT

To the Management of BEAUTY BUNGALOWS FRANCHISING LLC

### Opinion

We have audited the financial statements of BEAUTY BUNGALOWS FRANCHISING LLC (the “Company”), which comprise the Balance Sheet as of December 31, 2021, the related Profit & Loss Statement, the related Statement of Cashflows, the related Statement of Shareholders’ Equity, and the related notes for the twelve-month period then ended. (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the twelve-month period ended December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits.

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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+1 (815) 348-2421  
omar@naperepa.com

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Joe Allmari, CPA*

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March 30, 2022

(re-issued on August 14, 2023)

~~BEAUTY BUNGALOWS  
FRANCHISING LLC  
PROFIT & LOSS  
STATEMENT  
FOR THE YEAR ENDED  
DECEMBER 31, 2021~~

---

Revenue	
Revenue	\$-
Cost of Sales	—
Gross Profit	—
Operating Expense	
SGA Expenses	60
Total Operating Expense	60
Net Income From Operations	(60)
Other Income (Expense)	—
Total Other Income (Expense)	—
Net Income Before Provision for Income Tax	(60)
Provision for Income Taxes	—
Net Income (Loss)	<u><u>\$ (60)</u></u>

See Independent Accountant's Audit Report and accompanying notes, which are  
an integral part of these financial statements.

BEAUTY-  
BUNGALOWS-  
FRANCHISING-  
LLC BALANCE-  
SHEET  
DECEMBER 31,  
2021

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ASSETS

CURRENT ASSETS

Cash and Cash Equivalents

~~TOTAL CURRENT ASSETS~~

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\$25,040-25,040

NON-CURRENT ASSETS

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~~TOTAL NON-CURRENT ASSETS~~

~~TOTAL ASSETS~~

-25,040

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LIABILITIES AND OWNER'S EQUITY

CURRENT LIABILITIES

NON-CURRENT LIABILITIES

<del>TOTAL CURRENT LIABILITIES</del>		<u>          </u>
<del>TOTAL NON-CURRENT LIABILITIES</del>		<u>          </u>
<del>TOTAL LIABILITIES</del>		<u>          </u>
<del>OWNER'S EQUITY</del>		
<del>Retained Earnings</del>		<u>25,040</u>
<del>TOTAL SHAREHOLDERS' EQUITY</del>		<u>25,040</u>
<del>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</del>		<u><u>\$25,040</u></u>

~~See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.~~

~~BEAUTY BUNGALOWS-  
FRANCHISING LLC-  
STATEMENT OF  
CASHFLOWS  
FOR THE YEAR ENDED-  
DECEMBER 31, 2021~~

~~OPERATING ACTIVITIES~~  
~~Net Income~~  
~~Non-Cash Adjustments~~

~~\$(60)~~

<del>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</del>	<del>(60)</del>
<del>INVESTING ACTIVITIES</del>	
<del>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</del>	
<del>FINANCING ACTIVITIES</del>	
<del>Owner's Contribution</del>	<del>25,100</del>
<del>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</del>	<del>25,100</del>
<del>NET INCREASE (DECREASE) IN CASH</del>	<del>25,040</del>
<del>CASH AT BEGINNING OF PERIOD</del>	
<del>CASH AT END OF PERIOD</del>	<del>\$ 25,040</del>

~~See Independent Accountant's Audit Report and accompanying notes, which are  
an integral part of these financial statements.~~

~~BEAUTY BUNGALOWS  
FRANCHISING LLC  
STATEMENT OF  
SHAREHOLDERS'  
EQUITY DECEMBER 31,  
2021~~

~~Opening Equity Balance~~

Yearly  
Changes ——— Total

Beginning Balance	\$ —	\$ —	\$ —
Net Income For The Period Ended December 31, 2021		(60)	(60)
Equity Contributions (Distributions)		25,100	25,100
Balance, December 31, 2021	\$ —	\$ 25,040	\$ 25,040

See Independent Accountant's Audit Report and accompanying notes, which are an integral part of these financial statements.

BEAUTY BUNGALOWS  
FRANCHISING LLC NOTES TO  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021

NOTE A — ORGANIZATION AND NATURE OF ACTIVITIES

BEAUTY BUNGALOWS FRANCHISING LLC (the "Company") was incorporated under the laws of the State of Wyoming for the purpose of offering franchise opportunities to entrepreneurs who want to own their own 'Beauty Bungalows' location, as a franchise.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

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 disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

Franchisee Receivables

The Company's franchisee receivables primarily result from initial franchise fees, royalty fees, brand development contributions and training fees charged to franchisees. Timing of revenue recognition may be different from the timing of invoicing to customers. The Company records an accounts receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized after invoicing. The Company reports these receivables at net realizable value.

Management determines the allowance for doubtful accounts based on historical losses, current expectations, and economic conditions. On a continuing basis, management analyzes delinquent accounts receivable and, once these accounts receivable are determined to be uncollectible, they are written off through a charge against an existing allowance account. The allowance account is reviewed regularly and adjusted against earnings as appropriate. The Company determined that an allowance on outstanding franchisee receivables of \$0 was necessary as of December 31, 2021. Franchisee bad debt expense was \$0 for the year ended December 31, 2021. Franchisee amounts written off were \$0 for the year ended December 31, 2021.

BEAUTY BUNGALOWS  
FRANCHISING LLC NOTES TO  
FINANCIAL STATEMENTS

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~~NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)~~

~~Fair Value of Financial Instruments~~

~~Financial Accounting Standards Board (“FASB”) guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:~~

- ~~—Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.~~
- ~~—Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).~~
- ~~—Level 3—Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.~~

~~As of December 31, 2021, the carrying amounts of the Company’s financial assets and liabilities reported in the balance sheets approximate their fair value.~~

~~Revenue Recognition~~

~~Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller’s price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees are fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.~~

~~Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—‘Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient’ in 2021 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Company has elected to adopt this new standard.~~

~~BEAUTY BUNGALOWS  
FRANCHISING LLC NOTES TO  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021~~

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~~NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)~~

~~Unearned Revenue~~

~~The Company’s primary performance obligation under the franchise agreement mainly includes granting certain rights to access the Company’s intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as “pre-opening activities”, which are recognized as a single performance~~

obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand-specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand-specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the stand-alone selling price of the training services that are not brand-specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand-specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' is recognized when the related services have been rendered.

The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

#### Income Taxes

The Company, with the consent of its shareholders, intends to elect to be an S-Corporation (for tax purposes). In lieu of corporate income taxes, the shareholder(s) of an S-Corporation is taxed based on its proportionate share of The Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

#### Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions **in the ordinary course of business**. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2021, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

~~BEAUTY BUNGALOWS  
FRANCHISING LLC NOTES TO  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021~~

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#### ~~NOTE C—EQUITY~~

~~The Company is 100% owned by its sole shareholder, Traci Hawkins.~~

#### ~~NOTE D—CONCENTRATIONS OF RISK~~

~~Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.~~

#### ~~NOTE E—SUBSEQUENT EVENTS~~

~~Management has evaluated subsequent events through March 30, 2022, the date on which **the financial statements were available to be issued**. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.~~

### **EXHIBIT B**

### **FRANCHISE AGREEMENT**

### 3. TERM AND RENEWALS

3.1 Term of Agreement. This Agreement begins on the Effective Date and will continue for a period of ten (10) years from the Effective Date, unless earlier terminated as provided under this Agreement.

3.2 Rights Upon Expiration. At the end of the term of this Agreement, Franchisee may renew its license under this Agreement for one (1) successive period of ten (10) years, provided Franchisor does not exercise its rights of refusal as set forth below.

3.3 Right of Refusal to Renew. Franchisor may refuse, in Franchisor's sole discretion, to renew Franchisee's license if Franchisee:

- (a) fails to remedy, in the time frame set forth in this Agreement, any breach of this Agreement specified by Franchisor in a written notice;
- (b) has committed three (3) or more breaches of this Agreement in the preceding twenty-four (24) months prior to expiration;
- (c) fails to give notice of Franchisee's intent to renew at least six (6) months, but no more than twelve (12) months, prior to the expiration of this Agreement; or
- (d) is not, at the time Franchisee delivers its notice of renewal or on the date this Agreement is scheduled to expire, current in payment obligations (i) to Franchisor or its subsidiaries and affiliates or (ii) to trade creditors, landlords, or mortgage holders unless Franchisee is in good faith disputing any such alleged payment obligation to such trade creditors, landlords, or mortgage holders; or
- (e) fails to execute a renewal franchise agreement, fails to execute a general release in favor of Franchisor, or fails to complete any required renovations, upgrades or modernizations of the Franchise (See Section 3.05, below) prior to the expiration of this Agreement.

3.4 If Franchisor intends not to renew Franchisee's license due to a condition as set forth in Sections 3.03(a), (b), (c) or (d), then Franchisor must give Franchisee a notice of non-renewal prior to the expiration of this Agreement.

3.5 Renewal Agreement. Prior to the expiration of this Agreement, Franchisee must execute a renewal franchise agreement and all other legal agreements in Franchisor's then-current form for new franchisees. These agreements may vary in material aspects from this Agreement, including, but not limited to, higher royalty and advertising fees. Franchisee, prior to the expiration of this Agreement, must complete, to the satisfaction of Franchisor, those renovations, upgrades and/or modernizations of the Franchise as set forth in the Manual or as reasonably required by the Franchisor. Prior to executing a renewal franchise agreement, Franchisor, in its sole discretion, may require Franchisee to execute a general release of all claims Franchisee may have against Franchisor and all principals of Franchisor. This release shall include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and shall be in a form satisfactory to Franchisor. If Franchisee fails to execute a renewal franchise agreement prior to the expiration of this Agreement and Franchisor fails to give Franchisor a notice of non-renewal pursuant to Section 3.04 above, then this Agreement will automatically be extended from month-to-month until a renewal franchise agreement is executed or until Franchisor delivers a notice of non-renewal pursuant to Section 3.04 above.

3.6 Renewal Fee. Upon signing a renewal franchise agreement, Franchisee will not be required to pay another Initial Franchise Fee, but will be required to pay a renewal fee equal to: 15% of our then-current initial franchise [fee](#) or \$7,500, whichever is greater.

3.7 Franchisor's Post-Term Option Regarding Lease. Upon expiration, non-renewal, or earlier  
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renewal, or termination to assume Franchisee's remaining lease obligations without accruing any liability regarding the lease prior to the effective date of any assignment. If Franchisor or its designees exercises this option, Franchisee will cooperate to assign any lease related to the Franchise to Franchisor or its designee at Franchisee's sole expense.

#### 4. TERRITORY

4.1 Franchise. Franchisee may operate the ~~franchised—Business—Franchise~~ only at the mutually agreed upon Premises to be located within the Site Selection Area set forth in Appendix A to this Agreement. Franchisee may not relocate the Premises without Franchisor's prior written approval; such consent shall not be unreasonably withheld.

4.2 Protected Territory. Once you have selected and we have accepted a Premises in the Site Selection Area, we will designate an area within the confines of your Site Selection Area as your Protected Territory. During the term of this Agreement and any extensions, neither Franchisor nor any affiliate will operate, or grant others the right to open and operate, a Beauty Bungalows location using the Marks within your Protected Territory, but Franchisor, its affiliates, and its franchisees have the right to do so anywhere outside your Protected Territory as designated in Appendix A to this Agreement. Once established, the boundaries of Franchisee's Protected Territory will not be adjusted during the Term without the written consent of both parties hereto.

4.3 Solicitation. Franchisee will have the right to solicit potential Customers within the Protected Territory. Franchisee may not knowingly, directly or indirectly, solicit or endeavor in any way to entice or lure customers of another Beauty Bungalows franchisee except, however, the general solicitation of potential Customers through direct mail and social media advertising, when intended as a general solicitation across large, multiple geographic areas, is not a violation of this provision.

4.4 Reservation of Rights. Franchisor reserves the rights, among others:

(a) to own, franchise, or operate Beauty Bungalows businesses anywhere outside of the Protected Territory, regardless of the proximity to the Premises;

(b) to use the Marks and System to sell any goods or services, including any salon equipment and beauty supplies, similar to those which Franchisee will sell through alternative distribution channels within or outside of the Protected Territory, other than through the Franchise at the Premises. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale sale to unrelated franchisees, or over the Internet, or through other forms of electronic media (including social technology, social media and social networking platforms). The Internet is a channel of distribution reserved exclusively to Franchisor, and Franchisee may not independently market on the Internet or conduct e-commerce. Franchisor has the sole right to market and sell on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time;

(c) to purchase or be purchased by, or merge or combine with, any businesses wherever located, including a business that competes directly with Franchisee's Franchise;

(d) to implement Multi-Area Marketing Programs which may allow Franchisor or others to solicit or sell to Customers or potential Customers anywhere, as set forth in Section 9. In such a

with Franchisor's prior written consent. Franchisee may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time. Subject to Section 9.02 below, Franchisee may use the Marks for advertising using social media, digital platforms, and Craigslist but must first obtain Franchisor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Franchisee must sign the Internet and intranet usage agreements when developed by Franchisor. Franchisor retains the right to approve or disapprove any linking to or other use of Franchisor's website.

6.6 Marks in Advertising. Subject to Section 9.02, Franchisee must obtain Franchisor's prior written approval for any use of any item of printed, audio, visual, Internet, electronic media, or multimedia material of any kind bearing any of the Marks, unless such material is supplied by Franchisor. As specified in the Manual, Franchisee must indicate that its business is "independently owned and operated."

6.7 Goodwill. All usage of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through Franchisee's operation of the Business or other activities will inure to the exclusive benefit of Franchisor.

6.8 Infringement. Franchisee must notify Franchisor in writing within three (3) days of obtaining actual knowledge of any possible infringement or illegal use by others of a trademark which is the same as or confusingly similar to the Marks. Franchisor may, in its sole discretion, commence or join any claim against the infringing party, and bear the reasonable costs associated with the action.

6.9 Signage. Franchisee must display signage bearing the Marks and identifying the Premises as a Franchise, and signage indicating that the ~~Business-Franchise~~ is independently owned and operated as a franchised Business. All signage must remain current with the System's standards as Franchisor may modify periodically. Notwithstanding the generality of the foregoing, so long as Franchisee's exterior storefront signage, when installed, complies with the then-current signage specifications as set forth in the Manual, then Franchisee shall not be required to replace or modify its exterior storefront sign within the first five

(5) years of the Term or upon renewal of this Agreement if Franchisee has replaced or modified its exterior storefront sign at Franchisor's request within five (5) years immediately preceding the expiration of initial term of this Agreement.

## 7. MANUAL AND CONFIDENTIAL INFORMATION

7.1 Confidential Information. The System, the Manual, and other Confidential Information are proprietary, involve Trade Secrets of Franchisor, and are disclosed to Franchisee solely on the express condition that Franchisee agrees, and Franchisee does hereby agree to: fully and strictly adhere to all security procedures prescribed in writing by Franchisor, in its sole discretion, for maintaining the Confidential Information as confidential, including without limitation, the obligation to;

- (a) disclose such information to its employees only to the extent necessary to market and for the operation of the Business in accordance with this Agreement;
- (b) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor; and
- (c) exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement, and follow Franchisor's security procedures, which include the execution of approved nondisclosure agreements, and intranet, extranet and Internet usage agreements when developed

8.2 Site Selection. Franchisee must operate the Franchise only from a location that Franchisor has approved. Franchisee is solely responsible for locating a site for the Franchise and negotiating a lease for the property. Upon request, Franchisor will provide assistance to Franchisee in analyzing a site and in reviewing a lease for your Franchise. If a representative of Franchisor travels to your market or location to aid in site selection or market due diligence, Franchisee will be responsible for the representative's travel, meals and hotel costs. Franchisee may also be responsible for the Site Selection Assistance Fee. Upon request, Franchisor will analyze a site for the Franchise by examining population density, salon density, traffic patterns, and proximity of the proposed franchise to any other Beauty Bungalows, or any other reasonable criteria, as set forth in Section 10.02. Franchisor's assistance in no way constitutes a representation or warranty with respect to the property or the lease. Franchisee must secure a Premises that we have approved by signing a lease or purchase agreement within ninety (90) days of the date of this Agreement. We may extend the deadline for acquisition of a Premises by 90 days in our sole discretion, and we may require you to pay an extension fee equal to two thousand five hundred dollars (\$2,500.00), and execute a general release as a condition of us agreeing to grant such extension. Franchisor will approve or disapprove your site within thirty (30) days after receiving notice of the proposed Franchise location from Franchisee. If we have accepted a Premises for you Business and you are unable or unwilling to acquire such Premises or an alternative Premises that we accept within 90 days of the Effective Date of this Agreement, we may terminate this Agreement. Franchisee agrees that the location of the Franchise is a factor in the potential for success of the Business and Franchisor may reject any location in its sole discretion, but consent will not be unreasonably withheld.

8.3 Equipment, Inventory, Advertising and Services. Franchisor may specify or pre-approve certain furniture, fixtures and equipment, interior design firms and beauty supplies used in the Business, and Franchisee must comply with such specifications and approvals. Franchisor, in its sole discretion, may negotiate marketing programs with suppliers and obtain advertising allowances or rebates for doing so and may utilize such allowances or rebates in any manner in which Franchisor elects.

8.4 Initial Training. If this is Franchisee's first franchise agreement with Franchisor, Franchisor will provide an initial training program as Franchisor may reasonably determine to be appropriate. Within the later of sixty (60) days of signing this Agreement or sixty (60) days of the designation of a location for your Business, Franchisor will provide the initial training program ~~at its corporate headquarters, virtually,~~ or at another location designated by Franchisor, to Franchisee ~~and~~ one designated Manager ~~or other~~ and/or another management-level employee. Franchisee and a designated Manager must attend and satisfactorily complete the initial training program. The initial training program consists of up to three (3) ~~day sessions~~ days of discussion of the System, techniques, procedures, and methods of operation, ordering, accounting, support procedures and instructions on quality standards and practical experience in the operation of the Franchise. If a training, for any reason, is not held virtually, Franchisee is responsible for personal travel, accommodation, and other costs of Franchisee, its Manager, and its employees while attending training. Franchisee will be charged Franchisor's current training fee for any additional persons attending training whether in person or virtual.

8.5 Ongoing Training. Franchisor will provide ongoing training and assistance as Franchisor may reasonably determine to be appropriate. Franchisor reserves the right to hold and require Franchisee to attend an annual conference to discuss on-going changes in the industry, sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, and advertising programs. Franchisor may charge a fee for such annual conference. If a fee is charged for such mandatory conference, Franchisee will be required to pay the current conference fee, which shall not exceed \$500, regardless of attendance. Franchisee must pay all personal travel and living expenses for all of its owners and employees attending the conference. Conferences will be held at Franchisor's corporate headquarters, virtually, or at an alternate location chosen by Franchisor. Franchisor reserves the right to require Franchisee and Franchisee's Manager to participate in any continuing advanced training which Franchisor chooses to offer in the future ("Continuing Advanced Training"). The Continuing Advanced Training may be provided by various methods, including by telephone, SKYPE type video, e-mail, or webinars or distance learning. From time to time, Franchisor may host additional training conferences

Conferences”), Franchisee may be required to pay a fee based upon the direct costs to Franchisor of retaining speakers and other direct expenses associated with the conference. Franchisee must pay all of the travel and living expenses for Franchisee and any other employees or personnel who attend the Additional Training Conferences.

8.6 Opening and Continuing Assistance. Franchisor may provide on-site assistance in connection with initial training during the opening of the Franchise. Franchisor will provide ongoing assistance, at Franchisor’s sole option and determination, by telephone, email, or other form of communication to Franchisee during normal business hours. If Franchisee requires additional on-site assistance, Franchisee will be charged Franchisor’s then-current additional assistance fee per day, plus travel and living expenses for Franchisor’s representative.

8.7 Advertising and Promotional Programs. Franchisor will provide advertising and promotional programs as set forth in Section 9.

8.8 Development of Programs. Franchisor may develop new interior designs and service methods, as Franchisor deems beneficial to the System. Franchisor will offer such new interior design and service methods to Franchisee on terms and costs reasonably determined by Franchisor.

8.9 Modification of System. Franchisor will periodically continue to improve, modify, and revise the Manual and the specifications, standards, and operating procedures and rules of the System, as set forth in Sections 2.02 and 7.04.

8.10 Central Purchasing. Franchisor reserves the right to implement a centralized purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor’s sole discretion.

8.11 Website. Franchisor will provide information regarding Franchisee’s Business on its website, as set forth in Section 9.02.

## 9. ADVERTISING

9.1 Franchisee Local Advertising. Starting in the calendar year in which the Franchise location opens for business, Franchisee is required to spend a minimum two percent (2%) of monthly Gross ~~Revenues~~ Revenue on local advertising, marketing, and promotion (the “Local Area Marketing Requirement”). Expenditures that count toward the Local Area Marketing Requirement include, but are not limited to, marketing mailings and expenditures on distributor relations. The following items do not count toward your Local Area Marketing Requirement: parties, holiday gifts, fee reduction to existing Customers, referral fees, and other move-in or customer retention incentives. In addition to the Local Area Marketing Requirement, Franchisee ~~will also be is~~ required to market and promote the Franchisee’s Business for ~~two~~ five months prior to opening the Business and during the first two months after opening the Business and must spend ~~a minimum of between \$1,000 in grand opening advertising 20,000 and \$22,000~~ during such period. Franchisee must also conduct a grand opening event the week of its grand opening and is expected to spend a minimum of \$2,000 to promote the event. We may reduce or waive the required grand opening marketing spend if you reach 75% or greater suite occupancy prior to opening your Business. All local advertising expenditures will be reported to Franchisor at such times and in such manner as Franchisor specifies, including by electronic means. If you demonstrate that 75% or more of the suites within your Business are occupied, we may reduce, or waive entirely, the Local Area Marketing Requirement.

In addition to Franchisee’s Local Area Marketing Requirement set forth in this Section 9.01, Franchisee must also participate in, at Franchisee’s sole cost and expense, any Multi-Area Marketing Programs required by Franchisor as set forth in Section 9.03 below and contribute to the Brand Fund as set forth in Section 9.04 below. Without Franchisor’s prior written consent, Franchisee may not market independently on the Internet or acquire an independent Internet domain name or website, but Franchisor

Franchisee's Franchise on its website. Subject to Section 9.02 below, Franchisee may advertise the Franchise using social media, digital platforms, and Craigslist, but must first obtain Franchisor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

9.2 Advertising and Marketing Materials. Franchisor will provide Franchisee with advertising and marketing materials, in amounts that Franchisor determines at its sole option, which materials may include, but are not limited to, video and photography, copy-ready print marketing materials, posters, mailers, banners, social media graphics and copy, and digital advertising collateral. Franchisee must purchase any additional copies of advertising and marketing materials. Franchisee may develop and produce additional advertising and marketing materials, at Franchisee's own expense, but any advertising and marketing materials must be approved in writing by Franchisor in advance of Franchisee's use of such materials. Franchisor will approve or disapprove materials submitted by Franchisee within fifteen (15) days of receipt; and if not disapproved within such 15-day period, the materials shall be deemed approved. Franchisee hereby grants Franchisor an exclusive right to utilize any advertising and marketing materials, without cost, developed by Franchisee and Franchisor will have the right to grant other franchisees the right to use such advertising and marketing materials.

9.3 Multi-Area Marketing Programs. Franchisee will participate, at Franchisee's sole cost and expense, in any Multi-Area Marketing Program(s) required by Franchisor, in Franchisor's sole determination. Multi-Area Marketing Programs may require Franchisee's cooperation and participation, including refraining from certain channels of marketing and distribution, and payment of commissions, referral fees, or other amounts to Franchisor, its affiliates, or third parties. Franchisee will report to Franchisor at such times and in such manner as Franchisor specifies, including by electronic means, any expenditures directly incurred by Franchisee at the direction of Franchisor in connection with a Multi-Area Marketing Program. Alternatively, at its sole option, Franchisor may require Franchisee to pay a fee to Franchisor, in an amount Franchisor determines at its sole option, in connection with a Multi-Area Marketing Program, which fee will be due and payable at the same time and in the same manner as the Royalty Fee. If Franchisor directly collects payments from Franchisee and other franchisees in connection with a Multi-Area Marketing Program, Franchisor will use such amounts in connection with such Multi-Area Marketing Program at Franchisor's sole determination, including to reimburse Franchisor's costs and expenses incurred in administering such Multi-Area Marketing Program. Franchisee acknowledges and agrees that a Multi-Area Marketing Program, or Franchisee's expenses or payments in connection with such Multi-Area Marketing Program, may or may not provide any benefit to Franchisee and may or may not be proportionate to expenses or payments incurred by Franchisee. Franchisor has no fiduciary duty with regard to any Multi-Area Marketing Program. Notwithstanding anything to the contrary in Section 9, Franchisee's combined total in a given calendar month of required expenses in connection with Multi-Area Marketing Programs and monthly contribution to the Brand Fund will not exceed two percent (2%) of Gross Revenue. Franchisor will not use any Multi-Area Marketing Program for advertising that is principally a solicitation for the sale of franchises, but Franchisor reserves the sole right to pursue any franchisee or business opportunity that may result from a Multi-Area Marketing Program. Franchisor reserves the right to include notations in any advertisement or marketing platform, including websites or mobile applications, that Franchises are available (or similar phrasing) along with contact forms or informational pages. Franchisee must adhere to maximum pricing to the extent permitted by law in connection with any Multi-Area Marketing Programs. All Multi-Area Marketing Programs are Trade Secrets of Franchisor.

~~the planning and purchasing of national, regional, and/or local advertising. The general purpose of the~~~~9.5-~~

9.4 Brand Fund. Franchisee must contribute to the Brand Fund in an amount determined by Franchisor, which contribution amount will not exceed two percent (2%) of Gross Revenue per month, at the same time and in the same manner as the Royalty Fee. Franchisor may, at its sole option, adjust the amount of the required monthly contribution to the Brand Fund upon thirty (30) days' prior written notice to Franchisee; provided, notwithstanding anything to the contrary in Section 9, Franchisee's combined total in a given calendar month of required expenses in connection with Multi-Area Marketing Programs and monthly contribution to the Brand Fund will not exceed two percent (2%) of Gross Revenue.

the planning and purchasing of national, regional, and/or local advertising. The general purpose of the Brand Fund is to maximize general public recognition and acceptance of the Beauty Bungalows brand, increase business, and enhance the collective success of salons operating under the System. Franchisor will direct all advertising and marketing programs funded by Brand Fund, including but not limited to research methods, branding, creative concepts and materials, sponsorships, and endorsements, selection of geographic and media markets, and media placement and allocation thereof. Franchisee acknowledges and agrees that expenditures from the Brand Fund may or may not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee. Franchisor has no fiduciary duty with regard to the Brand Fund. Franchisor may accumulate these contributions, and the balance may be carried over to subsequent years and used for the purposes determined by Franchisor. If the Brand Fund operates at a deficit or requires additional funds at any time, Franchisor reserves the right to loan such funds to the Brand Fund on any terms Franchisor determines. Franchisor may also utilize the Brand Fund to reimburse itself for expenses in administering the Brand Fund or any MAM Program(s), including expenses related to third-party services, in-house services, contractors, employees and other costs related to the managing the Brand Fund and the collection of required contributions to the Brand Fund, including but not limited to: (a) the costs of preparing and conducting marketing campaigns intended to enhance the brand, including marketing, advertising, or promotions that are directed at consumers, salon professionals or general business professionals such as lenders to franchisees, landlords and beauty industry participants, (b) internet marketing, (c) social media marketing, (d) in-store and point of purchase marketing, (e) public relations activities or events, intended to enhance the brand, that are directed at consumers, salon professionals or general business professionals such as lenders to franchisees, landlords and beauty industry participants, (f) employing or engaging advertising and/or marketing personnel, contractors or agencies, (g) development, enhancement and maintenance of Franchisor-sponsored or promoted websites and mobile applications, (h) costs incurred by Franchisor for personnel and other departmental costs for marketing purposes, (i) Beauty Bungalows programs and differentiators relating to education and support, (j) technologies and other platforms used by Beauty Bungalows franchisees and Customers, and (k) other internal or administrative costs, expenses, or overhead caused by or related to the collecting, administering and managing the Brand Fund or any MAM Program(s) or creating, preparing, distributing, monitoring and managing marketing related marketing or advertising programs or campaigns, websites and mobile applications. Franchisor will not use the Brand Fund for advertising that is principally a solicitation for the sale of franchises, but Franchisor reserves the sole right to pursue any franchisee or business opportunity that results from the use of Brand Fund, including marketing, promotional, public relations, and advertisement activities. Franchisor reserves the right to include notations in any advertisement or marketing platform, including websites or mobile applications, that Franchises are available (or similar phrasing) along with contact forms or informational pages. An unaudited annual financial statement of the Brand Fund will be prepared within one hundred twenty (120) days of the close of Franchisor's fiscal year and will be available to Franchisee upon written request.

~~directly, as Franchisor determines. Any fees that Franchisee pays to a Marketing Cooperative will count~~<sup>9.7</sup>

9.5 Marketing Cooperatives. Franchisor may designate a geographic area in which two or more Beauty Bungalows are located as an area in which to establish a marketing cooperative ("Marketing Cooperative"). If a Marketing Cooperative exists, or Franchisor establishes a Marketing Cooperative, in a geographic area encompassing Franchisee's Franchise, Franchisee must join such Marketing Cooperative. The Marketing Cooperative's members will include all Beauty Bungalows operating in the geographic area, including any Beauty Bungalows operated by Franchisor or Franchisee's affiliates, if applicable. Franchisor will determine how any Marketing Cooperative is organized and governed, but the Marketing Cooperative's members are responsible for its administration and determination of contribution levels (up to but not exceeding two percent (2%) of monthly Gross Revenue). Any contributions Franchisee makes to a required Marketing Cooperative will also count toward the Local Area Marketing Requirement. Each Marketing Cooperative will operate under written governing documents prepared by Franchisor or Franchisor's designee. Such documentation will be made available to members of the Marketing Cooperative upon reasonable request. All material decisions of the Marketing Cooperative, including contribution levels, will require the affirmative vote of at Beauty Bungalows Franchising, LLC

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directly, as Franchisor determines. Any fees that Franchisee pays to a Marketing Cooperative will count towards Franchisee's minimum local advertising obligation under Section 9.01. The fees imposed by the Marketing Cooperative may exceed Franchisee's required minimum local advertising obligation under Section 9.01. Franchisor may form, modify, change, dissolve, or merge Marketing Cooperatives.

## 10. CONSTRUCTION AND MAINTENANCE OF FRANCHISE

10.1 Premises Selection. You must identify a Premises in the Site Selection Area that is reasonably suitable for the conduct of the Business and is consistent with any site selection guidelines that we may provide, before entering into any lease or purchase agreement for the site, you must submit a site proposal package describing details about the proposed site and provide any other information that we reasonably require. We will review each site that we, our designated broker, or you identify and determine whether to accept it using our proprietary site selection assistance criteria. You acknowledge that we may refuse to accept a proposed site for any reason. If we accept the proposed site and you obtain it, we will insert a description of the specific location on Schedule 1 to Appendix A. **YOU ACKNOWLEDGE AND AGREE THAT OUR ACCEPTANCE OR PROPOSAL OF A PROPOSED SITE IS NOT A WARRANTY OR REPRESENTATION OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF YOUR BUSINESS. WHILE WE MAY PROVIDE ASSISTANCE AND GUIDANCE, IT IS SOLELY YOUR RESPONSIBILITY TO SELECT A SUITABLE SITE FOR THE BUSINESS.**

10.2 Definition of the Protected Territory. Once the Premises has been accepted, we will identify your Protected Territory in Schedule 1 to Appendix A based on the factors that we deem relevant, in our sole discretion, which might include demographics, the character and location of the Site, and nearby businesses and residences. Once we have defined the Protected Territory, you will have no territorial or other rights in those portions of the Site Selection Area that are outside the Protected Territory. You must return to us upon our request a signed copy of Schedule 1 to Appendix A acknowledging the Protected Territory we have designated.

10.3 Franchise Construction. Franchisee must construct or convert a building and equip the Franchise, at Franchisee's expense, in a good and workmanlike manner as specified by Franchisor. All interior designs, construction or conversion work must be completed in accordance with the standards and specifications of Franchisor, and must conform to all applicable zoning and other requirements of local authorities. All final space and fixture plans must be approved by Franchisor. Franchisor will approve or disapprove the plans within thirty (30) days of submission, and if not approved or disapproved within said thirty days, the plans shall be deemed approved. Franchisee must obtain required authorizations, licenses, certifications, and permits, complete construction or conversion of interior finish items and be open for retail business within eighteen (18) months from the date of this Agreement.

10.4 Property. Franchisee may purchase or lease the required real property and improvements from any source. Franchisee must submit proposals for the location of the Franchise within ten (10) months of the date of this Agreement. Franchisor will approve or disapprove your site within 30 days after we receive notice of the proposed location from you. Franchisee agrees that the location of the Franchise is a factor in the potential for success of the Business and Franchisor may reject any location in its sole discretion, but consent will not be unreasonably withheld. Franchisee must deliver to Franchisor any traffic, competition, and demographic and similar franchise information relating to any proposed site, that Franchisor reasonably requests, for review at least twenty (20) days before any proposed lease signing date. At least five (5) days before proposed lease signing date, Franchisee must deliver to Franchisor a copy of the proposed lease. Franchisee must also deliver to Franchisor a copy of the executed lease within five (5) days of the execution thereof.

10.5 Lease Rider. If Franchisee leases the real property in which the Franchise is located, Franchisee's lease must include the form of Lease Rider set forth in Exhibit G.

~~specifications, processes, procedures, requirements and instructions regarding the Franchise's~~

~~physical~~10.7—

10.6 Maintenance and Upgrades. Subject to the terms of this Section, Franchisee must at all times comply with both (i) the Manual (as amended or revised from time to time) and (ii) Franchisor's standards,

specifications, processes, procedures, requirements and instructions regarding the Franchise's physical facilities, including the make, model, quality and layout of furnishings, fixtures and equipment. Franchisee must maintain the Franchise and any parking areas in good and safe condition and as may be specified in the Manual. Franchisee must remodel or upgrade the Franchise at its own cost in accordance with the Manual (as amended or revised from time to time). Any remodeling or upgrade standards or requests will be applied to all franchised locations and to all locations owned by Franchisor's affiliate on a nondiscriminatory basis.

## 11. RECORDS AND REPORTS

11.1 Records. Franchisee must keep and transmit complete and accurate Business Records on a current basis relating to the Business in the form, time, and manner that Franchisor prescribes. Franchisee must provide Franchisor with all hard copies, and access to electronic reports, as reasonably prescribed. Franchisee must maintain an accounting system, which accurately reflects all operational aspects of the Franchise including uniform reports as may be required by Franchisor. Franchisee must maintain its accounting using the software programs we designate (or other software as specified in the Manual) and using the account types as specified by Franchisor from time to time. Franchisee must submit to Franchisor current financial statements and other reports as Franchisor may reasonably request to evaluate or compile research data on any operational aspect of the Franchise. Franchisor reserves the right to require that Franchisee make available its sales records and files by way of an Internet connection. Business Records will specifically also include, without limitation, the following:

- (a) tax returns;
- (b) profit and loss statements detailing Gross Revenue and expenses for the period, to be prepared each month for the preceding month and quarterly for the prior quarter;
- (c) profit and loss statements, prepared or compiled annually by an independent Certified Public Accountant annually; and
- (d) balance sheets, to be prepared or compiled at least annually by an independent Certified Public Accountant.

Franchisee must keep accurate records relating to the franchised Business for a period of six (6) years after the termination or expiration of this Agreement. All reports are due in accordance with the due date prescribed by Franchisor. Franchisee will pay Franchisor a late report fee in the amount of \$100 per day ("Late Report Fee") if Franchisee fails to provide such reports within the time period prescribed by Franchisor.

11.2 Records Standards. Franchisee must prepare in a form reasonably approved by Franchisor and in a timely manner, financial reports that accurately reflect all particulars relating to the Business. Franchisee must periodically deliver to Franchisor copies of accounting, tax and other documents and information, within ten (10) business days of Franchisor's requests. Franchisee must provide Franchisor with a copy of its annual financial statements including a profit and loss statement and a balance sheet containing complete notes and disclosures. Such statements must be prepared or compiled by an independent Certified Public Accountant, and be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

11.3 Audits. Franchisee must provide Franchisor or its agent's access to Franchisee's Business and computer systems to examine or audit Franchisee's Business, at any reasonable time on at least ten (10) days prior notice to Franchisee. Franchisor will bear the cost of the audit, unless Franchisee fails to report as required or understates Gross Revenue by two percent (2%) or more for any reported time period, in which case Franchisee will pay the audit cost plus interest on understated costs of one percent (1%) per month. Franchisee must immediately pay to Franchisor all sums owed in addition to any other remedies provided in this Agreement or by law.

(ix) Franchisee receives notices of three or more defaults (whether different defaults noticed together, three separate instances of the same or similar default, or otherwise) under Section 13.02(a) within any 12-month period and then commits another default within the same 12-month period, regardless of whether the previous defaults were cured.

13.3 Effect of Termination. Upon any termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, and indemnity, will remain in effect, and Franchisee must immediately:

(a) promptly pay all amounts owed to Franchisor based on the operation of the Franchise through the effective date of termination;

(b) return to Franchisor all copies of the Manual, tenant lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items;

(c) cancel or assign within five (5) days all registrations relating to its use of any of the Marks, in Franchisor's sole and absolute discretion. Franchisee must notify the telephone, Internet, email, electronic network, directory, and listing entities of the termination or expiration of the Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and must authorize their transfer to the Franchisor or any new franchisee as may be directed by the Franchisor. The Franchisee acknowledges as between the Franchisor and the Franchisee, the Franchisor has the sole rights to, and interest in, all numbers, addresses, domain names, locators, directories and listings used by Franchisee to promote the System. The Franchisee hereby irrevocably appoints the Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Such appointment is evidenced by Appendix C-;

(d) cease doing business under any of the Marks, cancel any assumed name registration that includes any of the Marks, assign all domain names and Internet directory listings that contain the Marks to Franchisor, and refrain from identifying itself as a Beauty Bungalows franchisee;

(e) allow Franchisor or representatives access to the Business and the computer systems to verify and secure Franchisee's compliance with the obligations under this Agreement;

(f) allow Franchisor to make a final inspection and audit of your computer system, books, records and accounts;

(g) allow Franchisor the option, exercisable by Franchisor by written notice to Franchisee within thirty (30) days after expiration or earlier termination of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment, signs, fixtures, supplies, materials and other assets related to the operation of the Business, at fair market value. Franchisor shall purchase assets only and shall assume no liabilities, unless otherwise agreed in writing by the parties. If the parties cannot agree on the fair market value of the assets within thirty (30) days of Franchisor's notice of exercise of its purchase option, fair market value shall be determined by three (3) appraisers. Each party shall select one (1) appraiser, and those two (2) appraisers shall select a third appraiser. The average of the determinations of the three (3) appraisers shall be binding. In the event of an appraisal, each party shall bear its own legal and other costs and shall divide the appraisal fees equally. The purchase price shall be paid in cash; provided, that Franchisor shall have the right to set off from the purchase price (i) all fees due from Franchisee for any appraisal conducted hereunder, and (ii) all amounts due from Franchisee to Franchisor.

## LIST OF STATE REGULATORY ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<b>LIST OF STATE ADMINISTRATORS</b>	
<p><b><u>CALIFORNIA</u></b>  <a href="#">Department of Financial Protection and Innovation</a>  <a href="#">320 West 4th Street, Suite 750</a></p> <p><del><b>CALIFORNIA</b></del>  <del><a href="#">Department of Financial Protection and Innovation</a></del> <del>320 West 4th Street, Suite 750</del> Los Angeles, California 90013-2344 <del>(213) 576-7500</del>  <del>Toll Free (866) 275-2677</del></p> <p><a href="#">(213) 576-7500</a>  <a href="#">Toll Free (866) 275-2677</a></p>	<p><b><u>CONNECTICUT</u></b>  <a href="#">State of Connecticut</a>  <a href="#">Department of Banking</a></p> <p><del><b>CONNECTICUT</b></del>  <del>State of Connecticut</del>  <del>Department of Banking</del>  <del>Securities &amp; Business Investments Division</del> <del>260- Constitution Plaza</del>  <del>Hartford, Connecticut 06103-1800</del>  <del>(860) 240-8230</del></p> <p><a href="#">260 Constitution Plaza</a>  <a href="#">Hartford, Connecticut 06103-1800</a>  <a href="#">(860) 240-8230</a></p>
<p><b><u>HAWAII</u></b>  <del><b>HAWAII</b></del>  <del>Commissioner of Securities of the State of Hawaii</del> <del>Department of Commerce and Consumer Affairs- Business Registration Division</del>  <del>Securities Compliance Branch</del>  <del>335 Merchant Street, Room 203</del>  <del>Honolulu, Hawaii 96813</del>  <del>(808) 586-2722</del></p> <p><a href="#">Department of Commerce and Consumer Affairs</a>  <a href="#">Business Registration Division</a>  <a href="#">Securities Compliance Branch</a>  <a href="#">335 Merchant Street, Room 203</a>  <a href="#">Honolulu, Hawaii 96813</a>  <a href="#">(808) 586-2722</a></p>	<p><b><u>ILLINOIS</u></b>  <del><b>ILLINOIS</b></del>  <del>Franchise Bureau</del>  <del>Office of the Attorney General</del>  <del>500 South Second Street</del>  <del>Springfield, Illinois 62706</del>  <del>(217) 782-4465</del></p> <p><a href="#">Office of the Attorney General</a>  <a href="#">500 South Second Street</a>  <a href="#">Springfield, Illinois 62706</a>  <a href="#">(217) 782-4465</a></p>
<p><b><u>INDIANA</u></b>  <a href="#">Indiana Secretary of State</a>  <a href="#">Franchise Section</a>  <a href="#">302 Washington Street, Room E-111</a></p> <p><del><b>INDIANA</b></del>  <del>Indiana Secretary of State</del>  <del>Franchise Section</del>  <del>302 Washington Street, Room E-111</del> Indianapolis, Indiana 46204  <del>(317) 232-6681</del>  <del>(317) 232-6681</del></p>	<p><b><u>MARYLAND</u></b>  <a href="#">Office of the Attorney General</a>  <a href="#">Securities Division</a>  <a href="#">200 St. Paul Place</a></p> <p><del><b>MARYLAND</b></del>  <del>Office of the Attorney General</del>  <del>Securities Division</del>  <del>200 St. Paul Place</del>  <del>Baltimore, Maryland 21202-2021</del>  <del>(410) 576-6360</del>  <del>(410) 576-6360</del></p>
<p><b><u>MICHIGAN</u></b>  <a href="#">Michigan Attorney General's Office</a></p> <p><del><b>MICHIGAN</b></del>  <del>Michigan Attorney General's Office</del>  <del>Corporate Oversight Division, Franchise Section</del> <del>525 W. Ottawa Street</del>  <del>G. Mennen Williams Building, 1<sup>st</sup> Floor</del> <del>Lansing, Michigan 48933</del>  <del>(517) 373-7117</del></p> <p><a href="#">525 W. Ottawa Street</a>  <a href="#">G. Mennen Williams Building, 1<sup>st</sup> Floor</a>  <a href="#">Lansing, Michigan 48933</a>  <a href="#">(517) 373-7117</a></p>	<p><b><u>MINNESOTA</u></b>  <a href="#">Minnesota Department of Commerce</a></p> <p><del><b>MINNESOTA</b></del>  <del>Minnesota Department of Commerce</del> <del>85 7<sup>th</sup> Place East,</del>  <del>Suite 280</del>  <del>St. Paul, Minnesota 55101-2198</del>  <del>(651) 539-1600</del></p> <p><a href="#">St. Paul, Minnesota 55101-2198</a>  <a href="#">(651) 539-1600</a></p>
<p><b><u>NEW YORK</u></b>  <a href="#">New York State Department of Law</a>  <a href="#">Investor Protection Bureau</a>  <a href="#">28 Liberty Street, 21<sup>st</sup> Floor</a></p>	<p><b><u>NORTH DAKOTA</u></b>  <a href="#">North Dakota Securities Department</a>  <a href="#">State Capitol</a>  <a href="#">Department 414</a></p>

<p><b><u>NEW YORK</u></b>  New York State Department of Law  Investor Protection Bureau  28 Liberty Street, 21<sup>st</sup> Floor New York, NY 10005 (212) 416-8222</p> <p><a href="tel:(212)416-8222">(212) 416-8222</a></p>	<p><b><u>NORTH DAKOTA</u></b>  North Dakota Securities Department  State Capitol  Department 414  600 East Boulevard Avenue, Fourteenth Floor Bismarck, North Dakota 58505-0510  (701) 328-4712</p> <p><a href="tel:(701)328-4712">Bismarck, North Dakota 58505-0510 (701) 328-4712</a></p>
<p><b><u>OREGON</u></b>  Department of Business Services</p> <p><b><u>OREGON</u></b>  Department of Business Services  Division of Finance and Corporate Securities Labor and Industries Building  350 Winter Street, NE Room 410  Salem, Oregon 97310  (503) 378-4387</p> <p><a href="tel:(503)378-4387">Labor and Industries Building  350 Winter Street, NE Room 410  Salem, Oregon 97310  (503) 378-4387</a></p>	<p><b><u>RHODE ISLAND</u></b>  Department of Business Regulation Securities Division,  Building 69, First Floor</p> <p><b><u>RHODE ISLAND</u></b>  Department of Business Regulation Securities Division,  Building 69, First Floor  John O. Pastore Center 1511 Pontiac Avenue  Cranston, Rhode Island 02920  (401) 462-9527</p> <p><a href="tel:(401)462-9527">1511 Pontiac Avenue  Cranston, Rhode Island 02920  (401) 462-9527</a></p>
<p><b><u>SOUTH DAKOTA</u></b>  Division of Insurance  Securities Regulation</p> <p><b><u>SOUTH DAKOTA</u></b>  Division of Insurance Securities Regulation 124 S. Euclid,  Suite 104  Pierre, South Dakota 57501  (605) 773-3563</p> <p><a href="tel:(605)773-3563">Pierre, South Dakota 57501  (605) 773-3563</a></p>	<p><b><u>VIRGINIA</u></b>  State Corporation Commission  Division of Securities and Retail Franchising</p> <p><b><u>VIRGINIA</u></b>  State Corporation Commission  Division of Securities and Retail Franchising 1300 East  Main Street, 9th Floor  Richmond, Virginia 23219  (804) 371-9051</p> <p><a href="tel:(804)371-9051">Richmond, Virginia 23219  (804) 371-9051</a></p>
<p><b><u>WASHINGTON</u></b>  Department of Financial Institutions Securities Division,  P.O. Box 41200  Olympia, Washington 98504-1200  (360) 902-8760</p> <p><a href="tel:(360)902-8760">Securities Division,  P.O. Box 41200  Olympia, Washington 98504-1200  (360) 902-8760</a></p>	<p><b><u>WISCONSIN</u></b>  Division of Securities</p> <p>4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705  (608) 266-2139</p> <p><a href="tel:(608)266-2139">4822 Madison Yards Way, North Tower  Madison, Wisconsin 53705  (608) 266-2139</a></p>

## LIST OF AGENTS FOR SERVICE OF PROCESS

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

LIST OF STATE AGENT FOR SERVICE OF PROCESS	
<p><b><u>CALIFORNIA</u></b>  <a href="#">Commissioner</a>  <a href="#">Department of Financial Protection and Innovation</a>  <a href="#">320 West 4<sup>th</sup> Street, Suite 750</a></p> <p><b><u>CALIFORNIA</u></b>  <del>Commissioner</del>  <del>Department of Financial Protection and Innovation</del> 320 West  <del>4<sup>th</sup> Street, Suite 750</del> Los Angeles, California 90013-2344 (213)  <del>576-7500</del>  <del>Toll Free (866) 275-2677</del></p> <p><a href="#">(213) 576-7500</a>  <a href="#">Toll Free (866) 275-2677</a></p>	<p><b><u>CONNECTICUT</u></b>  <a href="#">Banking Commissioner</a>  <a href="#">Department of Banking</a>  <a href="#">Securities &amp; Business Investments Division</a></p> <p><b><u>CONNECTICUT</u></b>  <del>Banking Commissioner</del>  <del>Department of Banking</del>  <del>Securities &amp; Business Investments Division</del> 260  <del>Constitution Plaza</del>  <del>Hartford, Connecticut 06103-1800</del>  <del>(860) 240-8230</del>  <a href="#">Hartford, Connecticut 06103-1800</a>  <a href="#">(860) 240-8230</a></p>
<p><b><u>HAWAII</u></b>  <del>HAWAII</del>  <del>Commissioner of Securities of the State of</del>  <del>Hawaii</del> <del>Department of Commerce and Consumer Affairs</del>  <del>Business Registration Division</del>  <del>Securities Compliance Branch</del>  <del>335 Merchant Street, Room 203</del>  <del>Honolulu, Hawaii 96813</del>  <del>(808) 586-2722</del></p> <p><a href="#">Department of Commerce and Consumer Affairs</a>  <a href="#">Business Registration Division</a>  <a href="#">Securities Compliance Branch</a>  <a href="#">335 Merchant Street, Room 203</a>  <a href="#">Honolulu, Hawaii 96813</a>  <a href="#">(808) 586-2722</a></p>	<p><b><u>ILLINOIS</u></b>  <del>ILLINOIS</del>  <del>Illinois Attorney General</del> <del>Office of the Attorney General</del>  <del>500 South Second Street</del> <del>Springfield, Illinois 62706</del>  <del>(217) 782-4465</del></p> <p><a href="#">Office of the Attorney General</a>  <a href="#">500 South Second Street</a>  <a href="#">Springfield, Illinois 62706</a>  <a href="#">(217) 782-4465</a></p>
<p><b><u>INDIANA</u></b>  <a href="#">Indiana Secretary of State</a>  <a href="#">Franchise Section</a></p> <p><b><u>INDIANA</u></b>  <del>Indiana Secretary of State Franchise Section</del> 302 West  <del>Washington Street, Room E-111</del> <del>Indianapolis, Indiana 46204</del>  <del>(317) 232-6681</del></p> <p><a href="#">Indianapolis, Indiana 46204</a>  <a href="#">(317) 232-6681</a></p>	<p><b><u>MARYLAND</u></b>  <a href="#">Maryland Securities Commissioner</a>  <a href="#">200 St. Paul Place</a></p> <p><b><u>MARYLAND</u></b>  <del>Maryland Securities Commissioner</del>  <del>200 St. Paul Place</del>  <del>Baltimore, Maryland 21202-2021</del>  <del>(410) 576-6360</del>  <a href="#">(410) 576-6360</a></p>
<p><b><u>MICHIGAN</u></b>  <a href="#">Michigan Attorney General's Office</a></p> <p><b><u>MICHIGAN</u></b>  <del>Michigan Attorney General's Office</del>  <del>Corporate Oversight Division, Franchise Section</del> 525 W.  <del>Ottawa Street</del>  <del>G. Mennen Williams Building, 1<sup>st</sup></del>  <del>Floor Lansing, Michigan 48933</del>  <del>(517) 373-7117</del></p> <p><a href="#">525 W. Ottawa Street</a>  <a href="#">G. Mennen Williams Building, 1<sup>st</sup> Floor</a>  <a href="#">Lansing, Michigan 48933</a>  <a href="#">(517) 373-7117</a></p>	<p><b><u>MINNESOTA</u></b>  <a href="#">Minnesota Commissioner of Commerce</a></p> <p><b><u>MINNESOTA</u></b>  <del>Minnesota Commissioner of Commerce</del> Minnesota  <del>Department of Commerce</del> 85 7th Place East, Suite 280  <del>St. Paul, Minnesota 55101-2198</del>  <del>(651) 539-1600</del></p> <p><a href="#">85 7th Place East, Suite 280</a>  <a href="#">St. Paul, Minnesota 55101-2198</a>  <a href="#">(651) 539-1600</a></p>
<p><b><u>NEW YORK</u></b>  <del>NEW YORK</del>  <del>Secretary of State</del>  <del>99 Washington Avenue</del>  <del>Albany, NY 12231</del></p>	<p><b><u>NORTH DAKOTA</u></b>  <del>NORTH DAKOTA</del>  <del>North Dakota Securities Commissioner</del> <del>State Capitol</del>  <del>600 East Boulevard Avenue, Fifth Floor</del>  <del>Bismarek, North Dakota 58505</del></p>

<p><a href="tel:(518)472-2492">(518) 472-2492</a>  <a href="#">99 Washington Avenue</a>  Albany, NY 12231  <a href="tel:(518)472-2492">(518) 472-2492</a></p>	<p><a href="tel:(701)328-4712">(701) 328-4712</a>  <a href="#">State Capitol</a>  600 East Boulevard Avenue, Fifth Floor  Bismarck, North Dakota 58505  <a href="tel:(701)328-4712">(701) 328-4712</a></p>
<p><b><u>OREGON</u></b>  <a href="#">Secretary of State</a>  <del><b>OREGON</b></del>  <del>Secretary of State</del>  Corporation Division - Process Service <del>255 Capitol Street NE,</del>  Suite 151  Salem, OR 97310-1327  <del>(503) 986-2200</del></p> <p><a href="#">255 Capitol Street NE, Suite 151</a>  Salem, OR 97310-1327  <a href="tel:(503)986-2200">(503) 986-2200</a></p>	<p><b><u>RHODE ISLAND</u></b>  <a href="#">Director of Department of Business Regulation</a>  <del><b>RHODE ISLAND</b></del>  <del>Director of Department of Business</del>  Regulation Department of Business  Regulation Securities Division, Building  69, First Floor <del>John O. Pastore Center</del>  1511 Pontiac Avenue  Cranston, Rhode Island 02920  <del>(401) 462-9527</del></p> <p><a href="#">John O. Pastore Center</a>  1511 Pontiac Avenue  Cranston, Rhode Island 02920  <a href="tel:(401)462-9527">(401) 462-9527</a></p>
<p><b><u>SOUTH DAKOTA</u></b>  <a href="#">Division of Insurance</a>  <a href="#">Securities Regulation</a>  124 S. Euclid, Suite 104  <del><b>SOUTH DAKOTA</b></del>  <del>Division of Insurance Securities Regulation 124 S. Euclid,</del>  Suite 104 Pierre, South Dakota 57501 <del>(605) 773-3563</del></p> <p><a href="tel:(605)773-3563">(605) 773-3563</a></p>	<p><b><u>VIRGINIA</u></b>  <a href="#">Clerk of the State Corporation Commission</a>  1300 East Main Street, 1<sup>st</sup> Floor  Richmond, Virginia 23219  <del><b>VIRGINIA</b></del>  <del>Clerk of the State Corporation</del>  Commission 1300 East Main Street, 1<sup>st</sup>  Floor Richmond, Virginia 23219  <del>(804) 371-9733</del></p> <p><a href="tel:(804)371-9733">(804) 371-9733</a></p>
<p><b><u>WASHINGTON</u></b>  <del><b>WASHINGTON</b></del>  Director, Department of Financial Institutions <del>Securities-</del>  Division, 3rd Floor  150 Israel Road, Southwest  Tumwater, Washington 98501  <del>(360) 902-8760</del></p> <p><a href="#">Securities Division, 3rd Floor</a>  150 Israel Road, Southwest  Tumwater, Washington 98501  <a href="tel:(360)902-8760">(360) 902-8760</a></p>	<p><b><u>WISCONSIN</u></b>  <del><b>WISCONSIN</b></del>  Administrator, Division of Securities <del>4822 Madison-</del>  Yards Way, North Tower Madison, Wisconsin  53705 <del>(608) 266-2139</del></p> <p><a href="#">4822 Madison Yards Way, North Tower</a>  Madison, Wisconsin 53705  <a href="tel:(608)266-2139">(608) 266-2139</a></p>

## EXHIBIT D

### CURRENT AND FORMER FRANCHISEES

**Franchisees Who Have Opened Beauty Bungalows Franchises (as of December 31, ~~2023~~2024):**

None.

**Franchisees Who Have Signed Agreements But Not Yet Opened (as of December 31, ~~2023~~2024):**

Territory	Name	Address	Phone	Area Developer
Carlsbad, CA	Sheri Sharman	3915 Park Dr Carlsbad, CA 92008	760-420-3737	Yes
Dallas, TX	Peter Nwamanna	522 Moondance St Thousand Oaks, CA 91360	310-806-1750	Yes
<a href="#"><u>Laguna Hills, CA</u></a>	<a href="#"><u>Greg and Sandie Kim</u></a>	<a href="#"><u>10 Maverick, Irvine, CA 92602</u></a>	<a href="#"><u>949-331-8664</u></a>	<a href="#"><u>No</u></a>
<a href="#"><u>Tallahassee, FL</u></a>	<a href="#"><u>Daniel and Ashley Cook</u></a>	<a href="#"><u>3015 Brandemere Dr, Tallahassee, FL 32312</u></a>	<a href="#"><u>5043733133</u></a>	<a href="#"><u>No</u></a>
<a href="#"><u>North Huntington Beach, CA</u></a>	<a href="#"><u>Gerald W. Green, III</u></a>	<a href="#"><u>9140 Lindante Drive, Whittier, CA 90603</u></a>	<a href="#"><u>714-747-1912</u></a>	<a href="#"><u>No</u></a>
<a href="#"><u>Hurst, TX</u></a>	<a href="#"><u>Maliha and Ebrahim Holdings, Inc / Maliha Ebrahim and Ahmed Khan</u></a>	<a href="#"><u>211 Cimarron Trail, Unit 7, Irving, TX 75063</u></a>	<a href="#"><u>817-715-8657</u></a>	<a href="#"><u>No</u></a>
<a href="#"><u>Tustin, CA, Mission Viejo, CA, Lake Forest, CA</u></a>	<a href="#"><u>Sam Ghoubril and Isaac Beshay</u></a>	<a href="#"><u>Sam - 29 Kelsey, Irvine, CA 92618 / Isaac - 1064 N Redgeline Rd Orange CA 92869</u></a>	<a href="#"><u>Sam - 9492320192 / Isaac - 7142906269</u></a>	<a href="#"><u>Yes</u></a>
<a href="#"><u>Orange Hills/Villa Park, CA, Long Beach, CA, Anaheim, CA</u></a>	<a href="#"><u>Andre Janna</u></a>	<a href="#"><u>660 S Londerry Ln, Anaheim Hills, CA 92807</u></a>	<a href="#"><u>7147234748</u></a>	<a href="#"><u>Yes</u></a>
<a href="#"><u>Tampa, FL</u></a>	<a href="#"><u>Roman and Megan Cowan</u></a>	<a href="#"><u>3619 S Gardenia Ave, Tampa Fl 33629</u></a>	<a href="#"><u>813-408-0387</u></a>	<a href="#"><u>No</u></a>

\*The listed addresses are the personal addresses for the Franchisees.

**Former Franchisees Who Were Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased to Do Business Under the Franchise Agreement During our Prior Fiscal Year (or have not communicated with us within 10 weeks of the issuance date of this disclosure document):**

## **INDIANA**

~~Item 8 of the FDD is amended to add the following:~~

~~Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.~~

~~Item 17 of the FDD is amended to add the following:~~

~~Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.~~

~~Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.~~

~~The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place: No competing business for two years within the Territory.~~

~~The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:~~

~~Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.~~

~~The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:~~

~~Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice of law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.~~

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place: No competing business for two years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.

2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.

3. ~~4.~~ Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.

## MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.

7. ~~8.~~The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.

8. ~~9.~~Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.

9. ~~10.~~Item 6 of the FDD and Section 4.9 of the Franchise Agreement is hereby amended to limit the Insufficient Funds Charge to \$30 per occurrence pursuant to Minnesota Statute 604.113.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims

## NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NY 10005, 212-416-8236. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard to Franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has 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.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge, or within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. ~~E.~~ No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunction 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.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for Franchisee to renew or extend,**" and Item 17(m), entitled "**Conditions for Franchisor approval of transfer:**"

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Section 33 of the General Business law of the State of New York and

**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“Addenda”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- California
- Hawaii
- Illinois
- Iowa
- Indiana
- Maryland

- Michigan
- Minnesota
- New York
- North Dakota
- Ohio

- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin

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

**FRANCHISOR:**  
BEAUTY BUNGALOWS FRANCHISING, LLC

By: Title:

**FRANCHISEE:**  
[FRANCHISEE]

By: Title:

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

**FRANCHISOR:**  
**BEAUTY BUNGALOWS FRANCHISING, LLC**

By:

Title:

**FRANCHISEE:**  
**[FRANCHISEE]**

By:

Title:

**Section D (Administration Procedures)**

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**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

**UNDERSIGNED**

**By:**

**Name:**

**Address:**

**Title:**

**ACKNOWLEDGED BY FRANCHISEE**

**[FRANCHISEE NAME]**

**By:**

**Title:**

By:

Name:

Address:

Title:

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By:

Title:



**AREA DEVELOPMENT AGREEMENT**

**between**

**BEAUTY BUNGALOWS FRANCHISING, LLC**

**and**

---

**FRANCHISEE**

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- ~~Exhibit~~ [Appendix A](#) – Franchisee-Specific Terms
- ~~Exhibit~~ [Appendix B](#) – Payment and Performance Guarantee

# BEAUTY BUNGALOWS FRANCHISING,

## LLC AREA DEVELOPMENT

### AGREEMENT

THIS AGREEMENT (this “Agreement”) is made and entered into as of the date set forth on ~~Exhibit~~ [Appendix A](#) to this Agreement (the “Effective Date”) (~~Exhibit–Appendix A~~ and all ~~exhibits–appendices~~ and/or schedules attached to this Agreement are hereby incorporated by this reference) between Beauty Bungalows Franchising, LLC, a Wyoming limited liability company doing business as Beauty Bungalows (“Franchisor,” “we,” “us,” or “our”) and the person or entity identified in ~~Exhibit–Appendix A~~ as the franchisee (“Franchisee” or “you”) with its principal place of business as set forth in ~~Exhibit–Appendix A~~.

### RECITALS

- A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the “Initial Franchise Agreement”), in which we have granted you the right to establish and operate one Beauty Bungalows franchised business within the Protected Territory set forth in the Initial Franchise Agreement (a “Franchised Business”).
- B. We desire to grant to you the exclusive right to establish and operate a specified number of Businesses within a specified geographical area in accordance with a development schedule.
- C. If you are a corporation, limited liability company, partnership, or other entity (collectively, an “Entity”), all owners of a legal and/or beneficial interest in the Entity (the “Owners”) are listed in ~~Exhibit–Appendix A~~ to this Agreement.
- D. You desire to establish and operate additional Franchised Businesses upon the terms and conditions contained in our then-current standard franchise agreements (a “Franchise Agreement”).

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

#### 1. Grant of Development Rights and Development Area

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated in ~~Exhibit–Appendix A~~ to this Agreement (the “Development Area”) the number of Franchised Businesses specified in the development schedule in ~~Exhibit–Appendix A~~ (the “Development Schedule”). This Agreement does not grant you any right to use the Marks (as defined in your Initial Franchise Agreement) or the System (as defined in your Initial Franchise Agreement). Rights to use the Marks and the System are granted only by the Franchise Agreements.

#### 2. Fees

Upon execution of this Agreement, you must pay us a development fee in the amount specified in ~~Exhibit–Appendix A~~ (the “Development Fee”), which is based on the initial franchise fee you must pay for each Franchised Business that you develop (the “Franchise Fee”, which is also specified in ~~Exhibit–Appendix A~~). The Development Fee will be credited towards 100% of the Franchise Fee due under the Franchise Agreement for each Franchised Business that you develop pursuant to this Agreement, including the Initial Franchise

**Exhibit Appendix A to the Area Development Agreement**

**FRANCHISEE SPECIFIC TERMS**

1. **Effective Date (First Paragraph):** \_\_\_\_\_
2. **Franchisee's Name:** \_\_\_\_\_
3. **Franchisee's State of Organization (if applicable):** \_\_\_\_\_
4. **Ownership of Franchisee (Recital C):** If the franchisee is an Entity, the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

<u>Name</u>	<u>Percentage Ownership</u>
_____	_____%
_____	_____%
_____	_____%
_____	_____%

<u>Name</u>	<u>Percentage Ownership</u>
_____	_____%
_____	_____%
_____	_____%
_____	_____%

5. **Development Area (Section 1):** *[provide list of counties or zip codes which make up the Development Area] [attach map if necessary]*
6. **Total Development Fee (Section 2):** \$ \_\_\_\_\_
7. **Development Schedule (Section 3):** You agree to establish and operate a total of \_\_\_\_\_ Franchised Businesses within the Development Area during the term of this Agreement. The Franchised Businesses must be open and operating in accordance with the following Development Schedule:

<b><u>MINIMUM NUMBER OF FRANCHISED BUSINESSES</u></b> The minimum number of Franchised Businesses open and operating by each Opening Deadline	<b><u>OPENING DEADLINE</u></b> Deadline for having the minimum number of Franchised Businesses open and operating (Month Date, Year)
1	
2	
3	
4	
5	

**Signature Page to ~~Exhibit~~ Appendix A – Franchisee Specific Terms**

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

**FRANCHISOR:**

BEAUTY BUNGALOWS FRANCHISING, LLC

By:

Name:

Title:

Date:

**FRANCHISEE:**

[FRANCHISEE]

By:

Name:

Title:

Date:

**Exhibit Appendix B to the Area Development Agreement**

**PERSONAL GUARANTY OF OWNER/SHAREHOLDER**

This Personal Guaranty and Assumption of Obligations (this “Guaranty”) is as of the Effective Date set forth on the Area Development Agreement to which this Guaranty is attached.

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement of even date herewith (“Agreement”) by Beauty Bungalows Franchising, LLC (“Franchisor”), a Wyoming limited liability company, and the franchisee(s) named in the Area Development Agreement to which this guaranty is attached (“Franchisee”), the undersigned hereby personally and unconditionally, jointly and severally: guaranties to Franchisor and its successors and assigns, for the Term of the Agreement and, including any renewal thereof, as provided in the Agreement, that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant stated in the Agreement and any documents, agreements, and instruments signed with or in connection with the Agreement (collectively, the “Franchise Documents”); and (2) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Documents applicable to the owners of Franchisee.

The undersigned waives:

1. acceptance and notice of acceptance by Franchisor of the foregoing undertakings;
2. notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed;
3. protest and notice of default to any party with respect to the indebtedness of non- performance of any obligations hereby guaranteed;
4. any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability;
5. any and all other notices and legal or equitable defenses to which the undersigned may be

entitled; The undersigned consents and agrees that:

1. the undersigned’s direct and immediate liability under this Guaranty shall be joint and several with all signatories to this and similar guaranties of Franchisee’s obligations;
2. the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so;
3. this Guaranty shall apply to any claims Franchisor may have due to return of any payments or property Franchisor may have received from Franchisee as a preference, fraudulent transfer or conveyance or the like in any legal proceeding;
4. such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and
5. such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or any other person, including without limitation, the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which in any way modify or amend this Guaranty, which shall be continuing and irrevocable during and after the terms of the Franchise Documents, as the same may be

Beauty Bungalows Franchising, LLC

[FDD-Exhibit F2025 Area](#)

## EXHIBIT L

### STATE EFFECTIVE DATES

The following States require that the Franchise Disclosure Document be registered or filed with the State, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed or registered as of the Effective Date stated below:

State	Effective Date
California	<del>July 22, 2024</del> <a href="#">Application Pending</a>
Hawaii	Not registered
Illinois	Not registered
Indiana	<del>March 4<sup>18</sup>, 2024</del> <a href="#">2025</a>
Maryland	<del>December 3, 2024</del> <a href="#">Application Pending</a>
Michigan	Not registered
Minnesota	<del>May 20, 2024</del> <a href="#">Application Pending</a>
New York	<del>April 2, 2024</del> <a href="#">March 20, 2025</a>
North Dakota	Not registered
Rhode Island	Not registered
South Dakota	Not registered
Virginia	<del>May 8, 2024</del> <a href="#">Application Pending</a>
Washington	<del>May 28, 2024</del> <a href="#">Application Pending</a>
Wisconsin	Not registered

## RECEIPT (YOUR COPY)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Beauty Bungalows Franchising, LLC 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. Illinois and New York require that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Beauty Bungalows Franchising, LLC 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 any applicable state agency (which are listed in Exhibit C).

This franchise is being offered by the following seller(s) at the principal business address and phone number listed below (check all that have been involved in the sales process):

Traci Hawkins       Jade Blevens

257 Wake Forest Road, Costa Mesa, CA 92626 | 209-996-8722 | Franchise@BeautyBungalows.com

Franchise Brokers, Consultants, or Franchise Development Company Representatives (if any)

(Name) \_\_\_\_\_ (Address) \_\_\_\_\_ (Phone) \_\_\_\_\_

Issuance Date: March ~~10~~, 2024

I received a disclosure document that included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement & Exhibits
- C. State Administrators and Agents for Service of Process
- D. List of Current and Former Franchisees
- E. State Specific Addenda
- F. Manual Table of Contents
- G. Nondisclosure and Noncompetition Agreement
- H. Multi-Unit Development Agreement
- I. Form of General Release
- ~~J. State Effective Dates~~
- J. ~~K.~~ Electronic Funds Transfer
- K. ~~L.~~ Lease Rider ~~Receipts~~
- L. ~~State Effective Dates~~  
Receipts

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

Signature: \_\_\_\_\_

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

**Please sign and keep this copy for your records.**

**RECEIPT (OUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Beauty Bungalows Franchising, LLC 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. Illinois and New York require that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

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- I. Form of General Release
- ~~J. State Effective Dates~~
- J. ~~K.~~ Electronic Funds Transfer
- K. ~~L.~~ Lease Rider ~~Receipts~~
- L. ~~State Effective Dates~~  
Receipts

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

Signature: \_\_\_\_\_

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

**Return This Copy To Us: Beauty Bungalows Franchising, LLC**  
257 Wake Forest Rd., Costa Mesa, CA 92626 | 209-608-8722