

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN AGREEMENT	SUMMARY
t. Integration/ merger clause	FA: 24.8	Only the terms of the Franchise Agreement and ADA (if applicable) and their attachments are binding (subject to state law). Any representations or promises made outside the Disclosure Document, Franchise Agreement and ADA may not be enforceable. Nothing in the Franchise Agreement, ADA or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document. 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 (a) waiving any claims under any applicable state franchise law, including fraud in the inducement or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.
	ADA: 12.7	
u. Dispute resolution by arbitration or mediation	FA: 22	Subject to state law, all disputes must be mediated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants or post-term obligations.
	ADA: 10	
v. Choice of forum	FA: 22	Subject to state law, mediation and litigation must take place in county where we maintain our principal place of business at time dispute arises (currently, Maricopa County, Arizona).
	ADA: 10	
w. Choice of law	FA: 24.1	Subject to state law, Arizona law governs.
	ADA: 12.1	

## ITEM 18 PUBLIC FIGURES

We do not use any public figures 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.

### Defined Terms

For purposes of this FPR, the following terms have the meanings given to them below.

“***Adjusted Net Profit***” means the financial performance metric calculated as Net Profit minus Imputed Fees & Costs.

“***Company-Owned Salon***” means any Salon owned by: (a) us; (b) our affiliate; or (c) a person listed in Item 2 of this Disclosure Document if that person, or any other person listed in Item 2 of this Disclosure Document, is involved with the management of the Salon.

“***COGS***” means and includes all costs and expenses that a Qualifying Salon incurs to acquire: (a) products sold at retail (which are purchased from our affiliate); (b) products used in performing hair extension services, including hair extension products and hair care products (which are purchased from our affiliate); and (c) pliers, beads, thread and other supplies used or consumed in performing hair extension services (which are purchased from third-party suppliers).

“**Excluded Expenses**” includes: (a) amortization; (b) depreciation; (c) professional fees; (d) taxes; and (e) owner draws, benefits and personal expenses.

“**FPR**” means the financial performance representation set forth in Item 19 of this Disclosure Document.

“**Franchised Salon**” means any Salon that is owned by a franchisee.

“**Gross Profit**” means the financial performance metric calculated as Gross Sales minus COGS.

“**Gross Sales**” means all gross sums billed or collected by a Qualifying Salon from all goods and services sold, plus all other sums collected from the operation of the Salon, minus: (1) sales and use taxes; (2) amounts refunded to clients; (3) revenue from the sale of furniture, fixtures and equipment in the ordinary course; and (4) Stylist tips.

“**Imputed Fees & Costs**” means and includes the following fees and costs incurred by Franchised Salons that Company-Owned Salons do not incur, or that Company-Owned Salons incur but at a lower fee or cost:

- (1) *LMC (Local Marketing Commitment)* – calculated as the difference between \$3,000 per month (i.e., what a Franchised Salon must spend on local advertising) and the monthly advertising costs actually incurred by the Company-Owned Salon. There is no imputed cost if the Company-Owned Salon actually incurs advertising costs of at least \$3,000 per month.
- (2) *Royalty Fees* – calculated as 7% of Gross Sales.
- (3) *Technology Fees* – calculated as the difference between the technology costs incurred by a Franchised Salon (including technology fees and costs paid to us and/or third-party licensors) and the actual costs incurred by the Company-Owned Salon for the same software or technology. In 2024 our Company-Owned Salons incurred the same technology costs as Franchised Salons except: (a) they did not pay a technology fee for DAKOTA LONDON ACADEMY™ (Franchised Salons pay \$20 per user license per month); and (b) they used Gusto for payroll processing instead of the Mango Mint POS system (so they did not pay the associated \$8 per payee per month charge).

“**Measuring Year**” means the period of time beginning January 1, 2024 and ending December 31, 2024.

“**Net Profit**” means the financial performance metric calculated as Gross Profit minus Operating Expenses.

“**Operating Expenses**” means and includes the following ordinary and recurring expenses:

- (1) *Advertising* – includes local marketing, advertising and promotional costs and expenses actually incurred by Qualifying Salons. It does not include any imputed amounts for the LMC.
- (2) *CC Processing* – includes credit card processing fees paid to the merchant processor.
- (3) *Cleaning* – includes fees paid to a professional cleaning company for weekly cleaning services.
- (4) *Insurance* – includes insurance premiums paid by Qualifying Salons for insurance policies comparable to the insurance policies that Franchised Salons must purchase.
- (5) *Payroll* – includes the following expenses for the General Manager (GM) and other staff: employee benefits; payroll (including salaries, hourly wages, bonuses and commissions); payroll processing fees; payroll tax; and workers’ compensation. For purposes of calculating Operating Expenses, Payroll excludes staff tips, which are listed separately in the FPR table below Total Revenue.
- (6) *Rent* – includes rent paid to the landlord of the premises. Rent for Desert Ridge and Chandler also includes water and trash service under a triple net lease.
- (7) *Supplies* – includes costs for refreshments and miscellaneous supplies such as cleaning supplies, cups, hand towels, paper towels, hand soap and trash bags. It does not include the cost of supplies used or consumed in performing hair extension services (these supplies are included under COGS).

- (8) *Technology* – includes the following costs and expenses incurred by Qualifying Salons: (a) POS system fees; (b) gmail account fees; (c) RingCentral fees; and (d) software fees (including payroll processing).
- (9) *Utilities* – includes payments to utilities companies for electricity, gas and Internet service. Utilities also include payments to the city for water and trash service for the Company-Owned Salon in Scottsdale (water and trash are included with Rent for the Company-Owned Salons in Desert Ridge and Chandler under a triple net lease).

“**Qualifying Salon**” means any Company-Owned Salon or Franchised Salon that: (a) was open the entire Measuring Year; and (b) provided us with all data we requested to prepare this FPR.

“**Total Revenue**” means all gross sums billed or collected by a Qualifying Salon from all goods and services sold, plus all other sums collected from the operation of the Salon, minus sales and use taxes.

**System Statistics**

For purposes of this FPR, each Salon may be referred to as an “outlet.” Because there were no Franchised Salons in operation during the Measuring Year, this FPR is limited to data from Company-Owned Salons.

As of December 31, 2024 (the last day of the Measuring Year) there were: (a) 0 Franchised Salons in operation; and (b) 3 Company-Owned Salons in operation, all of which are Qualifying Salons. The table below summarizes the outlet statistics and the number of Qualifying Salons:

2024 Outlet Statistics					
Salon Type	Open Salons		Statistical Changes During 2024		Qualifying Salons
	Jan 1, 2024	Dec 31, 2024	Salons Opened	Salons Closed	
Franchised	0	0	0	0	0
Company-Owned	3	3	0	0	3
Total	3	3	0	0	3

Below are relevant details regarding the 3 Company-Owned Salons whose data has been included in this FPR:

Location	Opening Year	Size	Number of Stylist Stations
Scottsdale*	2011	1,150 square feet	8
Desert Ridge	2022	1,350 square feet	6
Chandler	2019	1,600 square feet	6

\* This Salon operated under the name AZ STRANDS until it rebranded to DAKOTA LONDON™ in 2019.

Except for Imputed Fees and Costs (discussed below), there are no material differences between the operations of the Company-Owned Salons and the franchised business offered under this Disclosure Document.

**Financial Performance Representation**

The following table presents the historical Gross Sales, COGS, Gross Profit, Operating Expenses, Net Profit and Adjusted Net Profit achieved by our 3 Company-Owned Salons during the Measuring Year.

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2024 Financial Performance Representation – Net Profit							
	Scottsdale		Desert Ridge		Chandler		
	Amount	% Gross Sales	Amount	% Gross Sales	Amount	% Gross Sales	
<b>TOTAL REVENUE</b>	<b>\$1,616,648</b>	<b>111.50%</b>	<b>\$1,141,319</b>	<b>114.25%</b>	<b>\$981,039</b>	<b>112.35%</b>	
<i>Stylist Tips</i>	<i>\$166,728</i>	<i>11.50%</i>	<i>\$142,341</i>	<i>14.25%</i>	<i>\$107,859</i>	<i>12.35%</i>	
<b>GROSS SALES</b>	<b>\$1,449,920</b>	<b>100%</b>	<b>\$998,978</b>	<b>100%</b>	<b>\$873,180</b>	<b>100%</b>	
COGS	<i>Hair Extension Products</i>	<i>\$389,652</i>	<i>26.87%</i>	<i>\$269,411</i>	<i>26.97%</i>	<i>\$214,477</i>	<i>24.56%</i>
	<i>Hair Care Products</i>	<i>\$12,478</i>	<i>0.86%</i>	<i>\$17,358</i>	<i>1.74%</i>	<i>\$18,777</i>	<i>2.15%</i>
	<i>Other</i>	<i>\$10,189</i>	<i>0.70%</i>	<i>\$8,570</i>	<i>0.86%</i>	<i>\$8,325</i>	<i>0.95%</i>
	<i>Total</i>	<i>\$412,319</i>	<i>28.44%</i>	<i>\$295,339</i>	<i>29.56%</i>	<i>\$241,579</i>	<i>27.67%</i>
<b>GROSS PROFIT</b>	<b>\$1,037,601</b>	<b>71.56%</b>	<b>\$703,639</b>	<b>70.44%</b>	<b>\$631,601</b>	<b>72.33%</b>	
Operating Expenses	<i>Advertising</i>	<i>\$39,808</i>	<i>2.75%</i>	<i>\$39,808</i>	<i>3.98%</i>	<i>\$39,808</i>	<i>4.56%</i>
	<i>CC Processing</i>	<i>\$29,902</i>	<i>2.06%</i>	<i>\$21,487</i>	<i>2.15%</i>	<i>\$18,494</i>	<i>2.12%</i>
	<i>Cleaning</i>	<i>\$6,000</i>	<i>0.41%</i>	<i>\$6,000</i>	<i>0.60%</i>	<i>\$6,000</i>	<i>0.69%</i>
	<i>Insurance</i>	<i>\$1,800</i>	<i>0.12%</i>	<i>\$1,800</i>	<i>0.18%</i>	<i>\$1,800</i>	<i>0.21%</i>
	<i>Payroll-GM</i>	<i>\$25,857</i>	<i>1.78%</i>	<i>\$25,857</i>	<i>2.59%</i>	<i>\$25,857</i>	<i>2.96%</i>
	<i>Payroll-Staff (excluding tips)</i>	<i>\$446,192</i>	<i>30.77%</i>	<i>\$218,376</i>	<i>21.86%</i>	<i>\$191,894</i>	<i>21.98%</i>
	<i>Rent</i>	<i>\$20,580</i>	<i>1.42%</i>	<i>\$84,103</i>	<i>8.42%</i>	<i>\$65,377</i>	<i>7.49%</i>
	<i>Supplies</i>	<i>\$3,288</i>	<i>0.23%</i>	<i>\$2,834</i>	<i>0.28%</i>	<i>\$2,877</i>	<i>0.33%</i>
	<i>Technology</i>	<i>\$4,923</i>	<i>0.34%</i>	<i>\$4,923</i>	<i>0.49%</i>	<i>\$4,923</i>	<i>0.56%</i>
	<i>Utilities</i>	<i>\$3,867</i>	<i>0.27%</i>	<i>\$3,799</i>	<i>0.38%</i>	<i>\$4,034</i>	<i>0.46%</i>
	<i>Total</i>	<i>\$582,217</i>	<i>40.16%</i>	<i>\$408,987</i>	<i>40.94%</i>	<i>\$361,064</i>	<i>41.35%</i>
<b>NET PROFIT</b>	<b>\$455,384</b>	<b>31.41%</b>	<b>\$294,652</b>	<b>29.50%</b>	<b>\$270,537</b>	<b>30.98%</b>	
Imputed Fees & Costs	<i>LMC</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
	<i>Royalty Fees</i>	<i>\$101,494</i>	<i>7.00%</i>	<i>\$69,928</i>	<i>7.00%</i>	<i>\$61,123</i>	<i>7.00%</i>
	<i>Technology Fees</i>	<i>\$713</i>	<i>0.05%</i>	<i>\$713</i>	<i>0.07%</i>	<i>\$713</i>	<i>0.08%</i>
	<i>Total</i>	<i>\$102,207</i>	<i>7.05%</i>	<i>\$70,641</i>	<i>7.07%</i>	<i>\$61,836</i>	<i>7.08%</i>
<b>ADJUSTED NET PROFIT</b>	<b>\$353,177</b>	<b>24.36%</b>	<b>\$224,011</b>	<b>22.42%</b>	<b>\$208,701</b>	<b>23.90%</b>	

The following table breaks down total service revenue and average ticket price by type of service. The revenue figures do not include taxes or staff gratuities.

2024 Financial Performance Representation – Service Revenue Allocation						
	Scottsdale		Desert Ridge		Chandler	
	Amount	Average Ticket	Amount	Average Ticket	Amount	Average Ticket
Hair Extension Installation	\$648,946	\$887	\$423,814	\$856	\$376,016	\$862
Maintenance	\$601,235	\$218	\$433,694	\$213	\$377,067	\$216
6 Month Trade-In (retention service)	\$161,061	\$579	\$114,416	\$569	\$85,072	\$532

Notes:

1. Source of Data: We prepared the FPR based on data we obtained from the point-of-sale system used by our Company-Owned Salons and unaudited financial statements. The data has not been audited.
2. Payroll (GM): Our 3 Company-Owned Salons employ a single regional General Manager and share the costs equally, so the payroll cost listed in the table for each Salon reflects 1/3 of the total cost.

3. Payroll (Staff): The Payroll-Staff figures listed under Operating Expenses excludes staff tips, which are subtracted from Total Revenue to calculate Gross Sales. The total combined amount for Payroll-Staff plus staff tips for 2024 was: (a) \$612,920 (42.27% of Gross Sales) for Scottsdale; (b) \$360,717 (36.11% of Gross Sales) for Desert Ridge; and (c) \$299,753 (34.33% of Gross Sales) for Chandler.
4. Technology: The 2024 technology costs incurred by each Company-Owned Salon include: (a) \$232 for gmail accounts; (b) \$2,860 for point-of-sale licensing fees and optional SMS text marketing add-on; (c) \$1,200 for RingCentral, which is optional; and (d) \$631 for Gusto (payroll processing). One Company-Owned Salon paid a standard POS licensing fee of \$295 per month while 2 Company-Owned Salons paid a discounted licensing fee of \$160 per month (the POS system licensor offers a multi-unit discount if the licensee operates multiple Salons). In addition, 2 of the Company-Owned Salons paid \$50 per month (\$100 total) for the optional SMS marketing add-on. The total combined technology cost for all 3 Company-Owned Salons was allocated equally among the Salons.
5. Imputed Fees & Costs – LMC: Each Company-Owned Salon incurred advertising costs in excess of the LMC. As a result, this FPR does not include any imputed additional advertising costs.
6. Imputed Fees & Costs – Royalty Fees: Company-Owned Salons do not pay us royalties. Under Imputed Fees & Costs, we included the royalty fees that would have been charged to the Company-Owned Salons if they were Franchised Salons.
7. Imputed Fees & Costs – Technology Fees: Franchised Salons pay a technology fee of \$20 per user license per month for access to DAKOTA LONDON ACADEMY™. Our Company-Owned Salons do not pay this fee. Under Imputed Fees & Costs, we added the user license fees the Company-Owned Salons would have incurred if they were Franchised Outlets (estimated as \$960 per Salon per year on the assumption each Salon needed 4 user licenses). Also, our Company-Owned Salons used Gusto for payroll in 2024, which cost \$631 per Salon per year. We switched payroll processing from Gusto to Mango Mint in 2025, which is estimated to cost \$384 per year. Under Imputed Fees & Costs, we included -\$247 as the difference between payroll costs incurred by the Company-Owned Salons (\$631) and payroll costs incurred by Franchised Salons (\$384). This resulted in a net of \$713 per Salon under Imputed Fees & Costs for Technology Fees.
8. Excluded Expenses: This FPR does not reflect any Excluded Expenses. We included professional fees among the list of Excluded Expenses because the associated services were provided on behalf of Company-Owned Salons and other unrelated businesses, and we were unable to allocate the fees between the different companies. You should conduct an independent investigation of the costs and expenses you will incur in operating your Salon. Franchisees or former franchisees (if any), listed in the Franchise Disclosure Document, may be one source of this information.

**Some Salons have earned this amount. Your individual results may differ. There is no assurance that you will earn as much.**

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting our Chief Executive Officer at 6590 N. Scottsdale Rd., Unit 130, Paradise Valley, Arizona 85253 or by phone at (480) 300-2588, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2022 TO 2024				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	2	3	+1
	2023	3	3	0
	2024	3	3	0
Total Outlets	2022	2	3	+1
	2023	3	3	0
	2024	3	3	0

TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN FRANCHISOR) FOR YEARS 2022 TO 2024		
State	Year	Number of Transfers
Total	2022	0
	2023	0
	2024	0

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2022 TO 2024								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
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

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2022	2	1	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
Totals	2022	2	1	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 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
Total	0	0	0

A list of all current franchisees is attached to this Disclosure Document as EXHIBIT "G" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2024. In addition, EXHIBIT "G" (Part B) lists 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