

	Provision	Section in Franchise Agreement	Summary
			arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to state law.
v.	Choice of forum	Section 20.4	Litigation takes place in Nevada (subject to applicable state law).
w.	Choice of law	Section 20.4	Nevada law applies (subject to applicable state law).

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

**ITEM 18: PUBLIC FIGURES**

We do not currently 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.

We have three The Hot Spot studios that are owned and operated by our affiliates. The below historical financial performance representations include the Royalty Fees and Brand Fund Contributions actually paid by our affiliate-owned studios. The Royalty Fees and Brand Fund Contributions that a franchised studio would be expected to pay are footnoted below. We have included the financial representations for these three studios as of December 31, 2024.

The reasonable basis for inclusion of this Financial Performance Representation is the affiliate-owned studios are similar to the franchise being offered under this Disclosure Document in terms of operations and product offerings. There are no material financial or operational characteristics of the below affiliate-owned studios that are reasonably anticipated to differ materially from future franchise studio operations. The affiliate-owned studios are different from the franchise being offered in that they do not expend any minimum amount on local advertising and are not subject to territorial advertising.

**Our affiliate-owned outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

**Tahoe, California (opened in 2010)**

		<b>Jan - Dec 25</b>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
	Income	\$89,018.62
<b>Total Income</b>		\$89,018.62
<b>Cost of Goods Sold</b>		
	COGS	\$13,524.89
<b>Total COGS</b>		\$13,524.89
<b>Gross Profit</b>		\$75,493.73
<b>Expense</b>		
	Tips Paid	\$2,338.22
	Team Building	\$37.23
	CAM Expenses	\$727.53
	Ad Fund	\$930.71
	Advertising and Promotion	\$1,044.40
	Computer and Internet Expenses	\$15.66
	Dues and Subscriptions	\$150.60
	Insurance Expense	\$201.87
	Janitorial	\$61.60
	Licenses & Permits	\$5.31
	Merchant Fees	\$2,781.04
	Office Expense	\$125.75
	Payroll	
	Wages	\$19,731.12
	Payroll Expenses	\$55.57
	Payroll Taxes	\$2,410.77
	<b>Total Payroll</b>	\$22,197.46
	Postage and Delivery	\$299.62
	Printing and Reproduction	\$387.00
	Professional Fees	\$351.05
	Rent Expense	\$9,106.32
	Repairs and Maintenance	\$445.65
	Royalties	\$4,450.93
	Small Tools and Equip	\$5.61
	Supplies	\$3,634.77
	Telephone Expense	\$400.16
	Uniforms	\$99.78
	Utilities	\$1,884.32
<b>Total Expense</b>		\$51,682.58
<b>Net Ordinary Income</b>		\$27,699.04

**Liberty, California (opened in 2012)**

		<b>Jan - Dec 25</b>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
	<b>Income</b>	\$1,222,713.12
<b>Total Income</b>		\$1,222,713.12
<b>Cost of Goods Sold</b>		
	<b>COGS</b>	\$179,687.85
<b>Total COGS</b>		\$179,687.85
<b>Gross Profit</b>		\$1,043,025.27
<b>Expense</b>		
	<b>Ad Fund Advertising and Promotion</b>	\$12,227.13
	<b>CAM Expenses</b>	\$5,280.60
	<b>Computer and Internet Expenses</b>	\$9,665.70
	<b>Discounts &amp; Comps</b>	\$208.00
	<b>Dues and Subscriptions</b>	\$10,460.30
	<b>Insurance Expense</b>	\$2,000.80
	<b>Janitorial</b>	\$2,681.90
	<b>Licenses &amp; Permits</b>	\$818.40
	<b>Merchant Fees</b>	\$70.50
	<b>Office Expense</b>	\$32,501.15
	<b>Payroll</b>	\$1,670.60
	Wages	\$262,142.07
	Payroll Expenses	\$738.30
	Payroll Taxes	\$32,028.75
	<b>Total Payroll</b>	\$294,909.15
	<b>Postage and Delivery</b>	\$3,980.62
	<b>Printing and Reproduction</b>	\$5,141.50
	<b>Professional Fees</b>	\$3,350.90
	<b>Rent Expense</b>	\$80,135.94
	<b>Repairs and Maintenance</b>	\$5,920.80
	<b>Returns</b>	\$676.00
	<b>Royalties</b>	\$61,135.66
	<b>Small Tools and Equip</b>	\$74.50
	<b>Supplies</b>	\$44,290.50
	<b>Taxes</b>	\$48.20
	<b>Team Building</b>	\$494.50
	<b>Telephone Expense</b>	\$4,116.40
	<b>Tips Paid</b>	\$27,389.70
	<b>Uniforms</b>	\$1,325.60
	<b>Utilities</b>	\$25,024.48
<b>Total Expense</b>		<b>\$635,600.22</b>
<b>Net Ordinary Income</b>		<b>\$407,425.05</b>

**Sparks, Nevada (opened in 2019)**

	<b>Jan - Dec 25</b>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Income</b>	\$488,059.95
<b>Total Income</b>	\$488,059.95
<b>Cost of Goods Sold</b>	
<b>COGS</b>	\$55,504.22
<b>Total COGS</b>	\$55,504.22
<b>Gross Profit</b>	\$432,555.73
<b>Expense</b>	
<b>Ad Fund</b>	\$4,880.60
<b>Advertising and Promotion</b>	\$2,989.73
<b>Discounts &amp; Comps</b>	\$5,259.83
<b>Dues and Subscriptions</b>	\$564.88
<b>Insurance Expense</b>	\$3,001.15
<b>Janitorial</b>	\$625.00
<b>Licenses</b>	\$1,221.71
<b>Merchant Fees</b>	\$13,513.92
<b>Office Supplies</b>	\$108.25
<b>Payroll Expenses</b>	
Payroll Taxes	\$9,233.23
Wages	\$131,903.30
<b>Total Payroll Expenses</b>	\$141,136.53
<b>Postage and Delivery</b>	\$261.70
<b>Printing and Reproduction</b>	\$291.98
<b>Rent Expense</b>	\$76,145.31
<b>Repairs and Maintenance</b>	\$585.00
<b>Returns</b>	\$1,087.37
<b>Royalties</b>	\$24,403.00
<b>Supplies</b>	\$11,779.29
<b>Tax</b>	\$114.94
<b>Tips Paid</b>	\$23,256.62
<b>Utilities</b>	\$8,535.10
<b>Total Expense</b>	<b>\$319,761.91</b>
<b>Net Ordinary Income</b>	<b>\$112,793.82</b>

**Notes**

- "Income" is calculated as total sales minus sales tax and gratuities.

- The Sparks, Nevada and San Diego, California locations are managed full-time by staff, and the Tahoe, California location is owner-operated and therefore does not incur any expenses for payroll.
- Affiliate-owned outlets differ from franchisee-owned outlets in that they are not required to pay the \$500 minimum expenditure for Local Marketing and Advertising.

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented above has not been audited.

Other than the preceding financial performance representation, The Hot Spot Studios LLC does not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. 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 Olivia Parsons Franks, 1180 Scheels Drive, #107, Sparks, Nevada 89434, or 1-800-764-4049, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-wide Outlet Summary  
For Years 2023 to 2025**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2023	0	0	0
	2024	0	6	+6
	2025	6	23	+17
Company – Owned*	2023	3	3	0
	2024	3	3	0
	2025	3	3	0
<b>Total Outlets</b>	<b>2023</b>	<b>3</b>	<b>3</b>	<b>0</b>
	<b>2024</b>	<b>3</b>	<b>9</b>	<b>6</b>
	<b>2025</b>	<b>6</b>	<b>23</b>	<b>+17</b>

\*Company-owned outlet is operated by our affiliate.

**Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2023 to 2025**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2023	0
	2024	0
	2025	0