

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) 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.

DEFINITIONS

- (a) Adjusted EBITDA – means EBITDA less Franchise Related Expenses.
- (b) Calendar Year – means, as to each respective year, the 12-month period commencing on January 1.
- (c) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate, or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate, or any person identified in Item 2 of this Disclosure Document, or that is managed by us, our affiliate, or any person identified in Item 2.
- (d) Cost of Goods Sold – direct costs incurred by an Outlet for all food and beverage, ingredients, and paper goods that are used in preparing a menu item. Cost of Goods Sold does not include Payroll Costs, or other expenses.
- (e) EBITDA – means earnings before interest, taxes, depreciation, and amortization. EBITDA is calculated by deducting Cost of Goods Sold and Operating Expenses from Gross Sales. EBITDA does not equal net income or profit.
- (f) Franchise Outlet – refers to an Outlet operated under a Franchise Agreement that is not a Company Owned Outlet.
- (g) Franchise Related Expenses – means the following select fees currently required under the Franchise Agreements: Royalty Fees, Creative Worldwide Marketing Fund Fees, technology fees, and local marketing expenditures. Franchise Related Expenses do not include all fees and payment obligations required under a Franchise Agreement.
- (h) Gross Profit – means Gross Sales less Cost of Goods Sold. Gross Profit is not net profit or income and, except as to Cost of Goods Sold, does not include the deduction of all other expenses incurred by an Outlet.
- (i) Gross Sales – means the total revenue derived from the sale of goods or services less sales tax, returns, and Franchisor approved discounts.
- (j) Operating Expenses – means those expenses itemized in the table(s) set forth below in this Item 19 and represent the operating expenses incurred by the Outlet.
- (k) Outlet – refers to an HB Wellness Shop that is either a Company Owned Outlet or a Franchise Outlet.

- (l) **Payroll Cost** – means the gross wages paid to employees of the Outlet, including managers and non-management level employees in connection with the preparation and service of menu items. Payroll Cost also includes employer related payroll taxes.

BASES AND ASSUMPTIONS

The financial information was not prepared on a basis consistent with generally accepted accounting principles. Data for our Company Owned Outlet is based on information reported to us by our affiliate. We do not have any Franchise Outlets. The information in this analysis has not been audited, is based on historical financial data, and is not a forecast or projection of future financial performance.

ANALYSIS OF RESULTS OF COMPANY OWNED OUTLET

We have one Company Owned Outlet that opened for business in 2013 and is located at 16801 N 90th Street, Suite 101, Scottsdale, Arizona 85260. This Outlet is located in a business park and is approximately 1,200 square feet. The Scottsdale Outlet is representative of the Franchised Business. Material financial and operational characteristics that are reasonably anticipated to differ from future operational franchise outlets include: (a) managerial skill and efficiency as a result of our experienced management team; (b) brand recognition within the local market in which our Company Owned Outlet operates; and (c) no obligation to pay ongoing fees that a franchisee will pay to us, such as Royalty Fees and Creative Worldwide Marketing Fund Fees.

Table 1

Company Owned Outlet - 2024 Calendar Year		
	Total	%¹
Gross Sales	\$569,681	100.0%
Less:		
Cost of Goods Sold	(\$168,833)	29.6%
Gross Profit	\$400,848	70.4%
Less: Operating Expenses		
Advertising	(\$2,613)	0.5%
Insurance	(\$2,573)	0.5%
Internet	(\$900)	0.2%
Licenses	(\$1,300)	0.2%
Office Supplies	(\$1,901)	0.3%
Payroll Cost	(\$111,748)	19.6%
Rent	(\$37,185)	6.5%
Supplies	(\$6,288)	1.1%
Utilities	(\$9,648)	1.7%
Credit Card Processing Fees	(\$13,051)	2.3%
Third Party Delivery Fees	(\$4,537)	0.8%
EBITDA	\$209,104	36.7%
Less: Adjustments for Select Franchise Related Expenses		
Royalty Fee ²	(\$28,484)	5.0%
Creative Worldwide Marketing Fund Fee ³	N/A	0.0%
Technology Fee ⁴	N/A	0.0%
Local Marketing ⁵	(\$3,084)	0.5%
Adjusted EBITDA	\$177,536	31.2%
See Notes to Tables 1 and 2, below		

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Table 2

Company Owned Outlet - 2025 Calendar Year		
	Total	%¹
Gross Sales	\$503,681	100.0%
Less:		
Cost of Goods Sold	(\$137,835.42)	27.37%
Gross Profit	\$365,845.58	72.63%
Less: Operating Expenses		
Advertising	(\$0)	0%
Insurance	(\$2,573)	0.51%
Internet	(\$1,073)	0.21%
Licenses	(\$315)	0.06%
Office Supplies	(\$185)	0.04%
Payroll Cost	(\$104,760.62)	20.8%
Rent	(\$37,185)	7.38%
Supplies	(\$362)	0.07%
Utilities	(\$9,510)	1.89%
Credit Card Processing Fees	(\$11,468)	2.28%
Third Party Delivery Fees	(\$4,537)	0.9%
EBITDA	\$193,876.96	38.49%
Less: Adjustments for Select Franchise Related Expenses		
Royalty Fee ²	(\$25,184.05)	5.0%
Creative Worldwide Marketing Fund Fee ³	N/A	0.0%
Technology Fee ⁴	N/A	0.0%
Local Marketing ⁵	(\$5,036.81)	1%
Adjusted EBITDA	\$163,656.10	32.49%
See Notes to Tables 1 and 2, below		

Notes to Tables 1 and 2

¹ “%” represents the percentage of total Gross Sales.

² The Royalty Fee is equal to 5% of Gross Sales.

³ The Creative Worldwide Marketing Fund Fee is currently not assessed but we reserve the right to collect a Creative Worldwide Marketing Fund Fee of up to 2% of Gross Sales.

⁴ The Technology Fee is a monthly administrative fee currently not assessed. We reserve the right to implement a Technology Fee in the future, not to exceed \$500 per month.

⁵ On an on-going monthly basis, you must spend not less than 1% of Gross Sales on the local marketing of your HB Wellness Shop. This adjustment reflects the difference between the local marketing requirement in Item 6 of this Disclosure Document and the marketing expenses of this Outlet disclosed in Disclosed Expenses.

Some Outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

Other than the preceding financial performance representations, HB Franchise, 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 Daniel Boone, HB Franchise, LLC, 16801 N 90th Street, Suite 101, Scottsdale, Arizona 85260, and (602) 284-6656, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2023 to 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company Owned	2023	1	1	0
	2024	1	1	0
	2025	1	1	0
Total Outlets	2023	1	1	0
	2024	1	1	0
	2025	1	1	0

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2023 to 2025

State	Year	Number of Transfers
None	2023	0
	2024	0
	2025	0

TABLE NO. 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
Totals	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0

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