

u. Dispute resolution by arbitration or mediation	Not Applicable—FA Not Applicable—SLA	Not Applicable
v. Choice of forum	Article XIV(H) of FA Section 10.2 of SLA	Lancaster County, Nebraska, unless the state where Your franchise is located requires suit to be brought in Your state. Please refer to the applicable state Disclosure Document Addenda found at Exhibit F if You or Your store are or will be located in California, Illinois, Indiana, Minnesota, New York, North Dakota, Virginia, Washington, or Wisconsin.
w. Choice of law	Article XIV(E) of FA Section 10.1 of SLA	Nebraska law applies, unless the state where Your franchise is located requires Your state laws to apply. Please refer to the applicable state Disclosure Document Addenda found at Exhibit F if You or Your store are or will be located in California, Illinois, Indiana, Minnesota, New York, North Dakota, Virginia, Washington, or Wisconsin.
<p>NOTE:</p> <p>(1) The provision in the Franchise Agreement which provides for termination if You file bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).</p>		

ITEM 18. PUBLIC FIGURES

The Company does not use any public figure to promote its franchise.

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of December 31, 2023, there were 100 franchised stores in the HobbyTown®/HobbyTown USA® franchise system, all of which were open during the entire

period of January 1, 2023 through December 31, 2023 (“2023 Calendar Year”). There were no company-owned stores in the 2023 Calendar Year. The Item 19 tables below present historical financial performance information reported by 87 franchised stores (“Reporting Stores”) for the 2023 Calendar Year (some of which is adjusted as explained below), and location data pertaining to the same. The Company has not audited or verified any of the financial information reported by the Reporting Stores. The tables exclude data from 13 franchised stores that failed to report complete financial information for the full 2023 Calendar Year.

The Reporting Stores included in the financial performance representations were located throughout the United States in primarily urban areas that contain populations ranging from approximately 100,000 persons to over 1,000,000 persons. Factors that vary among stores (and which influence individual financial results) are population within Protected Territories, local market demographics, location, store size, inventory level, local and on-line competition, local management, and marketing expenditures. The Reporting Stores offer substantially similar goods and services as the franchised businesses offered by this Disclosure Document. You should be aware, however, that some of the Reporting Stores for which financial information is included in the tables below may be “conversions,” which were independently owned hobby stores that were converted into a HobbyTown®/HobbyTown USA® franchised store.

Table 1 discloses the average of all the Reporting Stores’ gross revenue, expenses (including certain adjusted expenses as explained below), adjusted operating income, and location data for the 2023 Calendar Year. The table also includes the median, highest, and lowest numbers reported by the Reporting Stores for each category of information included in the table. All numbers have been rounded to the nearest dollar.

Tables 2-5 set forth the same information as Table 1 for each quartile based on the Reporting Stores’ adjusted operating income for the 2023 Calendar Year.

TABLE 1
Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for All Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	\$1,455,633	\$1,282,737	\$4,699,159	\$285,736	34 (39%)
Cost of Goods Sold	\$934,721	\$852,024	\$2,975,056	\$177,129	32 (37%)
Gross Profit	\$520,912	\$432,117	\$1,823,082	\$85,282	37 (43%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	\$28,237	\$24,570	\$93,983	\$5,715	33 (38%)
Alarm Expense	\$843	\$636	\$5,845	\$0	27 (31%)
Bank Charges	\$628	\$388	\$4,187	\$0	31 (36%)
Contract Labor	\$450	\$0	\$6,234	\$0	22 (25%)
Credit Card Processing Fees	\$22,353	\$19,904	\$74,472	\$5,279	35 (40%)
Dues & Subscriptions	\$2,181	\$2,113	\$7,014	\$0	42 (48%)
Business Insurance	\$4,966	\$3,961	\$19,964	\$633	32 (37%)
Workers Comp Insurance	\$1,452	\$577	\$14,066	\$0	28 (32%)
Miscellaneous Expense	\$1,655	\$364	\$33,026	\$0	19 (22%)
Employee Payroll	\$145,173	\$132,727	\$440,286	\$5,283	37 (43%)
Employee Payroll Taxes	\$12,702	\$10,931	\$66,839	\$0	35 (40%)
Professional Fees	\$5,054	\$3,850	\$21,398	\$0	34 (39%)
Rent/Lease	\$93,893	\$89,000	\$371,265	\$26,157	39 (45%)
Repairs & Maintenance	\$3,651	\$1,846	\$22,943	\$0	26 (30%)
Adjusted Royalty Fees (4.75%)	\$69,141	\$60,930	\$223,210	\$13,572	34 (39%)
Supplies	\$6,432	\$5,200	\$44,275	\$325	34 (39%)
Tax & Licenses	\$5,338	\$1,667	\$82,080	\$0	28 (32%)
Phone/Internet	\$5,052	\$4,202	\$15,883	\$514	32 (37%)
Utilities	\$11,450	\$10,154	\$49,946	\$820	31 (36%)
Total Adjusted Operating Expenses	\$418,866	\$375,506	\$1,402,922	\$107,196	35 (40%)
Adjusted Operating Income	\$104,386	\$92,368	\$554,637	(\$137,987)	40 (46%)
Location Data					
Retail Square Footage	5,599	4,400	30,200	1,250	28 (32%)
Sales Per Foot	\$288	\$273	\$854	\$62	36 (41%)
Inventory (Year End)	\$338,009	\$312,485	\$952,428	\$90,523	37 (43%)

TABLE 2

1st Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	\$2,397,945	\$2,205,457	\$4,699,159	\$1,067,776	10 (45%)
Cost of Goods Sold	\$1,492,913	\$1,297,505	\$2,975,056	\$699,635	10 (45%)
Gross Profit	\$905,031	\$873,328	\$1,823,082	\$368,141	11 (50%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	\$45,447	\$41,314	\$93,983	\$15,756	10 (45%)
Alarm Expense	\$608	\$525	\$1,315	\$85	10 (45%)
Bank Charges	\$552	\$461	\$2,061	\$32	10 (45%)
Contract Labor	\$496	\$0	\$3,187	\$0	7 (32%)
Credit Card Processing Fees	\$34,496	\$27,073	\$74,472	\$15,150	8 (36%)
Dues & Subscriptions	\$2,429	\$2,352	\$7,014	\$74	10 (45%)
Business Insurance	\$6,298	\$5,214	\$19,964	\$1,663	7 (32%)
Workers Comp Insurance	\$2,188	\$944	\$12,999	\$0	9 (41%)
Miscellaneous Expense	\$3,844	\$1,425	\$33,026	\$0	3 (14%)
Employee Payroll	\$219,515	\$200,025	\$440,286	\$17,964	9 (41%)
Employee Payroll Taxes	\$20,131	\$15,185	\$66,839	\$1,312	9 (41%)
Professional Fees	\$7,015	\$5,343	\$17,185	\$2,104	9 (41%)
Rent/Lease	\$131,532	\$123,601	\$371,265	\$34,170	7 (32%)
Repairs & Maintenance	\$5,938	\$3,940	\$22,943	\$490	8 (36%)
Adjusted Royalty Fees (4.75%)	\$113,898	\$104,741	\$223,210	\$50,719	10 (45%)
Supplies	\$9,206	\$9,177	\$21,085	\$2,182	11 (50%)
Tax & Licenses	\$10,295	\$4,741	\$82,080	\$0	5 (23%)
Phone/Internet	\$6,948	\$6,370	\$13,398	\$514	11 (50%)
Utilities	\$15,752	\$12,050	\$49,946	\$3,753	7 (32%)
Total Adjusted Operating Expenses	\$636,589	\$583,772	\$1,402,922	\$197,213	11 (50%)
Adjusted Operating Income	\$272,467	\$231,411	\$554,637	\$170,928	6 (27%)
Location Data					
Retail Square Footage	8,489	7,298	30,200	1,250	7 (32%)
Sales Per Foot	\$339	\$294	\$854	\$156	8 (36%)
Inventory (Year End)	\$536,565	\$450,615	\$952,428	\$133,315	9 (41%)

TABLE 3
2nd Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	\$1,382,701	\$1,289,458	\$2,311,262	\$732,306	9 (41%)
Cost of Goods Sold	\$874,917	\$799,411	\$1,556,161	\$442,520	8 (36%)
Gross Profit	\$507,785	\$504,906	\$796,181	\$271,125	11 (50%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	\$26,704	\$25,789	\$46,225	\$8,698	9 (41%)
Alarm Expense	\$1,155	\$691	\$5,845	\$249	6 (27%)
Bank Charges	\$677	\$419	\$3,026	\$0	8 (36%)
Contract Labor	\$682	\$87	\$4,251	\$0	7 (32%)
Credit Card Processing Fees	\$20,794	\$17,937	\$34,182	\$9,486	8 (36%)
Dues & Subscriptions	\$2,407	\$2,252	\$4,229	\$0	10 (45%)
Business Insurance	\$4,554	\$3,669	\$11,642	\$633	8 (36%)
Workers Comp Insurance	\$814	\$483	\$2,964	\$0	9 (41%)
Miscellaneous Expense	\$1,072	\$250	\$6,879	\$0	7 (32%)
Employee Payroll	\$130,441	\$123,275	\$301,666	\$19,529	10 (45%)
Employee Payroll Taxes	\$10,782	\$10,621	\$26,310	\$1,576	11 (50%)
Professional Fees	\$5,349	\$3,362	\$21,398	\$0	8 (36%)
Rent/Lease	\$84,836	\$79,779	\$143,008	\$40,911	10 (45%)
Repairs & Maintenance	\$3,441	\$2,675	\$14,598	\$0	9 (41%)
Adjusted Royalty Fees (4.75%)	\$65,677	\$61,249	\$109,785	\$34,785	9 (41%)
Supplies	\$5,303	\$4,907	\$13,363	\$1,496	10 (45%)
Tax & Licenses	\$5,028	\$2,246	\$37,562	\$14	8 (36%)
Phone/Internet	\$4,815	\$4,099	\$10,151	\$1,466	8 (36%)
Utilities	\$11,555	\$10,267	\$19,425	\$6,083	8 (36%)
Total Adjusted Operating Expenses	\$382,622	\$373,234	\$686,132	\$176,599	10 (45%)
Adjusted Operating Income	\$130,391	\$131,763	\$160,428	\$92,368	12 (55%)
Location Data					
Retail Square Footage	4,934	4,300	10,000	2,516	6 (27%)
Sales Per Foot	\$291	\$305	\$455	\$132	11 (50%)
Inventory (Year End)	\$347,448	\$328,744	\$630,439	\$158,699	10 (45%)

TABLE 4
3rd Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	\$1,143,097	\$1,200,924	\$2,024,876	\$506,362	12 (57%)
Cost of Goods Sold	\$760,975	\$775,012	\$1,419,143	\$333,465	11 (52%)
Gross Profit	\$382,123	\$390,092	\$665,216	\$172,897	11 (52%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	\$22,862	\$24,018	\$40,498	\$10,127	12 (57%)
Alarm Expense	\$745	\$470	\$2,583	\$0	8 (38%)
Bank Charges	\$679	\$365	\$2,991	\$0	7 (33%)
Contract Labor	\$354	\$0	\$6,234	\$0	2 (10%)
Credit Card Processing Fees	\$18,268	\$16,754	\$43,258	\$5,611	8 (38%)
Dues & Subscriptions	\$1,885	\$1,798	\$3,345	\$246	10 (48%)
Business Insurance	\$3,980	\$3,229	\$19,885	\$1,174	6 (29%)
Workers Comp Insurance	\$962	\$727	\$4,706	\$0	7 (33%)
Miscellaneous Expense	\$426	\$254	\$1,777	\$0	8 (38%)
Employee Payroll	\$108,565	\$101,149	\$248,087	\$5,283	10 (48%)
Employee Payroll Taxes	\$9,267	\$9,559	\$20,984	\$0	11 (52%)
Professional Fees	\$3,490	\$3,371	\$7,927	\$0	10 (48%)
Rent/Lease	\$76,263	\$62,284	\$158,400	\$27,306	10 (48%)
Repairs & Maintenance	\$3,520	\$1,865	\$13,220	\$275	5 (24%)
Adjusted Royalty Fees (4.75%)	\$54,297	\$57,044	\$96,182	\$24,052	12 (57%)
Supplies	\$5,639	\$5,223	\$16,093	\$498	10 (48%)
Tax & Licenses	\$3,850	\$1,793	\$15,732	\$50	9 (43%)
Phone/Internet	\$3,598	\$3,306	\$8,103	\$1,067	10 (48%)
Utilities	\$9,002	\$7,331	\$20,376	\$2,350	8 (38%)
Total Adjusted Operating Expenses	\$324,716	\$331,860	\$609,383	\$107,196	11 (52%)
Adjusted Operating Income	\$57,407	\$63,866	\$89,962	\$14,982	13 (62%)
Location Data					
Retail Square Footage	4,573	3,200	12,400	1,500	7 (33%)
Sales Per Foot	\$300	\$270	\$611	\$121	9 (43%)
Inventory (Year End)	\$254,436	\$233,797	\$441,748	\$90,523	9 (43%)

TABLE 5

4th Quartile Gross Revenue, Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, and Location Data for Reporting Stores During 2023 Calendar Year

	Average	Median	High	Low	Number and % Equal to or Exceeding Average
Gross Revenue	\$884,581	\$844,178	\$1,788,506	\$285,736	10 (45%)
Cost of Goods Sold	\$602,180	\$597,392	\$1,209,353	\$177,129	10 (45%)
Gross Profit	\$282,401	\$273,482	\$579,153	\$85,282	11 (50%)
Operating Expenses					
Adjusted Advertising & Marketing (2%)	\$17,692	\$16,884	\$35,770	\$5,715	10 (45%)
Alarm Expense	\$860	\$678	\$3,979	\$106	8 (36%)
Bank Charges	\$606	\$281	\$4,187	\$0	8 (36%)
Contract Labor	\$265	\$0	\$1,584	\$0	5 (23%)
Credit Card Processing Fees	\$15,155	\$13,488	\$33,921	\$5,279	8 (36%)
Dues & Subscriptions	\$1,992	\$1,767	\$3,517	\$717	10 (45%)
Business Insurance	\$4,988	\$4,459	\$11,100	\$1,446	9 (41%)
Workers Comp Insurance	\$1,821	\$522	\$14,066	\$0	6 (27%)
Miscellaneous Expense	\$1,220	\$292	\$7,357	\$0	6 (27%)
Employee Payroll	\$120,505	\$115,715	\$273,056	\$31,378	9 (41%)
Employee Payroll Taxes	\$10,471	\$10,397	\$22,277	\$2,512	11 (50%)
Professional Fees	\$4,292	\$2,953	\$13,370	\$0	8 (36%)
Rent/Lease	\$82,140	\$84,092	\$153,282	\$26,157	12 (55%)
Repairs & Maintenance	\$1,692	\$1,203	\$10,854	\$0	8 (36%)
Adjusted Royalty Fees (4.75%)	\$42,018	\$40,098	\$84,954	\$13,572	10 (45%)
Supplies	\$5,545	\$2,390	\$44,275	\$325	5 (23%)
Tax & Licenses	\$2,113	\$735	\$24,980	\$0	4 (18%)
Phone/Internet	\$4,714	\$3,937	\$15,883	\$1,712	7 (32%)
Utilities	\$9,171	\$8,670	\$21,889	\$820	11 (50%)
Total Adjusted Operating Expenses	\$327,259	\$328,047	\$581,282	\$108,797	11 (50%)
Adjusted Operating Income	(\$44,858)	(\$46,154)	\$2,962	(\$137,987)	10 (45%)
Location Data					
Retail Square Footage	4,395	4,000	9,550	1,550	7 (32%)
Sales Per Foot	\$223	\$212	\$447	\$62	11 (50%)
Inventory (Year End)	\$209,789	\$178,506	\$361,131	\$94,787	10 (45%)

Notes to Tables 1-5

1. The median, high, and low numbers included in the tables for Gross Profit, Total Adjusted Operating Expenses, Adjusted Operating Income, and Sales Per Foot are derived from the underlying financial information reported by the Reporting Stores (i.e., they are the median, high, and low numbers from all data points in each relevant set of numbers). They are not calculated based on the other information contained in the tables.

2. Average, also known as the “mean,” is the sum of all data points in a set, divided by the number of data points in that set.

3. Median means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.

4. Gross Revenue, also known as “gross sales,” means the amount of all sales of merchandise, products, services, and revenues of any other kind made in, upon, or from the store (including all mail order and internet sales) or from any other site including the location of any booth, mobile unit, seminar, fair, or other events of any kind in which Franchisee participates, including track and race fees, whether for cash, check, charge account, exchange, credit or otherwise, and if on credit, whether or not payment is received therefore. Gross revenue does not include tax receipts that are chargeable to customers, if such taxes are separately stated when the customer is charged and paid to the tax authorities, and the amount of any actual refunds, exchanges, over-rings, and allowances given to customers in good faith.

5. Cost of Goods Sold means the amount the Reporting Stores paid for inventory including cost of product, costs of delivery, early pay discounts or any other purchasing or promotional discounts.

6. Gross Profit means Gross Revenue minus Cost of Goods Sold.

7. Adjusted Advertising & Marketing (2%) and Adjusted Royalty Fees (4.75%): Advertising and marketing requirements and royalty fees have changed over time, as reflected in the various franchise agreements for the Reporting Stores. The Company has made adjustments in the tables based on the fees and expenditures required under the current form Franchise Agreement. Franchised businesses that sign the Company’s current form of Franchise Agreement are required to pay a minimum of 2% of their gross monthly sales to the Company in satisfaction of the minimum advertising requirement and 4.75% of their gross monthly sales to the Company as a royalty fee. By making these adjustments, the tables illustrate what the Reporting Stores would have paid during the 2023 Calendar Year for advertising and marketing and royalty fees if they were operating under the current Franchise Agreement. In the 2023 Calendar Year, the Reporting Stores, on average, spent less on advertising and marketing and royalty fees than they would have spent if they were operating under the current Franchise Agreement. In making these adjustments,

the Company is assuming that any additional expenses would not have a material effect on revenue or other expenses.

8. Total Adjusted Operating Expenses means the aggregate of all operating expenses listed in the tables, including the Adjusted Advertising & Marketing (2%) expense and Adjusted Royalty Fees (4.75%). The following discretionary expenses are excluded—automobile, contributions, employee benefits, health and/or life insurance, interest, meals and entertainment, owner payroll and travel.

9. Adjusted Operating Income means Gross Profit minus the Total Adjusted Operating Expenses.

10. Sales Per Foot means the Gross Revenue divided by the Retail Square Footage.

11. Inventory: Minimum inventory requirements have changed over time. The current Franchise Agreement requires that a Franchisee must purchase and maintain a minimum of \$150,000 of inventory for a Protected Territory. Some of the Reporting Stores do not have the same minimum inventory requirement.

**THE ABOVE INFORMATION IS BASED ON THE REPORTING STORES'
FINANCIAL PERFORMANCE FOR THE 2023 CALENDAR YEAR.**

Some outlets have earned this amount. Your individual results may differ. There is no assurance that You'll sell as much.

Written substantiation for these financial performance representations will be made available to the prospective franchisee upon reasonable request. You should conduct an independent investigation of the costs and expenses You will incur in operating Your HobbyTown® franchise. Franchisees or former franchisees listed in the Disclosure Document may be one source of this information.

Other than the preceding financial performance representation, Hobby Town Unlimited, Inc. 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 Robert Wilke, President of Hobby Town Unlimited, Inc. at 1133 Libra Drive, Lincoln, Nebraska 68512 or (402) 434-5065, 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 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	111	110	-1
	2022	110	106	-4
	2023	106	100	-6
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	111	110	-1
	2022	110	106	-4
	2023	106	100	-6

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021 to 2023

State	Year	Number of Transfers
AZ	2021	0
	2022	0
	2023	0
CA	2021	1
	2022	2
	2023	0
CO	2021	1
	2022	0
	2023	0
CT	2021	0
	2022	1
	2023	0