

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 historic financial performance representation is based upon sales data pulled from our point-of-sale system and discloses sales information for our five disclosed outlets: two existing Affiliate-Owned Outlets which operate a Studio in and around Waikoloa, Hawaii ("HFA Waikoloa") and Kansas City, Missouri ("HFA KC"), and 3 franchised outlets which operate in and around Frisco, TX, Oklahoma City, OK, and Lubbock, TX (collectively, the five outlets are the "Disclosed Outlets"). The only criterium used in determining a Disclosed Outlet was whether it operated the entire "Measurement Period" which ran from January 1, 2023, to December 31, 2023. As of December 31, 2023, we had 24 locations, including the Affiliate-Owned Outlets, however, only 5 operated continuously during the entire Measurement Period. We omitted the 18 locations which opened for part but not all of the Measurement Period. We have a reasonable basis for the financial performance information disclosed in Item 19. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

The Disclosed Outlets operate similar to how our franchised outlets operate, including the studio size, the territory size, the availability of off-site events; the number of potential customers; and the general customer base, which is anyone.

In Table 7 we included the Average Gross Profit generated by HFA Waikoloa's Mobile Unit, the only Mobile Unit that operated for the entire "Mobile Unit Measuring Period" which is a rolling 12-month period from April 15, 2023 to April 15, 2024. The Mobile Unit operated in a similar manner to how franchisees would operate their Mobile Units.

The figures in the tables below use the historic information provided by the Disclosed Outlets. Upon your reasonable request, we will provide written substantiation for this financial performance representation.

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

Table 1: The Gross Profit per Canvas Option

Table 1 – Gross Profit per Canvas Option				
Category	Canvas #1	Canvas #2	Canvas #3	Canvas #4
Retail Price ¹	\$35.00	\$65.00	\$85.00	\$115.00
COGS ²	\$2.85	\$4.85	\$5.25	\$7.25
Gross Profit w/o Upgrade	\$32.15	\$60.15	\$79.75	\$107.75
Retail Price w/ Upgrade ³	\$50.00	\$125.00	\$125.00	\$165.00
COGS w/ Upgrade	\$4.60	\$9.10	\$7.50	\$10.75
Gross Profit⁴ w/ Upgrades	\$45.40	\$115.90	\$117.50	\$154.25

Notes to Table 1:

The Gross Profit per Canvas Option data was obtained from our Manuals for the minimum pricing schedule for Studios. Each canvas option is one of our 4 most popular sized canvases. We have left the specific sizes off this chart to protect our Confidential Information, however, the canvases are arranged in the following order: Canvas #1 is our kids' option, and Canvases 2-4 range from smallest to largest.

1. “Retail Price” means the minimum retail price a customer pays for the in-studio art experience on a canvas.
2. “COGS” and “COGS w/ Upgrade” means the cost of the goods used to produce the sale.
3. “Gross Profit w/o Upgrade” means the gross profit earned for each canvas art experience sold. Gross Profit is calculated as the Retail Price minus COGS.
4. “Retail Price w/ Upgrade” means the amount customers pay if they upgrade their experience.
5. “Gross Profit w/ Upgrade” means the gross profit earned for each upgraded canvas art experience sold. Gross Profit is calculated as the Retail Price w/ Upgrade minus COGS w/ Upgrade.

Table 2 represents the Average Net Revenue per Retail Sale for the Disclosed Outlets. Retail sales represent separate sales from the studio art experience. Our Disclosed Outlets’ performance is detailed below.

Location	Average Net Revenue per Sale ¹	Total Retail Transactions ²
Affiliate Owned Outlet #1	\$24.64	3880
Affiliate Owned Outlet #2	\$15.38	4522
Franchised Outlet #1	\$28.73	1118
Franchised Outlet #2	\$30.30	1705
Franchised Outlet #3	\$30.24	524

Table 3 represents the high, low, and median of the sales data we used to create Table 2.

Location	Low Retail Net Revenue Sale Made ³	Median Retail Net Revenue Sale Made	High Retail Net Revenue Sale Made
Affiliate Owned Outlet #1	\$2.00	\$134.00	\$550.00
Affiliate Owned Outlet #2	\$2.00	\$20.00	\$840.00
Franchised Outlet #1	\$2.00	\$14.00	\$550.00
Franchised Outlet #2	\$2.00	\$168.75	\$700.00
Franchised Outlet #3	\$2.00	\$20.00	\$700.00

Notes to Tables 2 and 3:

1. “Average Net Revenue per Sale” means the average revenue generated per retail sale at a Studio.
2. The data was obtained from reports generated by our point-of-sale system.
3. Because we set minimum pricing, our locations will have similar pricing on certain items that may be the lowest or highest in a franchisee’s Studio depending on the item.

Table 4 represents the Average Retail Transactions per Month per Disclosed Outlet for the Measurement Period.

Location	Total Retail Transactions ²	Average Retail Transactions Per Month ¹
Affiliate Owned Outlet #1	3880	323
Affiliate Owned Outlet #2	4522	377
Franchised Outlet #1	1118	93
Franchised Outlet #2	1705	142
Franchised Outlet #3	524	44

Notes to Table 4:

1. “Average Retail Transactions Per Month” means the total retail transactions divided by the 12 months of the Measurement Period.
2. The data was obtained from reports generated by our point-of-sale system.

Table 5 details the size of the Studio, maximum students, and the rent paid by the Disclosed Outlets.

Location	Max Students Per Class ¹	SF of Studio ²	Gross Monthly Rent	Price per SF
Affiliate Owned Outlet #1	12	834	\$2,000	\$28.78
Affiliate Owned Outlet #2	25	1,234	\$4,856	\$47.22
Franchised Outlet #1	18	1,800	\$4,160	\$27.73
Franchised Outlet #2	55	3,000	\$8,912	\$35.65
Franchised Outlet #3	12	2,000	\$2,200	\$13.20

Notes to Table 5:

1. “Max Students Per Class” is the maximum amount of students that can fit in a class due to size constraints of the Studio.
2. “SF of Studio” is the size in square feet for each Studio location.
3. “Gross Monthly Rent” is calculated as the base rent plus any triple net lease terms, if any.
4. “Price per SF” is calculated as the annual amount of Gross Monthly Rent divided by the square footage of the Studio.

Table 6 represents the revenue generated by the Mobile Unit during the Mobile Unit Measurement Period.

Item	Low	Median	High	Average ²	Total Parties
Revenue Earned per Party	\$306.00	\$1,990.00	\$3,760.00	\$1,852.00	13

Notes for Table 6:

1. The Mobile Unit operated in the Waikoloa, HI area and didn't begin operating full-time until November 2023. The Mobile Unit operates similarly to how franchisees with Mobile Units will operate.
2. The "Average" revenue earned by the Mobile Unit is calculated as the total revenue earned by the Mobile Unit during the Mobile Unit Measurement Period divided by the Total Parties the Mobile Unit was contracted for. There were 7 parties that earned revenue above the average.

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 Maya Ratcliff at 610 Uptown Blvd, STE 3900, Cedar Hill, TX 75104, by email at info@hawaiifluidart.com, or by phone at (800) 463-3793, the Federal Trade Commission, and the appropriate state regulatory agencies.

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