

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 or service restrictions.

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)

<u>Jan - Dec 24</u>		
Ordinary Income/Expense		
	Income	76,208.00
Total Income		76,208.00
Cost of Goods Sold		
	COGS	<u>10,214.94</u>
Total COGS		<u>10,214.94</u>
Gross Profit		65,993.46
Expense		
	Ad Fund*	762.08
	Advertising and Promotion	705.88
	Bank Service Charges	12.76

Computer and Internet Expenses	120.34
Dues and Subscriptions	79.49
Insurance Expense	989.30
Merchant Fees	2,343.85
Office Expense	91.60
Payroll	
Payroll Taxes	1,166.53
Wages	14,581.60
Total Payroll Expenses	15,748.13
Postage and Delivery	200.98
Professional Fees	209.61
Rent Expense	11,802.48
Royalty Fee**	3,810.42
Supplies	1,385.77
Telephone Expense	509.58
Utilities	646.78
Total Expense	<u>40,124.12</u>
Net Ordinary Income	<u>25,869.34</u>
Net Income	<u>25,869.34</u>

Liberty, California (opened in 2012)

		<u>Jan - Dec 24</u>
Ordinary Income/Expense		
	Income	1,108,751.26
Total Income		1,108,751.26
Cost of Goods Sold		
	COGS	<u>160,034.03</u>
Total COGS		<u>160,034.03</u>
Gross Profit		948,717.23
Expense		
Franchise Fee		500.00
Ad Fund*		11,087.51
Advertising and Promotion		9,243.80
Bank Service Charges		199.95
Charitable Contributions		101.35
Computer and Internet Expenses		1,885.34
Dues and Subscriptions		1,245.33
Gifts		1,781.99
Insurance Expense		15,498.99
Janitorial		883.00

Legal Fees	2,882.74
Licenses & Permits	143.40
Merchant Fees	27,506.14
Office Expense	1,434.96
Payroll	
Payroll Taxes	19,442.14
Payroll Expenses	2,179.25
Wages	243,026.71
Total Payroll	264,648.10
Printing and Reproduction	4,481.07
Postage and Delivery	3,148.69
Professional Fees	3,283.99
Rent Expense	160,440.99
Repairs	11,046.20
Royalty Fee**	55,437.56
Sales Tax	68,228.34
Supplies	23,096.13
Taxes	
State	7,270.90
Total Taxes	7,270.90
Telephone Expense	7,983.40
Utilities	10,132.97
 Total Expense	 693,592.85
 Net Ordinary Income	 255,124.38
 Net Income	 255,124.38

Sparks, Nevada (opened in 2019)

Ordinary Income/Expense	Jan - Dec 24
Income	468,484.47
Total Income	468,484.47
COGS	62,577.83
Total COGS	62,577.83
Gross Profit	405,906.64
Expense	
Ad Fund	4,684.84
Advertising and Promotion	4,050.59
Bank Service Charges	6,751.27
Client Gifts	248.12

Computer and Internet Expenses	867.03
Dues and Subscriptions	495.00
Insurance Expense	3,078.29
Merchant Fees	13,239.83
Office Supplies	1,450.77
Payroll	
Payroll Taxes	9,842.38
Wages	<u>123,029.71</u>
Total Payroll	132,872.09
Postage and Delivery	810.52
Professional Fees	1,150.00
Rent Expense	76,810.87
Repairs and Maintenance	1,326.15
Royalty Fee	23,424.22
Sales Tax	17,517.49
Supplies	11,341.23
Tax	3,432.18
Telephone Expense	611.77
Utilities	7,487.63
Website	<u>544.34</u>
Total Expense	<u>312,194.24</u>
Net Ordinary Income	<u>93,712.40</u>
Net Income	93,712.40

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.

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