

December 3, 2024

Kylee Sigstad
Commerce Analyst II
Securities Registration Division
Kylee.Sigstad@state.mn.us

RE: Response to Comments –SHRUNK 3D, INC. (MN File NO. 11212)

Dear Kylee:

We received your comment dated July 8, 2024 regarding the above-referenced franchisor. We really appreciate that you have provided us the extension to respond! Thank you! We respond as follows:

- 1) In Item 21 and Exhibit F, we revised to include the franchisor's June 30, 2024 interim financial statements.

We have also included revisions made in response to other state examiners' comments. Enclosed are marked copies of the changes pages. Included with this submission is a clean pdf version of the revised FDD with cumulative edits. If you have any questions or need further information, please contact me. Thank you for your help.

Very truly yours,
Bradley D. Smith

Bradley D. Smith
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Enclosures

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in the state where the respondent's business is located. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in another state than in your own state.
2. **Supplier Control.** You must purchase all or nearly of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere from the same or similar goods. This may reduce the anticipated profit of your franchise business.
3. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.
4. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
- 4.5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
5. ~~**Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.~~

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.



Type of fee	Amount	Due Date	Remarks
	in your 4th month of operations.		time You sell the goods or services, without regard to when You receive or expect to receive payment.
Brand Development Fee	2% of Gross Revenues <u>currently</u> .	Retained from the fees paid by customers of your Booth and collected by us. (Note A).	Gross Revenues includes the full price of all figurines, 3D printed objects, or other goods and services You sell, whether or not You have received cash or consideration in some other form. The only thing not included in Gross Revenues is taxes or fees You are required to collect on behalf of the government. Gross Revenues are calculated at the time You sell the goods or services, without regard to when You receive or expect to receive payment.
Local Marketing Spending Requirement	A minimum of \$500 per month beginning in your 4 th month of operations.	Each month as incurred by you.	In addition to your Brand Development Fee, you decide what forms of promotion you want to engage in. Beginning in the fourth full month after the date the Booth opens, you must spend a minimum of \$500 per month on local advertising and promotional activities, which shall be payable directly to third party vendors. If you fail to pay the required amount in any quarter, we may require you to pay us the shortfall as an additional Brand Development Fee or to pay us the shortfall for us to spend on local marketing for your Booth. We may require you to expend certain amounts of the Local Marketing Spending Requirement on specific types of advertising, such as digital marketing, social media marketing, and other forms of marketing in our sole discretion. We may require you to use certain approved or designated suppliers to meet your Local Marketing Spending Requirement, which may include us or our affiliates.
Production Fee	Our actual <u>wholesale-direct</u> costs for producing the figurine. Currently \$45 - \$190 per figurine or other 3D printed item sold. Price may increase for larger figurines <u>depending on the actual direct costs incurred by us in</u>	Retained from the fees paid by customers of your Booth and collected by us. (Note A).	The Production Fee covers the cost of <u>design and printing</u> each 3D printed object ordered by one of your customers. It is retained from your Gross Revenue. The amount of the Production Fee is based on the retail price paid by the customer for the figurine or other 3D printed object. It is limited to the direct costs incurred by us in producing each figurine, <u>which is the sum of our direct materials costs and our direct labor, design, printing, and shipping costs</u> . The retail price of each figurine or other 3D printed object is based on the size and complexity of the figurine or object. The specific amount of the Production Fee charged for each type and size of figurine is stated in our confidential and proprietary Partner Pricing Sheet, which will be provided to you after you sign a confidentiality agreement. The amount of the Production Fee



Type of fee	Amount	Due Date	Remarks
	producing the figurine.		charged for custom 3D printing orders will be set by us and will be based on the size and complexity of the object to be printed. The amount of the Production Fee is subject to change by us.
Technology Fee	<p>Currently, \$250 per month per Booth beginning in the month you begin using technology services that we provide to you, but subject to change at any time upon 30 days' written notice to you.</p> <p>You must also pay \$45 per month to an approved supplier for access to the Point of Sale and credit card processing ("POS") system used in the operation of your Booth.</p>	Retained from the fees paid by customers of your Booth and collected by us. (Note A).	<p>The Technology Fee currently includes fees related to your access to and usage of our customer management system, our intranet, email addresses, any mobile applications we develop, and the Shrunk 3D website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. There is no cap on the amount the Technology Fee and any increase will may be increased be based on corresponding increase in associated costs for the technology provided and/or for new or additional products, services, systems, or technology that are part of the Technology Fee. The first month will be assessed pro rata from the date on which you begin receiving services.</p> <p>The POS access fee may be subject to increase in the future and any increase will be based on corresponding increase in associated costs.</p>
Training Fee¹	<p>\$0 for up to three (3) of your owners or representatives to attend our initial training.</p> <p>We may charge up to \$199 per person per day for additional personnel you send to initial training.</p>	<p>If not retained by us from the fees paid by customers of your Booth and collected by us (Note A), then in advance of the training program(s), or when invoiced by us.</p>	<p>The Initial Franchise Fee includes the training fee for up to three individuals. If you wish to have more than three individuals attend our Initial Training Program, you must pay a training fee.</p> <p>After you complete initial training, if you ask us to conduct additional training for you, your employees or contractors, or if we require you to participate in additional training, you will be required to pay a training fee.</p> <p>In addition to the training fee, if any, you are solely responsible for all costs associated with you, your employees and/or contractors attending the Initial Training Program, including wages, compensation, and salaries; benefits; costs of air travel; lodging and meals.</p>



Type of fee	Amount	Due Date	Remarks
Transfer Fee⁽¹⁾	<p>\$5,000 (plus any broker fees incurred by us) for any transfer which results in change of control or ownership of your franchise.</p> <p>Our actual costs up to a maximum of \$2,500 for any other transfer.</p>	<p>Prior to the transfer of your Franchised Business (in whole or in part), you must pay us a \$1,000 deposit upon notice of your intent to transfer. Any balance owed to us will be due upon closing of the transfer transaction and we will refund any deposit amounts above our actual costs in the event of a non-control transfer.</p>	<p>Payable if you intend to transfer some or <u>all</u> of the ownership interests in your Franchised Business with our prior written approval.</p> <p>The amount of the Transfer Fee is subject to state law.</p>
Renewal Fees⁽¹⁾	<p>15% of our then-current single unit Initial Franchise Fee or \$5,000, whichever is greater.</p>	<p>Prior to the renewal of your franchise agreement being effective.</p>	
Alternative supplier or product fee	<p>\$500 per request</p>	<p>Upon submitting a written request for us to approve an alternative supplier or product.</p>	<p>We may require you to purchase certain products or services from suppliers we approve. You may request that we approve an alternative supplier for such products or services. If you make such a request, we may require you to pay a reasonable fee to cover the costs we incur to evaluate the proposed supplier.</p>
Public and Private Offering Fee	<p>\$5,000 or our actual costs to review the public offering.</p> <p>\$2,500 or our actual costs to review the private offering.</p>	<p>Review deposit due upon delivery of notice to us that you intend to conduct a public or private offering of an interest in your Franchised Business. Balance due for our actual costs of review (if any) due upon receipt of invoice.</p>	<p>Securities, units, or other ownership interests in Franchisee may be offered by public or private offering, or otherwise, only with the prior written consent of Franchisor. All materials required for such offerings by federal or state law shall be submitted to Franchisor for review prior to their being filed with any governmental agency; and any materials to be used in any exempt offering shall be submitted to Franchisor for review prior to their use.</p>
Cooperative fees	<p>Set if a cooperative is established up to a</p>	<p>The payment schedule will be set when a</p>	<p>We have not established any national, regional, or local marketing cooperatives as of the issuance date of this disclosure document. If we establish a</p>



Type of fee	Amount	Due Date	Remarks
	maximum of 2% of Gross Revenues.	cooperative is established	product or marketing cooperative that applies to your Franchised <u>Business</u> we may collect contributions of up to 2% of your Gross Revenues t on the cooperative's behalf and forward the contributions to the cooperative.
Indemnification	Varies	Upon demand.	You must indemnify us, and/or others affiliated with us, for any losses, claims, liabilities, obligations, damages, <u>attorneys</u> fees, costs, settlement amounts, judgments, lost profits, charges, expenses, taxes and investigation costs we, or those associated with us, incur arising out of the operation of your business.
Unauthorized product or service fee	\$250/day	If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us.	If you sell products or services that are not authorized by us, you must pay a \$250 fee for each day that the unauthorized product(s) and/or service(s) were offered for sale.
Quality Audit Fee	Varies. This fee shall equal the actual expense we incur to conduct a quality audit	If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us.	If we conduct an inspection of your <u>Booth</u> we may charge you this fee
Advisory Franchisee Committee Dues or Assessments	The <u>amount</u> of dues and assessments authorized by any Advisory Franchisee Committee on which you are a member	If not retained by us from the fees paid by customers of your Booth and collected by us (Note A) when invoiced by us.	If we establish an Advisory Franchisee Committee, we may collect dues and assessments authorized by that committee on the committee's behalf to be remitted to the committee.
Management Fee	10% of Gross Revenues	Retained from the Gross Revenues of the Franchised Business	If you are unable to operate the Franchised Business for any reason, we or an agent of ours, or an Affiliate of ours, may operate the Franchised Business for as long as we deem it necessary and practical. If we operate the Franchised Business on your behalf, we are entitled to compensation equal to 10% of the Gross Revenue.
Fees for services	Variable. These fees shall equal the expense we incur to provide you the services	If not retained by us from the fees paid by customers of your Booth and collected	If you fail to meet the minimum sales requirements, we may require you to pay for the cost of certain services, if any, that we were paying on your behalf. Such services may include email services, website



Type of fee	Amount	Due Date	Remarks
		by us (Note A) when invoiced by us.	hosting, and monthly fees charged by the point of sale provider.

Notes Regarding Other Fees:

(1) All fees are non-refundable. All of the fees identified in this Item 6 are payable to us, unless otherwise indicated. None are currently payable to an affiliate of ours.

(2) These fees are uniformly imposed by us.

Note A. Royalty Fees

Payments for figurines purchased by customers of your Booth are collected by us using the POS incorporated into the Booth. Each week we retain from those payments all amounts you then owe to us and forward the remainder to you.

Note B. Training Expense.

Initially, you must have one to two full-time managers operating the business, one of which must be You. You must be responsible for business operations and management, unless you request to delegate those responsibilities to a manager, and we approve of that delegation in writing. You must ensure that all individuals operating the Booth are Certified Shrunk 3D, Inc.™ 3D Scanning and Printing Services Specialists (SPSS) trained and certified by you using the training videos and any other materials we provide to you for use in training. We will decide whether you and your managers, if any attend, successfully complete the initial training program based upon knowledge test results and our observations of your ability to use the knowledge effectively.

As part of your Initial Franchise Fee we will provide initial training to up to three people from your franchise, which must include you, or your owners. If you wish to have more than 3 people attend training, you must pay our training fee for all additional attendees. In all cases, you are solely responsible for all salaries, compensation, benefits, travel and related expenses for the individuals attending the initial training program.

Note C. Transfers.

A Transfer Fee is owed prior to any Transfer by Franchisee. A “Transfer by Franchisee” is defined in the Franchise Agreement as the voluntary, involuntary, direct or indirect assignment, sale, gift, or other transfer of any Franchised Interest, including, without limitation, the following events: (i) the transfer of ownership of the stock or partnership or limited liability company ownership interest of Franchisee; (ii) any merger, reorganization, consolidation, or issuance of additional securities representing a direct or indirect ownership interest in Franchisee, the Booth or the Franchised Business; (iii) any sale of a Controlling Interest in Franchisee in a single transaction or a related series of transactions; (iv) transfer of a Franchised Interest by declaration, division, or otherwise in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; (v) transfer of a Franchised Interest in the event of Franchisee’s death or the death of one of its owners with a Controlling Interest, by will, declaration of or transfer in trust, or under the laws of intestate succession; (vi) any change in ownership or control of any or all of the Franchised Interest by sale, gift, assignment, or otherwise; (vii) if Franchisee or any owner with a Controlling Interest



financially capable of doing so. The Development Fee will be credited towards the initial Franchise Fee for each Franchised Business developed under the Development Rider. The Development Fee is not refundable. See Item 5.

2. Estimated Initial Investment for First Franchised Business. For each Franchised Business that you develop under a Development Rider, you will execute a Franchise Agreement and incur the initial investment expenses (but not any additional Initial Franchise Fees) for the development of a single Franchised Business as described in the first table of this Item 7. This estimate is based on the expenses described in the first table of this Item 7. The estimate does not include the Franchise Fee, since the Development Fee is credited towards the Franchise Fee for each Franchised Business.
3. Signing of Multiple Franchise Agreements Concurrently with Development Rights Rider.

If you enter into a Development Rider with us, you may be required to sign multiple Franchise Agreements concurrently with the signing of the Development Rider. The number of concurrent Franchise Agreements you must sign depends upon the total number of Franchised Businesses we grant you the right to develop. If you commit to develop 2 Franchised Businesses, you must execute 1 Franchise Agreement concurrently with the Development Rider. If you commit to develop 3 or 4 Franchised Businesses, you must execute 2 Franchise Agreements concurrently with the Development Rider. If you commit to develop 5 Franchised Businesses, you must execute 3 Franchise Agreements concurrently with the Development Rider. You will be required to purchase a separate Booth under each Franchise Agreement you execute concurrently with the Developer Rider.

ITEM 8 - RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must purchase from Us or an approved or designated supplier. We approve certain equipment, supplies and inventory necessary to start or operate the Franchised Business. As to other equipment, supplies and inventory, you may purchase them from the vendor(s) of Your choice, but the item(s) must meet Our specifications. We issue specifications in writing and incorporate them in the Manual. These specifications include quality, accuracy, preparation, installation, application, delivery, performance, design and appearance. In some instances, you must purchase items that comply with Our reasonable subjective determination of whether they meet the standards and comport with the **Shrunk 3D, Inc.TM** image. If We have not provided specifications, you may purchase any items that reasonably meet the requirements of the Franchised Business.

You must purchase the Booth, all equipment needed to operate the Booth, and display figurines from us, or any vendor we designate. We have the authority to designate an affiliate or an approved vendor to be additional, or replacement suppliers of the Booth, and the associated equipment, or some of the equipment associated with the Booth.

You must use our designated software in operating your franchise business, including customer relationship management software, point of sale and credit card processing systems, and software that provides scheduling, invoicing and collections, and reporting functions. To provide you and us with current and accurate financial reports, we currently require that you use our designated accounting software, currently QuickBooks online Essentials Plan or higher or the then-current equivalent, for your accounting and bookkeeping and use our designated vendor for bookkeeping services vendor to set up you chart of accounts, to integrate into our system, and for ongoing bookkeeping services.

We may require you to utilize a designated third-party merchant processor or processing service for credit card and/or ACH collection transactions with your customers and your franchised business.



to a franchisee based on a franchisee's purchase of any particular or services or use of particular suppliers. We do not currently have any purchasing or distribution cooperations, but we may establish them in the future.

For the fiscal year ending December 31, 2023, revenues from franchisee required purchases or leases were \$1,796,893 or 60% of our total revenue of \$2,975,917. [Our affiliates did not derive revenue or other material consideration based on required purchases or leases.](#)

We estimate that 75-95% of all the purchases and leases of goods and services you make in starting the Franchised Business will be purchases and leases from us, our designees, suppliers we approve, or based on our specifications, and that 70-85% of all purchases and leases of good and services you make operating the Franchised Businesses will be purchases and leases from us, our designees, suppliers we approve, or based on our specifications.

ITEM 9 - FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in agreement	Disclosure document item
a. Site selection and acquisition/lease	Sections 2.2, 5.1, and 5.2 of Franchise Agreement Section 4 of the Development Rider ("DR")	5, 6, 7 & 11
b. Pre-opening purchases/leases	Sections 4.1.B., 5.2 and 8.1 of Franchise Agreement	7 & 8
c. Site development and other pre-opening requirements	Sections 4.1.B., 5.1, 5.2, 7.1 and 7.2 of Franchise Agreement DR Section 4	6, 7 & 11
d. Initial and ongoing training	Sections 5.7 and 7.2, 7.3, 7.4, 7.5 of Franchise Agreement	6, 7, 11 & 15
e. Opening	Sections 7.1 and 9.2 of Franchise Agreement DR Section 3.1, 4	7 & 11
f. Fees	Sections 2.7, 3.2, 4.1, 4.2, 7.3, 7.4, 7.5, 7.6, 7.8, 7.9, 7.10, 7.23, 7.24, 8.1.D, 8.3, 9.5, 10.4, 12.4, 12.5, 13.7, 13.8, 14.3, 14.4, 15.1, 15.2, 19.1B and 19.6 of Franchise Agreement, Sections 8 of the Confidentiality Agreement, Section 4 of Covenant Agreement, Sections 5 and 13 of the Software License Agreement, DR Section 2	5, 6, 7 & 11
g. Compliance with standards and policies/operating manual	Sections 2.3, 4.2, 5.1, 6.1, 7.2, 7.3, 7.5, 7.6, 7.7, 7.8, 7.9, 7.10, 7.11, 7.15, 7.19, 7.20, 7.21, 7.22, 7.25, 7.26, 8.1, 8.2, 8.5, 8.6, 9.1, 9.6, 10.1, 10.4, 10.6, 11.2, 11.5, 11.9, 12.1, 12.4 and 14.1.B and 14.1.D, 14.4, 14.5, 16.1 of Franchise Agreement	8, 11, 14 & 16
h. Trademarks and proprietary information	Sections 7.25, 9.1, 9.2 8.1, 11.1 - 11.11, and 15.1 of Franchise Agreement Sections 1 and 2 of Confidentiality Agreement and Section 2 of Covenant Agreement DR Section 8	13 & 14



ITEM 10 - FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

▲ ITEM 11 - FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, We need not provide any assistance to You.

Pre-opening Obligations.

Before You open Your Franchised Business, We will:

1. Grant you a license to use our Marks and System in the operation of your Franchised Business (Section 2.1 of the Franchise Agreement);
2. If you intend to operate the Booth at a fixed location, you must submit all information that we request regarding the location to us. We reserve the right to require must-approval of any the proposed location before you sign a lease. In approving sites, we consider the site's availability and location to potential customers, such as sports, weddings, corporate, and other events, and seasonality and weather. We may approve or disapprove the location in our sole discretion. (Section 5.1 of the Franchise Agreement). We do not normally own premises for you to lease.
3. We have twenty (20) days after all the required information is received from you to approve or disapprove your operation at any proposed fixed location. If we do not approve the site, we will provide our reasonable explanation for doing so. If we you do not find a location that we approve, you may not operate at the proposed fixed locationthe franchise agreement will terminate (Section 5.2 of the Franchise Agreement).
3. Designate Your Territory (Section 2.2 of the Franchise Agreement);
4. Sell, and deliver, to you the Booth, and all software, computer equipment and related items needed to operate the Booth and transfer to you any manufacturer's warranties capable of transfer to you (Sections 4.1 and 6.1 of the Franchise Agreement);
5. Loan you access to our Operations Manual which includes required and recommended processes and procedures for operating your Franchised Business, our standards and specifications, a list of approved suppliers, and standards for your Booth's appearance (Section 6.1 of the Franchise Agreement);
6. Provide you with Initial figurines to use to promote your Booth (Section 6.1 of the Franchise Agreement);
7. Provide you with a menu board for the exterior of your Booth when we deliver your Booth. We will also make digital versions of our Marks and other graphics available to you for use in your marketing materials (Sections 6.1 and 11.2 of the Franchise Agreement);
8. Provide you, and your initial manager(s), if any, and your initial SPSS, if any, with our required initial training program at no additional charge for up to three individuals. The training will be conducted at a location and time that we designate, and may be conducted in whole or in part in an existing Shrunk 3D franchisee's territory and Booth, a Booth owned by us, or a Booth owned by an affiliate of ours. You will be responsible for all



7. Maintain a list of standards for equipment, fixtures, supplies, inventory, products and services you must use in the operation of your Franchised Business or sell through your Franchised Business. (Section 6.1 of the Franchise Agreement);
8. Recommend or establish, to the extent permitted by applicable laws, retail prices, or ranges of retail prices, for products and/or services you sell through your Franchised Business. (Section 8.6 of the Franchise Agreement);
9. Create local, regional and/or national franchisee advisory committees or councils as we deem necessary or appropriate (Section 9.5 of the Franchise Agreement);
10. Sell to you replacement equipment needed to maintain your Booth in working order, items bearing our Marks, and figurines for you to display, or designate suppliers who will be approved to sell those items to you. (Sections 7.11 of the Franchise Agreement);
11. In the event of your death, or incapacity, or the death or incapacity of your Owner, we may assign a manager to operate your Franchised Business if it is not being operated properly (Section 13.6 of the Franchise Agreement);
12. Require you, upon renewal of your Franchise Agreement, to replace or update your Booth's exterior graphics, and/or technology (such as cameras, scanners or computers), if needed to conform to our then-current standards. (Section 7.14 of the Franchise Agreement).

Our obligations after opening:

After you open the Franchised Business, we expect to be in regular contact with You to discuss Your operation of the Franchised Business and to generally be of assistance. We plan to provide additional on-going training for you at our usual charges. The Agreement does not obligate Us to provide such services, however.

You must conduct marketing for yourself directly or through a Regional Marketing Cooperative and/or you may use your own marketing materials, but you must obtain our approval of any such materials in advance. We are not obligated to conduct a marketing program for your local territory.

We currently do not have an advisory council. If We form or approve an advisory council, you may be required to participate. Any advisory council would not have decision-making power. It would be advisory only. We have the right to form, change or dissolve any advisory council.

Advertising Program

You are responsible for marketing your Franchised Business. All of your Franchised Business' marketing and advertising must conform to our standards and protect and enhance the Shrunk 3D brand's image. You must comply with the requirements included in the Operations Manual regarding your use of the Marks. All advertising materials that you propose to use must be approved by us before you use the materials. This includes mobile advertising and online advertising. We may disapprove any advertising or marketing materials you use or propose to use without liability to you for any costs incurred by you to produce those materials. Our review of the advertising is for compliance with brand standards and proper use of the Licensed Marks. It is always your obligation to make sure that the advertising you use complies with applicable law. (Sections 9.1 and 9.2 of the Franchise Agreement).

We may use in-house advertising departments and may use national or regional advertising agencies. If we designate a supplier for advertising and marketing materials you must use that supplier. We may require you to use only marketing and advertising materials we, or an affiliate of ours, provides. We will provide



you with a website to use to promote your Franchised Business. You are prohibited from creating a domain name, or any other website using the Marks, and are prohibited from using the Marks in any way to conduct commerce through the Internet or similar media, other than for marketing of your Franchised Business, without our prior, written approval. We will maintain a website for the System, and you may not maintain your own website for your Franchised Business. We may, however, provide you with a subpage on the System website. You are currently permitted to promote your Franchised Business using existing social media platforms. You must provide us with sufficient current and accurate information to enable us to access the social media accounts you use to promote your Franchised Business. We will be permitted to add, remove or alter content placed, posted, or otherwise displayed through your Franchised Businesses social media accounts, and we may withdraw approval of you using social media to promote your Franchised Business.

You may advertise outside of your Territory, as long as you: do not advertise in the Territory of another ShrunK 3D franchisee; are willing to operate the Booth in all areas in which you advertise; and are not restricted from advertising outside your Territory by a Regional Marketing Cooperative we establish.

We do not have currently have any Regional Marketing Cooperatives, but have the authority to establish one or more in our sole discretion. We have the power to require cooperatives to be formed, changed, dissolved, or merged. We will promptly notify you and other franchisees of the establishment, modification, and geographical boundaries of Regional Marketing Cooperatives. Your Franchised Business may or may not be included in any Regional Marketing Cooperative. If it does, you will be required to comply with the terms of the cooperative we establish, which may limit you from advertising outside of your Territory. All ShrunK3D™ businesses within the geographic area of the cooperative will participate on the same basis, including units owned by us or our affiliate. You may be required to contribute up to 2% of your Gross Revenues to the cooperative. Contributions will be made either to us or directly to the cooperative, as we direct. We will administer each Regional Marketing Cooperative in the same manner and upon the same terms and conditions as the Brand Development Fund. There are no other written governing documents that govern any cooperative advertising program. No Regional Marketing Cooperative will be audited; however, we will prepare or cause to be prepared annual financial statements that cooperative members may obtain upon written request. We may, in our discretion, offset the Brand Development Fee by the amount of Gross Revenues you contribute to a Regional Marketing Cooperative.

Brand Development Fund

We have established a Brand Development Fund (the “**Brand Development Fund**”). The Brand Development Fund will be accounted for separately from our other funds. We will not use the Brand Development Fund to defray any of our general operating expenses, except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Brand Development Fund and all costs of research, development and preparing national, regional, point of sale and local advertising and marketing strategy materials for use within the System. The materials may be disseminated via radio, television, print media, Internet (including social media), or outdoor advertising. The Brand Development Fund Fee is 2% of your Gross Revenues, payable on a weekly basis. All ShrunK 3D’s locations owned by our affiliates, will contribute to the Brand Development Fund at the same percentage of Gross Revenues required of Franchisees within the System.

During the 2023 fiscal year we collected \$7,183 in Brand Development Fund contributions from our franchisees. The 2023 expenditures from the Brand Development Fund collected by us were spent as follows: 100% on marketing staff. We intend to spend the entire Brand Development Fund Fee collected in a given year, provided that we have the right to carry over fees to future years, if the entire fee from one year is not spent that year. The Brand Development Fund will be administered by us. When we establish a franchisee advisory council its board will serve in an advisory capacity to us, but we will have sole discretion over the concepts, materials, and media used in these programs and activities and their placement



and allocation. In any calendar year we may spend more or less than the amount of aggregate contributions from all ShrunK 3D's locations to the Brand Development Fund in that year, and the Brand Development Fund may borrow from us or from others to cover deficits or invest any surplus for future use. We will use all interest earned on monies contributed to the Brand Development Fund before we expend other assets of the Brand Development Fund. We will not audit the Brand Development Fund, but Franchisees may, upon written request to us, receive an annual accounting of how advertising fees are spent. Brand Development Fund contributions will not be principally used to sell additional franchises but we may include information in our general advertising materials that ShrunK 3D franchise opportunities are available. (Section 9.2 of the Franchise Agreement).

Expenditures by the Brand Development Fund may not be proportionate or equivalent to contributions to the Brand Development Fund by ShrunK 3D's locations operating in that geographic area. We are not required to spend any amount on advertising in your territory. You or your Franchised Business may not benefit directly or in proportion to your contribution to the Brand Development Fund. Neither we, nor the Brand Development Fund would be liable to you for the maintenance, direction or administration of the Brand Development Fund, including for contributions, expenditures, investments or borrowings, except for acts constituting willful misconduct. The funds collected by the Brand Development Fund and any earnings thereon, are not and shall not be an asset of ours or of any Franchisee.

In lieu of charging a Brand Development Fund fee, and independent of the establishment of the Brand Development Fund, we may, at our option, charge you a fee on a project basis for marketing and advertising materials and projects prepared or undertaken for use by the System. The fee for the project basis will not surpass the Brand Development Fund fee.

Local Marketing. In addition to your contributions to the Brand Development Fund, beginning in the fourth full month after the date the Booth opens, you must spend a minimum of \$500 per month on local advertising and promotional activities, which shall be payable directly to third party vendors. If you fail to pay the required amount in any quarter, we may require you to pay us the shortfall as an additional Brand Development Fee or to pay us the shortfall for us to spend on local marketing for your Booth. We may require you to expend certain amounts of the Local Marketing Spending Requirement on specific types of advertising, such as digital marketing, social media marketing, and other forms of marketing in our sole discretion. We may require you to use certain approved or designated suppliers to meet your Local Marketing Spending Requirement, which may include us or our affiliates. We are not obligated to spend any amount on your area or territory.

Computer Software

We require you to use the computer equipment and software that will be delivered to you with the Booth. You are responsible to maintain and repair your hardware and to update or upgrade the software. You must purchase replacement equipment from us. We may recommend or require additional hardware. We require You to use ShrunK 3D's specified point of sale or register equipment and credit card processing software and/or portable hand-held devices (collectively the "POS System"). Initially, we provide you with the equipment needed to use the POS System. However, if that equipment needs to be replaced, you must purchase it from our designated supplier. The POS System currently costs about \$450. If we choose to change POS system vendors, you may be required to purchase a new POS system and equipment. We currently require You to use the following computer hardware and software:

1. The ShrunK 3D, Inc.TM camera operating software that is used to operate the scanning cameras in the Booth to take the images necessary to render the 3D printed figurines.
2. The ShrunK 3D, Inc.TM scanning software is a proprietary software program that allows SPSSs to collect data while collecting data points on a figure.



3. The Proprietary software is operated on laptop or a desktop computer. New releases or updates of the software may be provided at an additional cost. All data collected is leased from us, and remains the sole property of **Shrunk 3D, Inc.** It is not to be used in any capacity other than the operation of your Franchised Business consistent with our standards.
4. POS hardware and software from our designated supplier, which we will provide to you with the Booth.
5. Other hardware that is provided by us as part of the Booth.
6. A customer relationship management (CRM) software that we designate.

Via our proprietary software, we have access to the information and data generated described above, and we are the sole owners of that data. There are no contractual limitations on our rights to access the information and data.

We currently require High speed Cable or Fiber Optic Internet connection that is always on, for uploading scan files. We require You to have a static IP address—it is required for the security system. We recommend that You obtain your Internet access from a major supplier.

We have no contractual obligation to provide support for any other software programs you choose to use in the operation of your Franchised Business, such as software from Microsoft, Adobe, Intuit, or other 3rd party vendors. You may be able to obtain support from Your computer hardware manufacturer or directly from the producers. We have no contract with Microsoft or with any hardware manufacturer to provide You with service or support. We ~~cannot~~ estimate the cost of maintenance, updates and upgrades to the Booth, or any of the hardware or software required for operation of your Franchised Business to be approximately \$50 to \$3,000 per year and there is no limit to the frequency with which you may require them or the amount of the cost. We have not approved any alternative software at this time.

You must upgrade the Booth, or its equipment, within the time specified by us at your expense to conform to the appearance and presentation of the Proprietary Marks and trade dress consistent with our then-current public image, including, without limitation, structural changes, equipment changes and upgrades, and redecoration and such modifications to existing equipment as may be deemed necessary by us, as long as those same upgrading requirements apply to a majority of Franchised Businesses operated by franchisees or by us and any of our affiliates, or are necessary to bring the Booth into compliance with requirements already adopted or being adopted by a majority of Franchised Businesses. You may not make additions, alterations, or replacements to the Booth or anything located on the Booth without our prior written consent.

The required computer hardware and software will enable you to gather, analyze and transmit scans taken using your Booth, and data generated by those scans. The required computer hardware and software will also collect and make available to you and to us extensive information about your business, including purchases, customer data, inventory, receipts, cost of goods, profitability and expenses, including payroll, and employee expense and scheduling. Under the Franchise Agreement, we have unlimited independent access to the information stored in, or generated by, the computer hardware and software you use in connect with your Franchised Business.

Training Program

Before opening your Franchised Business, You, must successfully complete our initial training program, which currently includes one day in the Charleston, South Carolina area and up to 10 hours of online training, but may be held at any location we designate. Trainings will be held at least twice annually. Your manager(s) and any SPSS you wish to have participate in the initial training program may also attend. If three or fewer people from your Franchised Business attend the initial training program, it will be provided



to you at no cost. If more than three people from your Franchised Business attend the initial training program, you must pay \$199 per person per day of training for each additional person who attends.

We will decide whether You successfully complete the initial training program based upon knowledge test results and Our observations of Your ability to use the knowledge effectively. We will ordinarily schedule the initial training program so that You will complete the initial training program no more than 10 days before the scheduled opening of Your Franchised Business. You are responsible for all salaries, compensation and travel-related expenses of persons attending training. The chart below provides a summary of the training program:

TRAINING PROGRAM			
Subject	Hours of Classroom Training	Hours of On <u>The Job</u> Training	Location*
Objectives of ShrunK 3D, Inc.	1	0	Charleston, SC and online
Service Overview	1	3	
Operations, Support & Computer Systems	4	3	
Sales	2	0	
Marketing & Advertising	2	0	
TOTAL	10	6	

All times are approximate, and we may adjust them based upon your experience and rate of learning. Our training program is coordinated by two of our founders, Zak Petersen and Micah Smith. Zak and Micah may be assisted by other individuals who have knowledge about a particular topic. [Instructors will typically have at least one year's experience relevant to the subjects they are teaching.](#) Zak and Micah, together, developed the software and system you will use to operate your Booth and your Franchised Business. The initial training program will involve the use of our training manual, and slides. See Exhibit G for the table of contents for our operations manual as of the date of this disclosure document, with the number of pages devoted to each subject. There are 30 total pages in the operations manual as of the issuance date of this disclosure document.

Generally, you will be expected to train your SPSS' and other employees using, in part, training materials we will make available to you, and your own knowledge of our system. We may require you, your managers or one or more of your SPSS' to attend additional training at a location we determine. You may also request that we provide you, your managers or one or more of your SPSS' with additional training. If we require, or if you request, that we provide additional training to you, or your employees, you will be required to pay our training fee. Currently our training fee is \$199 per person per day of training.

We may make available training materials and equipment to you for use with your employees and may charge a fee. All training materials are Trade Secrets. You must ensure that all employees successfully complete any training we designate as mandatory. We currently require everyone operating the Booth to be a Certified SPSS.



ITEM 12 - TERRITORY

The Franchise Agreement defines your assigned geographic area in which you will operate the Franchised Business ("Territory"). The Territory will be described in Exhibit A to the Franchise Agreement. Generally, your Territory will have a household count of up to 70,000 households with an annual household income of at least \$100,000. However, actual geographic size of your protected territory will vary depending on population, tourism trends, frequency of events, geographical location, and other factors. Generally, we describe your Territory using zip codes, but we may define it in different ways, using state or county boundaries, city limits, population, and drive time, to delineate the territory. If you request, and we agree to grant you a territory includes a household count that exceeds 70,000 households with annual household income of at least \$100,00, in addition to the Initial Franchise Fee, you must pay us an amount equal to \$0.71 cents per additional household (based on the household count of the territory as determined by us as of the date you sign the Franchise Agreement).

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or form other channels of distribution or competitive brands that we control.

We anticipate that you will manage your Franchised Business from your home or from a small office setting. You are not required to have a separate, dedicated office outside of your home for the operation of your Franchised Business, however your primary office must be located in your Territory or within a reasonable driving distance unless we agree otherwise. Your Booth may be stored at a commercial or residential location (subject to local laws). You must have access to at least 100 square feet of secure storage for your Booth. You may relocate your business headquarters anywhere in your Territory, at no charge but you must provide us notice of the relocation. You may not relocate your Franchised Business to a different territory without entering into a new franchise agreement.

You may establish additional Booths in your Territory if you are not in default of your franchise agreement, if you have not committed a default in the prior 12 months, and if you have our approval (which will not be unreasonably withheld). If you dedicate your Booth to serving a single location for more than 25 out of 30 consecutive days, we may require you to purchase an additional Booth in order to serve other venues and events in your Territory.

If you sign a Development Rider (in the form attached as Exhibit C to this disclosure document), then you will have the right to develop additional specified territories, each with its own Booth. These territories will be reserved for you so long as you sign the required additional franchise agreements, purchase additional Booths, and begin operations in each additional territory by the dates set forth in your Development Schedule. You will be required to sign our then-current form of franchise agreement and purchase a Booth at the then-current price for each additional territory in your Development Schedule. The then-current form of franchise agreement may contain terms that are materially different from the original franchise agreement that you signed. If you do not comply with your Development Schedule, we may terminate your right to develop additional territories, however a failure to comply with your Development Schedule will not, on its own, trigger an event of default for any franchise agreement already in effect at the time of the Development Schedule default. Unless you sign a Development Rider, you have no rights to establish any future Franchised Businesses, or any right of first refusal to obtain additional territory unless we agree otherwise in writing.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or form other channels of distribution or competitive brands that we control.

Except as described in your franchise agreement and in this Item 12, if you are not in breach of the Agreement, we will not locate or open another Franchised Business under the Marks and using the System in Your Territory, either company-owned or franchised, during the term of the Agreement – unless certain minimum sales requirements are not met. We may operate a Booth in your Territory or license a franchisee



Provision	Section in franchise or other agreement	Summary
		<p>representing an interest in your Franchised Interest of Location; (iii) sale of more than a 50% interest in your Franchised Interest; (iv) transfer of a Franchised Interest in a divorce, insolvency, corporate partnership dissolution or otherwise; (v) transfer of a Franchised Interest by will, trust or intestate succession; (vi) change in ownership or otherwise; (vii) any change in trustee or beneficial owner of a trust (if the trust is a Franchisee or has more than a 50% interest in the Franchised Interest); or (viii) any pledge, hypothecation or encumbrance of any Franchised Interest as security for an obligation.</p>
<p>1. Franchisor approval of transfer by franchisee</p>	<p>Section 13</p>	<p>You may not transfer your Agreement, your franchise, or any ownership interest in the franchise, the Location or a substantial portion of the Location's assets, without our consent, except under 3 circumstances. (1) If you sign as an individual, you can transfer your Agreement to a corporation, partnership or limited liability company if you maintain your same ownership interest in the new entity. (2) If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other personal representatives must transfer all your interests to a third party. With our consent, your personal representative may transfer all your interests to your spouse, parent, sibling, niece, nephew, descendant or spouse's descendant. (3) If you wish to transfer ownership by public or private offering, you must first obtain our written consent. We may withhold the consent in our sole discretion in the case of a public offering, and for a private offering will not unreasonably withhold it. Any other transfer is a change of ownership requiring a new application and payment of an application fee, and, if approved, an Initial Franchise Fee. If the transfer is of less than 50% of your ownership and does not transfer a controlling interest, no application fee or Initial Franchise Fee will be required. Transfer may not be unreasonably withheld.</p>
<p>m. Conditions for franchisor approval of transfer</p>	<p>Sections 13.6, 13.7, 13.8 and 13.10</p>	<p>For sales of securities or other interests by public or private offering, we may grant or deny approval based on whatever we deem to be in our best interests. For public offerings, you must pay us a \$5,000 fee or such higher amount that covers our costs. For private offerings, you must pay us a \$2,500 fee or such higher amount that covers our costs. If you seek a change of ownership, your proposed transferee has to apply for a new franchise. If approved, the transferee has to sign a new Franchise Agreement for the remainder of your current term and pay a transfer fee. We may also require that the new franchisee's owner sign a guarantee, that you sign a general release, that the Location is updated to then-current standards for new Shrunken 3D Businesses. With our consent, your personal representative may transfer all</p>



Provision	Section in franchise or other agreement	Summary
		your interests to your spouse, parent, sibling, niece, nephew, descendant or spouse's descendant. Subject to state law.
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 13.5	Any transfer of ownership, other than from you (if you are an individual) to a corporation, partnership or limited liability company owned by you, is subject to our right of first refusal. We have the option for 30 days following our receipt of notice of transfer to exercise our right. We can purchase the ownership interest in Franchisee on the same terms as those offered by you to the third party.
o. Franchisor's option to purchase franchisee's business	Sections 14.3 and 15.1I	<p>Upon termination for any reason of the Franchise Agreement, we have the option for 30 days following the termination or expiration to purchase your assets at a price determined by 1 appraiser elected by us (though you may select a second appraiser at your expense, and if their evaluations are more than 10% apart, you will pay for a 3 appraiser to determine the final price).</p> <p>We also have the rights within 60 days following our receipt of your inventory list following termination or expiration of the Franchise Agreement, to purchase at fair market value, your supplies, fixtures and equipment, signage, and other materials bearing the Proprietary Marks.</p>
p. Death or disability of franchisee	Sections 13.6	If you die or become incapacitated (and you are personally the Franchisee or the owner of more than 50% of the Franchisee), your executor or other legally appointed personal representative must appoint, within 30 days, an approved management company to operate the Location. Pending the appointment and subject to legal formalities, we can manage the Location. Your executor or other legally appointed personal representative must also transfer all your interests to a third party within 1 year. With our consent, your estate or legally appointed personal representative may transfer all your interest to your spouse, parent, sibling, direct descendant or spouse's direct descendant.
q. Non-competition covenants during the term of the franchise	Sections 7.10 and 11.11.A	You cannot use the Booth for any purpose or activity except to operate the Franchised Business and you cannot use it to promote any competing business. During the term of the Franchise Agreement you may not compete with us by being associated with any business engaged in scanning or 3D printing, or that is otherwise similar to the Franchised Businesses, no matter where located. Subject to state law.
r. Non-competition covenants after the	Section 11.11 B	For 2 years after any transfer, expiration, or termination of the Franchise Agreement anywhere in your Protected Territory or the Protected Territory of any other System Location. The definition



Provision	Section in franchise or other agreement	Summary
franchise is terminated or expires		of what is a Competing Business is the same as for the in-term covenant not to compete. <u>Subject to state law.</u>
s. Modification of the agreement	Section 20.1	No modifications generally unless in writing signed by you and one of our officers. However, our Manual is subject to change at our discretion.
t. Integration/merger clause	Section 20.1	Only the terms of the franchise agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement are not enforceable. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by mediation	Section 19.1	All disputes must be mediated. Mediation occurs in the city where the Franchisor has its principal place, currently Charleston, SC. The mediation proceedings are governed by rules of the American Arbitration Association. This provision may subject to applicable state law.
v. Choice of forum	Section 19.3	Litigation must be in state or federal courts in the place where the Franchisor maintains its principal place of business, currently Charleston, SC (subject to applicable state law). See State Addenda.
w. Choice of law	Section 20.2	South Carolina law applies (subject to applicable state law). See State Addenda

B. Development Rights Rider

	Provision	Section in Development Rider	Summary
a.	Length of the franchise term	Section 5	The term expires upon the deadline to develop the Franchised Businesses specified in the Development Schedule or upon the development of all Franchised Businesses.
b.	Renewal or extension of the term	Not Applicable	Not Applicable



	Provision	Section in Development Rider	Summary
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	<u>Not Applicable You may terminate the Franchise Agreement under any grounds permitted by law.</u>
e.	Termination by franchisor without cause	None	Not Applicable
f.	Termination by franchisor with cause	Section 6.1	We can terminate only if you default (see (g) and (h) below).
g.	"Cause" defined – curable defaults	Not applicable	Not Applicable
h.	"Cause" defined - non-curable defaults	Section 6.1	You fail to have open and operating the minimum number of Franchised Businesses specified in the Development Schedule by any Opening Deadline specified in the Development Schedule; <u>any Franchise Agreement is terminated a result of default; or you breach or otherwise fail to comply fully with any other provision of the Development Rider.</u>
i.	<u>Franchisee's obligations on termination/no n-renewal.</u>	Sections 6.2	You will lose the right to continue to develop Franchised Businesses in your Development Area.
j.	Assignment of contract by franchisor	Section 7	Fully assignable and transferrable by us.
k.	"Transfer" by franchisee - defined	Section 7	Includes transfer of the Development Rider, any interest in the Development Rider, or, if you are a business entity, any interest in the entity.
l.	Franchisor approval of transfer by franchisee	Section 7	We have the right to approve or not approve all transfers in our sole discretion. <u>Transfer may not be unreasonably withheld.</u>



	Provision	Section in Development Rider	Summary
m.	Conditions for franchisor approval of transfer	Section 7	We have sole discretion in setting conditions for our approval of a transfer. Subject to state law.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 7	We have the first right of refusal on all transfer, exercisable within 30 days of receiving an executed copy of the contract of transfer.
o.	Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p.	Death or disability of franchisee	Not applicable	We have the right approve or disapprove any transfer in our sole discretion. Subject to state law.
q.	Non-competition covenants during the term of the franchise	Section 8	The non-competition covenants in your Franchise Agreement shall apply to your Development Rider. Subject to state law.
r.	Non-competition covenants after the franchise is terminated or expires	Section 8	The non-competition covenants in your Franchise Agreement shall apply to your Development Rider. Subject to state law.
s.	Modification of the agreement	Section 9	No modifications to the Development Rider unless you and we agree in writing. We may amend the Operations Manual at any time.
t.	Integration/merger clause	Section 9	Only the terms of the Development Rider and any Franchise Agreements are binding (subject to state law). Any promises outside the Development Rider, the Franchise Agreements, and this FDD may not be enforceable. However, nothing in the Franchise Agreement will have the effect of disclaiming any of the representations made in this FDD.
u.	Dispute resolution by arbitration or mediation	Section 8	The dispute resolution provisions of the Franchise Agreement apply to any disputes under the Development Rider (subject to applicable state law)



	Provision	Section in Development Rider	Summary
v.	Choice of forum	Section 8	The choice of forum provisions of the Franchise Agreement <u>apply</u> to the Development Rider (subject to applicable state law)
w.	Choice of law	Section 8	The choice of law provisions of the Franchise Agreement <u>apply</u> to the Development Rider (subject to <u>APPLICABLE</u> state law)

ITEM 18 - PUBLIC FIGURES

We do not use any public figure 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 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 an 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 an Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following financial performance representation is based upon the historic data of the 23 franchised outlets which operated during the 12-month reporting period from April 1, 2023 through March 31, 2024. We obtained these historical financial results from the sales reports and orders provided to us by the franchised outlets through the point-of-sale system related to revenue-generating events. "Revenue-generating events" mean events in which the franchised outlet participated in to offer and sell the Shrunk3D™ figurine products. They do not include any results or data from revenue generated from other channels, such as through e-commerce and online, social media, or other at-marketing or promotional effortevents or reorders or orders made after the event. During the reporting period, there were a total of 24 outlets in operation. There are no outlets owned or operated by us or any of our affiliates. 1 franchised outlet was excluded from this Item 19 because they were not yet open and ~~or~~ did not have any revenue-generating events during the reporting period. None of our franchisees had any revenue generating events at a military base or facility.

The franchised outlets included in this financial performance representation all operated in a substantially similar manner to how your Franchised Business will operate. 6 of the 23 outlets operated in a territory with more than 70,000 households. The explanatory notes included with the following charts are an integral part of this financial performance representation and should be read in their entirety for a full understanding of the information contained in the following charts. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Table 1
Average and Median Figurine Price
April 1, 2023 to March 31, 2024

Ranking by Figurine Price ¹	Total Franchises	Average	Median	High	Low
<i>All Franchises</i> ²	23	\$181	\$197	\$249	\$93



<i>Top-25%³</i>	6	\$224	\$220	\$249	\$215
<i>Bottom-25%⁴</i>	6	\$111	\$103	\$167	\$93

1. This table shows average and median figurine price for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The first subset shows all included franchises; the second subset shows the top 25% of these franchises when ranked by figurine price; the third subset shows the bottom 25% of these franchises when ranked by figurine price.
2. "Figurine Price" is the price customers paid per figurine at a revenue generating event. This table does not include any data from [other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the events.](#)
3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 16 out of 23 outlets or 69% attained or surpassed the stated Average Figurine Price. 12 out of 23 outlets or 52% attained or surpassed the stated Median Figurine Price.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Average Median Figurine Price whose data was in the top 25% used to calculate the numbers. 2 out of 6 outlets or 33% attained or surpassed the stated Average Figurine Price. 3 out of 6 outlets or 50% attained or surpassed the stated Median Figurine Price.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Average Median Figurine Price whose data was in the top 25% used to calculate the numbers. 2 out of 6 outlets or 33% attained or surpassed the stated Average and Median Figurine Price. 3 out of 6 outlets or 50% attained or surpassed the stated Median Figurine Price.

Table 2
Average and Median Estimated Gross Margin
April 1, 2023 to March 31, 2024

Ranking by Estimated Gross Margin ¹	Total Franchises	Average	Median	High	Low
<i>All Franchises²</i>	23	59.5%	59.9%	72.2%	48.2%
<i>Top-25%³</i>	6	67.2%	67.2%	72.2%	65.1%
<i>Bottom-25%⁴</i>	6	51.6%	52.1%	53.7%	48.2%

1. This table shows average and median estimated gross profit margin for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The first subset shows all included franchises; the second subset shows the top 25% of these franchises when ranked by estimated gross profit margin; the third subset shows the bottom 25% of these franchises when ranked by estimated gross profit margin. This table does not include any data from [other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the events.](#)
2. "Estimated Gross Margin" means the net sales revenue generated for all orders by a particular outlet(which excludes amounts collected as sales tax and paid to relevant taxing authorities, or discounts or rebates paid back to customers related to their purchases), *minus* the cost of goods sold for the production of all orders for the particular outlet, *divided by* the net sales revenue figure and



expressed as a percentage. “Cost of Goods Sold” is the wholesale printing cost charged by the manufacturer of the Shrunk3D figurines in fulfilling customer orders for the particular outlet.

3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 12 out of 23 outlets or 52% attained or surpassed the stated Average and Median Estimated Gross Margin.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Average Estimated Gross Margin whose data was in the top 25% used to calculate the numbers. 1 out of 6 outlets or 16% attained or surpassed the stated Average Estimated Gross Margin. 3 out of 6 outlets or 50% attained or surpassed the stated Median Estimated Gross Margin.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Average Estimated Gross Margin whose data was in the bottom 25% used to calculate the numbers. 4 out of 6 outlets or 67% attained or surpassed the stated Average Estimated Gross Margin. 3 out of 6 outlets or 50% attained or surpassed the stated Average and Median Estimated Gross Margin.

Table 3
Average and Median Figures Sold Per Event Day
 April 1, 2023 to March 31, 2024

Ranking by Figurines Sold per Event Day ¹	Total Franchises	Average	Median	High	Low
<i>All Franchises</i> ²	23	11.4	10.9	26.7	4.5
<i>Top-25%</i> ³	6	19.0	17.6	26.7	17.2
<i>Bottom-25%</i> ⁴	6	5.6	5.8	6.6	4.5

1. This table shows average and median by Figurines Sold Per Event Day for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The first subset shows all included franchises; the second subset shows the top 25% of these franchises when ranked by Figurines Sold Per Event Day; the third subset shows the bottom 25% of these franchises when ranked by Figurines Sold Per Event Day. This table does not include any data from [other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event/marketing or promotional events](#).
2. “Figurines Sold Per Event Day” means the number of figurines sold by the franchised outlet at each day of a revenue generating event.
3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 9 out of 23 outlets or 39% attained or surpassed the stated Average and Median Figurines Sold Per Event Day. 12 out of 23 outlets or 52% attained or surpassed the stated Median Figurines Sold Per Event Day.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Average Figurines Sold Per Event Day whose data was in the top 25% used to calculate the numbers. 1 out of 6 outlets or 16% attained or surpassed the stated Average Figurines Sold Per Event Day. 3 out of 6 outlets or 50% attained or surpassed the stated Median Figurines Sold Per Event Day.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Average Figurines Sold Per Event Day whose data was in the bottom 25% used to calculate the numbers. 3 out of 6 outlets or 50% attained or surpassed the stated Average and Median Figurines Sold Per Event Day.



Table 4
Average and Median Order Amount
 April 1, 2023 to March 31, 2024

Ranking by Order Amount per Event Day ¹	Total Franchises	Average	Median	High	Low
<i>All Franchises</i> ²	23	\$242.02	\$232.81	\$368.21	\$114.81
<i>Top-25%</i> ³	6	\$294.94	\$276.34	\$368.21	\$270.03
<i>Bottom-25%</i> ⁴	6	\$193.30	\$208.35	\$224.14	\$114.81

1. This table shows average and median order amount for the 23 franchised outlets that had revenue generating events during the April 2023 to March 2024 reporting period. The dataset shows all included franchises. This table does not include any data from [other channels such as through e-commerce and online, social media, or other marketing or promotional efforts or reorders or orders made after the event/marketing or promotional events](#).
2. "Order Amount" means the average net sales revenue generated per order by a particular outlet (which excludes amounts collected as sales tax and paid to relevant taxing authorities, or discounts or rebates paid back to customers related to their purchases).
3. All Franchises. The numbers in this row come from all 23 franchised outlets whose data was used in this financial performance representation. 9 out of 23 outlets or 39% attained or surpassed the stated Average Order Amount. 12 out of 23 outlets or 52% attained or surpassed the stated Median Order Amount.
4. Top-25%. The numbers in this row come from the 6 franchised outlets who had the best Order Amount whose data was in the top 25% used to calculate the numbers. 2 out of 6 outlets or 33% attained or surpassed the stated Average Order Amount. 3 out of 6 outlets or 50% attained or surpassed the stated Median Order Amount.
5. Bottom-25%. The numbers in this row come from the 6 franchised outlets who had the lowest Order Amount whose data was in the bottom 25% used to calculate the numbers. 4 out of 6 outlets or 67% attained or surpassed the stated Average Order Amount. 3 out of 6 outlets or 50% attained or surpassed the stated Median Order Amount.

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

Other than preceding financial performance representations in this Item, we do 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 Zak Petersen, at zak@shrunk3d.com and (843) 212-9336, the Federal Trade Commission, and the appropriate state regulatory agencies.



ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide 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	0	1	+1
	2022	1	8	+7
	2023	8	22	+14
Company-Owned	2021	<u>10</u>	0	<u>-10</u>
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	<u>10</u>	1	<u>0+1</u>
	2022	1	8	+7
	2023	8	22	+14

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2021 to 2023

State	Year	Number of Transfers
Texas	2021	0
	2022	0
	2023	1
Total	2021	0
	2022	0
	2023	1

Table 3
Status of Franchised Outlets
For Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
FL	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
GA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	3	0	0	0	1	3
HI	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
KS	2021	0	0	0	0	0	0	0



2022	0	0	0	0	0	0
2023	0	0	0	0	0	0

Table 5
Projected Openings As Of December 31, 2023

State	Franchise Agreements Signed <u>But</u> Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company – Owned Outlets in the Next Fiscal Year
AL	0	1	0
AZ	1	1	0
CA	0	3	0
CO	0	1	0
DE	0	1	0
FL	2	2	0
LA	1	1	0
NC	0	1	0
OH	0	1	0
OR	1	1	0
PA	0	1	0
SC	0	1	0
TN	1	2	0
TX	3	4	0
WI	1	1	0
Total	10	22	0

Attached as **Exhibit D** is a list of the names of all franchisees and their addresses and telephone number of all their outlets as of the issuance date of this Disclosure Document.

Attached as **Exhibit E** is a list of the name, city and state and current business telephone number or last known home telephone of every franchisee who, in our most recent full fiscal year end; had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily closed to do business under the Franchise Agreement; or has not communicated with us within 10 weeks of this disclosure document's issuance date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three (3) fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

Franchise Advisory Council

We may form a Franchise Advisory Council ("FAC") of franchisees and our representatives to provide non-binding advice to us. You may be required to become a Member of the FAC and pay any dues that may be assessed. We do not currently have an FAC, nor do we have a trademark-specific franchisee organization associated with the franchise system, but we reserve the right to create one.

ITEM 21 - FINANCIAL STATEMENTS

Our audited financial statements for the periods ended December 31, 2021, December 31, 2022 and December 31, 2023 are attached to this Franchise Disclosure Document in Exhibit F. Our fiscal year end is December 31. Exhibit F also contains our interim, unaudited financial statements as of June 30, 2024.



6.3 Franchisor's Designees. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by a designee, employee, or agent of Franchisor, as Franchisor may direct. Franchisor has the right to delegate the performance of any portion or all of its obligations under this Agreement to third parties, and exercise any of its rights under this Agreement through third parties, whether those third-parties are our agents or independent contractors with whom we have contracted to perform these obligations. If Franchisor does so, such third parties will be obligated to perform all functions for Franchisee in compliance with this Agreement ~~and/or a separate signed agreement between Franchisee and such third party as approved by Franchisor.~~

Article 7. **General Duties of Franchisee.**

In addition to the other obligations and duties set forth in this Agreement, Franchisee agrees as follows:

7.1 Initial Training. Franchisee, or if Franchisee is an entity, Franchisee's Owners, and manager, if any, shall complete the new franchisee training prior to Opening to Franchisor's satisfaction. Training may include in-person and online or remote training. Up to three individuals can attend new franchisee training on behalf of Franchisee. If more than three individuals attend on Franchisee's behalf, Franchisor may require Franchisee to pay its current training fee of \$199 per person per day of training. Franchisee shall employ or retain qualified personnel as prescribed in the Manual. Notwithstanding Franchisor's assistance in training Franchisee's manager, if any, Franchisee is exclusively responsible for the terms of employment, compensation, scheduling, benefits, disciplining and all other personnel decisions respecting the Franchised Business' employees without any influence or advice from Franchisor.

7.2 Day-to-Day Management. Franchisee, or one of Franchisee's owners if Franchisee is an entity, shall be responsible for the day-to-day operations and management of the Franchised Business unless Franchisor approves of Franchisee delegating those responsibilities to a manager. If Franchisee wishes to delegate day-to-day operations of the Franchised Business to a manager that is not an owner of Franchisee, Franchisee must request Franchisor's approval in writing. Until the delegate has been approved, Franchisee will continue to be responsible for the day-to-day operation and management of the Franchised Business. Franchisor may approve or deny the request in its sole discretion. If Franchisee approves of Franchisee delegating day-to-day management of the Franchised Business to a manager, Franchisee shall still be responsible for ensuring that the Franchised Business is operated in strict compliance with the System and the System standards.

7.3 Minimum Sales Requirement. In order to maintain the territorial protections set forth in Article 2.2, and to receive certain services from Franchisor at no cost, Franchisee must sell at least 25 orders in each calendar month occurring during the Term. If Franchisee fails to sell the minimum number of orders in two consecutive months, Franchisor will issue Franchisee a warning. If Franchisee is issued a warning, Franchisee will be required to meet with designated representatives of Franchisor for a review of Franchisee's operations, and to help Franchisee plan for increasing sales. Franchisee will lose the territorial protections set forth in Article 2.2, and may be required to pay for the costs incurred by Franchisor for providing Franchisee with a Shrun3D email account, website hosting and use of the point-of-sale system (if Franchisor is, at the time, covering those costs for Franchisee) if:

- A. Franchisee is issued two (2) warnings during the Term; or
- B. Franchisee fails to sell the minimum number of orders in three (3) consecutive months.

7.4 Ongoing Training and Assistance. Franchisor may periodically make available to Franchisee other required or optional training materials for Franchisee to use to train Franchisee's personnel. Franchisor may periodically prepare other programs, conferences, seminars, and materials, and Franchisee shall ensure that its owners and/or personnel, as Franchisor may direct, satisfactorily complete any required training within the time specified. Franchisor may also offer Franchisee optional additional support and assistance in the operation of

THESE JUNE 30, 2024 FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.



Shrunk 3D Inc.

Balance Sheet

As of June 30, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	\$930,419.11
Accounts Receivable	\$287,135.28
Other Current Assets	\$709,133.93
Total Current Assets	\$1,926,688.32
Fixed Assets	\$42,617.23
Other Assets	\$454,238.36
TOTAL ASSETS	\$2,423,543.91
LIABILITIES AND EQUITY	
Liabilities	\$2,253,634.98
Equity	\$169,908.93
TOTAL LIABILITIES AND EQUITY	\$2,423,543.91



Shrunk 3D Inc.

Profit and Loss

January - June, 2024

	TOTAL
Income	\$3,166,195.94
Cost of Goods Sold	\$1,181,342.37
GROSS PROFIT	\$1,984,853.57
Expenses	\$1,854,513.33
NET OPERATING INCOME	\$130,340.24
Other Income	\$1,737.16
Other Expenses	\$46,705.88
NET OTHER INCOME	\$ -44,968.72
NET INCOME	\$85,371.52



EXHIBIT H

STATE SPECIFIC ADDENDA AND AGREEMENTS RIDERS

The following modifications are made to this Disclosure Document given to you and may supersede ~~to the extent then required by valid applicable state law~~, certain portions of the Franchise Agreement between you and us dated as of the Effective Date set forth in your Franchise Agreement. When the term “Franchisor’s Choice of Law State” is used, it means the laws of the state of South Carolina, subject to any modifications as set forth in the addenda below. When the term “Supplemental Agreements” is used, it means Area Development Agreement.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. These State Specific Addenda (“Addenda”) modify the agreements to comply with the state’s laws. The terms of these Addenda will only apply if you meet the requirements of the applicable state, independent of your signing the appropriate Addenda. The terms of the Addenda will override any inconsistent provision in the FDD, Franchise Agreement, or any Supplemental Documents. These Addenda are only applicable to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign the signature page to the Addenda along with the Franchise Agreement and any Supplemental Agreements.



SIGNATURE PAGE FOR APPLICABLE ADDENDA

It is agreed that the applicable foregoing state law addendum for the state of _____ [insert state], if any, supersedes any inconsistent portion of the Franchise Agreement or Area Development Agreement (to which this addendum is attached) of this same date, and of the Franchise Disclosure Document. All terms of the Franchise Agreement and Development Agreement, including these State Law Addendum provisions for the relevant state, have been agreed to at the time the Franchise Agreement/ Development Agreement was signed. This addendum will also have effect if the FDD, Franchise Agreement, Area Development Agreement, or our relationship with you satisfies all of the jurisdictional requirements of the relevant state's franchise laws regardless of whether you have acknowledged the incorporation of this addendum.

~~If any one of the preceding Addenda for specific states is checked as an "Applicable Addenda" below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement, and any Supplemental Agreements entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement, or Supplemental Agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.~~

- | | | | | | |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii | <input type="checkbox"/> | Minnesota | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois | <input type="checkbox"/> | New York | <input type="checkbox"/> | Virginia |
| <input type="checkbox"/> | Iowa | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington |
| <input type="checkbox"/> | Indiana | <input type="checkbox"/> | Ohio | <input type="checkbox"/> | Wisconsin |

Date: _____

FRANCHISOR:

Shrunk3D, Inc.

Sign

Name: _____

Title: _____

FRANCHISEE:

FRANCHISEE

Shrunk 3D, Inc.
2024 Franchise Disclosure Document
Exhibit H

