

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 this 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.

This Financial Performance Representation (“**FPR**”) presents information about the financial performance during the fiscal year ended December 31, 2021 (“Fiscal Year 2021”) and the fiscal year ended December 31, 2022 (“Fiscal Year 2022”) for company-owned American Freight Retail Businesses that were open for all 12 months of the applicable fiscal year. The company-owned American Freight Retail Businesses for which information is included in this Item 19 are substantially similar to franchised American Freight Retail Businesses in appearance and in the products and services offered.

No franchised American Freight Retail Businesses were open for all 12 months of Fiscal Year 2021, and one franchised American Freight Retail Business was open for all 12 months of Fiscal Year 2022 (the “**Qualified Franchised Business**”). Because we have not received a year-end profit and loss statement from the Qualified Franchised Business, we have not included the Qualified Franchised Businesses in the tables in this FPR. However, the Qualified Franchised Business reported Gross Sales equal to \$1,670,645 in Fiscal Year 2022, which is within the range of Gross Sales reported by company-owned American Freight Retail Businesses.

This FPR includes certain historical information on Net Income and expenses for American Freight Retail Businesses. We are presenting data from the past two fiscal years to provide you with information on how American Freight Retail Businesses have historically operated in different economic environments, including Fiscal Year 2021, which was generally a positive year for the furniture industry, and Fiscal Year 2022, which was a year in which the furniture industry was impacted by inflation, which affected consumer demand, product pricing, and the cost of materials, freight, and labor. Tables 1 and 2 include data regarding the financial performance of stores in Fiscal Year 2021, while Tables 3 and 4 contain the same data for Fiscal Year 2022.

In each Table, we ranked the American Freight Retail Businesses based on their annual Net Income and separated them into categories based on ranges of Net Income. The data is calculated for each category and does not represent a single American Freight Retail Businesses across all categories. They are the highest and lowest values for all American Freight Retail Businesses included in that category. Thus, the lowest and highest numbers may represent annualized results for different American Freight Retail Businesses.

Tables 1 and 3 provide a summary of average Gross Sales, COGS, Gross Profit, Expenses, and Net Income for Fiscal Year 2021 and 2022, respectively. Tables 2 and 4 provide more detailed information related to each of the line items summarized in Tables 1 and 3. Please see the notes that follow the Tables for descriptions of each category. In the Tables, we have imputed the payment of the Royalty Fee, Marketing Fee, and Technology Fee that franchised American Freight Retail Businesses will incur, though these expenses were not actually incurred by our company-owned American Freight Retail Businesses.

Tables 1 and 2: Fiscal Year 2021 Performance

As of December 31, 2021, there were 250 company-owned American Freight Retail Businesses in operation, 190 of which are included in this FPR. This Fiscal Year 2021 FPR includes 47 stores in the less than \$0 Net Income category, 30 stores in the \$0 to \$99,999 Net Income category, 23 stores in the \$100,000 to \$199,999 Net Income category, 17 stores in the \$200,000 to \$299,999 Net Income category, and 73 stores in the \$300,000 or more Net Income category. The Fiscal Year 2021 FPR does not include 57 American Freight Retail Businesses that were not open for the entire Fiscal Year 2021 and three American Freight Retail Businesses that were permanently closed during Fiscal Year 2021. There were no franchised American Freight Retail Businesses in operation for all of 12 months of Fiscal Year 2021.

TABLE 1

**Statement of Net Income and Expenses
for Company-Owned American Freight Retail Businesses Opened 12 Months or More
in Fiscal Year 2021 (by Net Income)**

	Net Income		Net Income		Net Income		Net Income		Net Income	
	< \$0		Between \$0 - \$99,999		Between \$100K - \$199,999		Between \$200K - \$299,999		\$300,000 or More	
	Average	%	Average	%	Average	%	Average	%	Average	%
Gross Sales (Note 1)	\$1,384,685	100%	\$1,694,064	100%	\$2,008,592	100%	\$2,576,668	100%	\$4,067,682	100%
Total COGS (Note 2)	\$815,800	58.9%	\$961,010	56.7%	\$1,090,856	54.3%	\$1,436,002	55.7%	\$2,220,803	54.6%
Gross Profit (Note 3)	\$568,885	41.1%	\$733,053	43.3%	\$917,736	45.7%	\$1,140,667	44.3%	\$1,846,879	45.4%
Expenses										
Royalty Fee (Note 4)	\$69,234	5.0%	\$84,703	5.0%	\$100,430	5.0%	\$128,833	5.0%	\$203,384	5.0%
Wages (Note 5)	\$197,310	14.2%	\$227,191	13.4%	\$253,740	12.6%	\$314,579	12.2%	\$455,630	11.2%
Occupancy Expenses (Note 6)	\$261,543	18.9%	\$201,177	11.9%	\$218,176	10.9%	\$226,108	8.8%	\$248,188	6.1%
Marketing Expenses (Note 7)	\$108,067	7.8%	\$100,776	5.9%	\$116,894	5.8%	\$130,576	5.1%	\$205,225	5.0%
Miscellaneous Expenses (Note 8)	\$58,008	4.2%	\$56,034	3.3%	\$61,424	3.1%	\$68,285	2.7%	\$87,654	2.2%
Technology Fee (Note 9)	\$18,000	1.3%	\$18,000	1.1%	\$18,000	0.9%	\$18,000	0.7%	\$18,000	0.4%
Total Expenses (Note 10)	\$712,162	51.4%	\$687,881	40.6%	\$768,663	38.3%	\$886,381	34.4%	\$1,218,081	29.9%
Net Income (Note 11)	(\$143,278)	10.3%	\$45,172	2.7%	\$149,073	7.4%	\$254,286	9.9%	\$628,798	15.5%

TABLE 2

**Derivation of Net Income and Expenses
for Company-Owned American Freight Retail Businesses Opened 12 Months or More
in Fiscal Year 2021 (by Net Income)**

	Net Income Less Than \$0	Net Income Between \$0 - \$99,999	Net Income Between \$100K - \$199,999	Net Income Between \$200K - \$299,999	Net Income \$300,000 or More
Highest Gross Sales (Note 1)	\$2,418,811	\$2,659,908	\$3,183,087	\$4,037,517	\$6,979,461
Lowest Gross Sales	\$482,310	\$1,034,165	\$1,137,076	\$1,927,298	\$2,338,938
Average Gross Sales	\$1,384,685	\$1,694,064	\$2,008,592	\$2,576,668	\$4,067,682
Median Gross Sales	\$1,302,892	\$1,789,954	\$2,026,628	\$2,372,966	\$3,867,754
# of Stores Higher Than Group Avg.	23	16	10	5	30
% of Stores Higher Than Group Avg.	49%	53%	45%	29%	41%
Highest Cost of Goods Sold (Note 2)	\$1,421,021	\$1,727,731	\$1,902,801	\$2,463,210	\$4,371,689
Lowest Cost of Goods Sold	\$229,820	\$505,258	\$365,544	\$1,036,925	\$1,223,583
Average Cost of Goods Sold	\$815,800	\$961,010	\$1,090,856	\$1,436,002	\$2,220,803
Median Cost of Goods Sold	\$790,542	\$1,026,009	\$1,128,668	\$1,287,757	\$2,050,159
# of Stores Higher Than Group Avg.	22	17	14	6	30
% of Stores Higher Than Group Avg.	47%	57%	64%	35%	41%
Highest Gross Profit (Note 3)	\$1,056,385	\$934,605	\$1,436,861	\$1,574,307	\$3,122,259
Lowest Gross Profit	\$250,812	\$525,130	\$659,405	\$835,227	\$1,115,355
Average Gross Profit	\$568,885	\$733,053	\$917,736	\$1,140,667	\$1,846,879
Median Gross Profit	\$550,677	\$738,835	\$879,533	\$1,094,356	\$1,735,364
# of Stores Higher Than Group Avg.	20	16	7	5	29
% of Stores Higher Than Group Avg.	43%	53%	32%	29%	40%
Highest Royalty Fee (Note 4)	\$120,941	\$132,995	\$159,154	\$201,876	\$348,973
Lowest Royalty Fee	\$24,116	\$51,708	\$56,854	\$96,365	\$116,947
Average Royalty Fee	\$69,234	\$84,703	\$100,430	\$128,833	\$203,384
Median Royalty Fee	\$65,145	\$89,498	\$101,331	\$118,648	\$193,388
# of Stores Higher Than Group Avg.	0	16	10	5	30
% of Stores Higher Than Group Avg.	0%	53%	45%	29%	41%
Highest Wages (Note 5)	\$313,811	\$319,878	\$402,265	\$550,370	\$790,935
Lowest Wages	\$110,087	\$154,267	\$158,363	\$225,512	\$272,202
Average Wages	\$197,310	\$227,191	\$253,740	\$314,579	\$455,630
Median Wages	\$200,733	\$231,546	\$252,844	\$292,868	\$435,178
# of Stores Higher Than Group Avg.	24	17	10	3	33
% of Stores Higher Than Group Avg.	51%	57%	45%	18%	45%
Highest Occupancy Expenses (Note 6)	\$543,740	\$266,738	\$381,308	\$301,961	\$479,281
Lowest Occupancy Expenses	\$124,014	\$93,708	\$130,855	\$127,067	\$121,379
Average Occupancy Expenses	\$261,543	\$201,177	\$218,176	\$226,108	\$248,188
Median Occupancy Expenses	\$237,737	\$217,575	\$186,956	\$235,753	\$232,736
# of Stores Higher Than Group Avg.	19	17	10	9	33
% of Stores Higher Than Group Avg.	40%	57%	45%	53%	45%

	Net Income Less Than \$0	Net Income Between \$0 - \$99,999	Net Income Between \$100K - \$199,999	Net Income Between \$200K - \$299,999	Net Income \$300,000 or More
Highest Marketing Expenses - (Note 7)	\$196,373	\$146,610	\$204,519	\$201,876	\$348,973
Lowest Marketing Expenses	\$85,200	\$85,200	\$85,200	\$96,365	\$121,100
Average Marketing Expenses	\$108,067	\$100,776	\$116,894	\$130,576	\$205,225
Median Marketing Expenses	\$96,684	\$95,006	\$106,521	\$118,951	\$193,388
# of Stores Higher Than Group Avg.	17	11	8	5	29
% of Stores Higher Than Group Avg.	36%	37%	36%	29%	40%
Highest Miscellaneous Expenses (Note 8)	\$257,567	\$98,741	\$154,483	\$135,616	\$151,961
Lowest Miscellaneous Expenses	\$32,001	\$31,509	\$32,190	\$44,040	\$51,451
Average Miscellaneous Expenses	\$58,008	\$56,034	\$61,424	\$68,285	\$87,654
Median Miscellaneous Expenses	\$54,442	\$55,100	\$60,121	\$62,383	\$83,220
# of Stores Higher Than Group Avg.	19	14	8	3	33
% of Stores Higher Than Group Avg.	40%	47%	36%	18%	45%
Highest Technology Fee (Note 9)	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Lowest Technology Fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Average Technology Fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Median Technology Fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
# of Stores Higher Than Group Avg.	0	0	0	0	0
% of Stores Higher Than Group Avg.	0%	0%	0%	0%	0%
Highest Total Expenses (Note 10)	\$1,179,343	\$919,368	\$1,274,364	\$1,327,063	\$1,952,339
Lowest Total Expenses	\$483,191	\$514,316	\$551,538	\$612,610	\$756,161
Average Total Expenses	\$712,162	\$687,881	\$768,663	\$886,381	\$1,218,081
Median Total Expenses	\$661,497	\$696,730	\$707,644	\$833,784	\$1,149,812
# of Stores Higher Than Group Avg.	23	15	9	4	30
% of Stores Higher Than Group Avg.	49%	50%	41%	24%	41%
Highest Net Income (Note 11)	(\$11,689)	\$95,878	\$190,316	\$299,327	\$1,332,223
Lowest Net Income	(\$451,404)	\$713	\$100,976	\$206,328	\$302,158
Average Net Income	(\$143,278)	\$45,172	\$149,073	\$254,286	\$628,798
Median Net Income	(\$115,547)	\$41,565	\$150,270	\$251,773	\$557,729
# of Stores Higher Than Group Avg.	30	14	11	8	31
% of Stores Higher Than Group Avg.	64%	47%	50%	47%	42%

Tables 3 and 4: Fiscal Year 2022 Performance

As of December 31, 2022, there were 255 company-owned American Freight Retail Businesses in operation, 243 of which are included in this FPR. This Fiscal Year 2022 FPR includes 188 stores in the less than \$0 Net Income category, 23 stores in the \$0 to \$99,999 Net Income category, 13 stores in the \$100,000 to \$199,999 Net Income category, 12 stores in the \$200,000 to \$299,999 Net Income category, and 7 stores in the \$300,000 or more Net Income category. This FPR does not include 12 American Freight Retail Businesses that were not open for the entire Fiscal Year 2022, six American Freight Retail Businesses that closed in Fiscal Year 2022 (all of which had been open for more than 12 months prior to closing), and one company-owned American Freight Retail Business that was sold to a franchisee during Fiscal Year 2022. As discussed above, there was one franchised American Freight Retail Businesses in operation for all of 12 months of Fiscal Year 2022, which has not been included in this FPR.

TABLE 3

**Statement of Net Income and Expenses
for Company-Owned American Freight Retail Businesses Opened 12 Months or More
in Fiscal Year 2022 (by Net Income)**

	Net Income		Net Income		Net Income		Net Income		Net Income	
	< \$0		Between \$0 - \$99,999		Between \$100K - \$199,999		Between \$200K - \$299,999		\$300,000 or More	
	Average	%	Average	%	Average	%	Average	%	Average	%
Gross Sales (Note 1)	\$1,538,332	100%	\$2,708,933	100%	\$3,011,956	100%	\$3,824,926	100%	\$4,519,995	100%
Total COGS (Note 2)	\$1,062,365	69.1%	\$1,708,952	63.1%	\$1,857,138	61.7%	\$2,330,699	60.9%	\$2,747,368	60.8%
Gross Profit (Note 3)	\$475,967	30.9%	\$999,982	36.9%	\$1,154,818	38.3%	\$1,494,227	39.1%	\$1,772,627	39.2%
Expenses										
Royalty Fee (Note 4)	\$76,917	5.0%	\$135,447	5.0%	\$150,598	5.0%	\$191,246	5.0%	\$226,000	5.0%
Wages (Note 5)	\$222,361	14.5%	\$334,729	12.4%	\$357,686	11.9%	\$448,550	11.7%	\$532,496	11.8%
Occupancy Expenses (Note 6)	\$238,503	15.5%	\$240,513	8.9%	\$238,336	7.9%	\$299,941	7.8%	\$260,138	5.8%
Marketing Expenses (Note 7)	\$102,207	6.6%	\$135,545	5.0%	\$153,998	5.1%	\$191,246	5.0%	\$226,000	5.0%
Miscellaneous Expenses (Note 8)	\$69,582	4.5%	\$81,291	3.0%	\$83,762	2.8%	\$104,846	2.7%	\$109,520	2.4%
Technology Fee (Note 9)	\$18,000	1.2%	\$18,000	0.7%	\$18,000	0.6%	\$18,000	0.5%	\$18,000	0.4%
Total Expenses (Note 10)	\$727,570	47.3%	\$945,524	34.9%	\$1,002,380	33.3%	\$1,253,830	32.8%	\$1,372,153	30.4%
Net Income (Note 11)	(\$251,603)	-16.4%	\$54,458	2.0%	\$152,438	5.1%	\$240,397	6.3%	\$400,474	8.9%

TABLE 4

**Derivation of Net Income and Expenses
for Company-Owned American Freight Retail Businesses Opened 12 Months or More
in Fiscal Year 2022 (by Net Income)**

	Net Income Less Than \$0	Net Income Between \$0 - \$99,999	Net Income Between \$100K - \$199,999	Net Income Between \$200K - \$299,999	Net Income \$300,000 or More
Highest Gross Sales (Note 1)	\$3,806,041	\$4,533,300	\$5,144,284	\$4,845,445	\$5,271,800
Lowest Gross Sales	\$498,537	\$1,658,992	\$2,407,734	\$2,932,190	\$3,942,025
Average Gross Sales	\$1,538,332	\$2,708,933	\$3,011,956	\$3,824,926	\$4,519,995
Median Gross Sales	\$1,435,022	\$2,559,532	\$2,717,860	\$3,698,321	\$4,396,584
# of Stores Higher Than Group Avg.	80	11	6	6	3
% of Stores Higher Than Group Avg.	43%	48%	46%	50%	43%
Highest Cost of Goods Sold (Note 2)	\$2,558,276	\$2,891,740	\$3,199,350	\$3,015,300	\$3,306,601
Lowest Cost of Goods Sold	\$384,022	\$981,178	\$1,333,323	\$1,762,586	\$2,310,610
Average Cost of Goods Sold	\$1,062,365	\$1,708,952	\$1,857,138	\$2,330,699	\$2,747,368
Median Cost of Goods Sold	\$979,122	\$1,720,741	\$1,696,034	\$2,226,831	\$2,729,488
# of Stores Higher Than Group Avg.	76	12	6	5	3
% of Stores Higher Than Group Avg.	40%	52%	46%	42%	43%
Highest Gross Profit (Note 3)	\$1,247,765	\$1,641,560	\$1,944,934	\$1,830,145	\$2,039,311
Lowest Gross Profit	(\$229,138)	\$677,814	\$918,111	\$1,169,605	\$1,595,800
Average Gross Profit	\$475,967	\$999,982	\$1,154,818	\$1,494,227	\$1,772,627
Median Gross Profit	\$448,108	\$974,632	\$1,119,999	\$1,471,489	\$1,649,302
# of Stores Higher Than Group Avg.	88	8	6	6	3
% of Stores Higher Than Group Avg.	47%	35%	46%	50%	43%
Highest Royalty Fee (Note 4)	\$190,302	\$226,665	\$257,214	\$242,272	\$263,590
Lowest Royalty Fee	\$24,927	\$82,950	\$120,387	\$146,610	\$197,101
Average Royalty Fee	\$76,917	\$135,447	\$150,598	\$191,246	\$226,000
Median Royalty Fee	\$71,751	\$127,977	\$135,893	\$184,916	\$219,829
# of Stores Higher Than Group Avg.	0	11	6	6	3
% of Stores Higher Than Group Avg.	0%	48%	46%	50%	43%
Highest Wages (Note 5)	\$493,186	\$527,734	\$636,561	\$585,038	\$649,393
Lowest Wages	\$118,457	\$179,621	\$275,626	\$321,037	\$431,185
Average Wages	\$222,361	\$334,729	\$357,686	\$448,550	\$532,496
Median Wages	\$209,040	\$334,212	\$331,765	\$424,973	\$548,284
# of Stores Higher Than Group Avg.	80	11	5	5	4
% of Stores Higher Than Group Avg.	43%	48%	38%	42%	57%
Highest Occupancy Expenses (Note 6)	\$491,158	\$437,381	\$440,210	\$417,462	\$326,199
Lowest Occupancy Expenses	(\$184,155)	\$147,196	\$147,137	\$181,607	\$204,846
Average Occupancy Expenses	\$238,503	\$240,513	\$238,336	\$299,941	\$260,138
Median Occupancy Expenses	\$224,024	\$232,122	\$213,906	\$312,692	\$272,790
# of Stores Higher Than Group Avg.	83	9	6	7	4
% of Stores Higher Than Group Avg.	44%	39%	46%	58%	57%

	Net Income Less Than \$0	Net Income Between \$0 - \$99,999	Net Income Between \$100K - \$199,999	Net Income Between \$200K - \$299,999	Net Income \$300,000 or More
Highest Marketing Expenses - (Note 7)	\$197,492	\$226,665	\$257,214	\$242,272	\$263,590
Lowest Marketing Expenses	\$85,200	\$85,200	\$123,623	\$146,610	\$197,101
Average Marketing Expenses	\$102,207	\$135,545	\$153,998	\$191,246	\$226,000
Median Marketing Expenses	\$88,874	\$127,977	\$144,503	\$184,916	\$219,829
# of Stores Higher Than Group Avg.	67	11	6	6	3
% of Stores Higher Than Group Avg.	36%	48%	46%	50%	43%
Highest Miscellaneous Expenses (Note 8)	\$181,313	\$129,766	\$138,159	\$166,223	\$124,975
Lowest Miscellaneous Expenses	(\$132,788)	\$59,332	\$62,964	\$75,606	\$90,909
Average Miscellaneous Expenses	\$69,582	\$81,291	\$83,762	\$104,846	\$109,520
Median Miscellaneous Expenses	\$67,438	\$80,162	\$81,482	\$95,951	\$108,332
# of Stores Higher Than Group Avg.	80	10	3	4	3
% of Stores Higher Than Group Avg.	43%	43%	23%	33%	43%
Highest Technology Fee (Note 9)	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Lowest Technology Fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Average Technology Fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Median Technology Fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
# of Stores Higher Than Group Avg.	0	0	0	0	0
% of Stores Higher Than Group Avg.	0%	0%	0%	0%	0%
Highest Total Expenses (Note 10)	\$1,414,070	\$1,566,211	\$1,747,358	\$1,606,557	\$1,597,329
Lowest Total Expenses	\$276,543	\$662,594	\$813,354	\$964,676	\$1,209,890
Average Total Expenses	\$727,570	\$945,524	\$1,002,380	\$1,253,830	\$1,372,153
Median Total Expenses	\$692,226	\$897,278	\$935,467	\$1,243,284	\$1,335,764
# of Stores Higher Than Group Avg.	77	9	6	6	3
% of Stores Higher Than Group Avg.	41%	39%	46%	50%	43%
Highest Net Income (Note 11)	(\$1,344)	\$93,270	\$197,575	\$284,141	\$618,978
Lowest Net Income	(\$763,391)	\$3,504	\$104,756	\$204,927	\$306,970
Average Net Income	(\$251,603)	\$54,458	\$152,438	\$240,397	\$400,474
Median Net Income	(\$236,998)	\$55,979	\$150,936	\$236,073	\$373,792
# of Stores Higher Than Group Avg.	101	12	6	5	2
% of Stores Higher Than Group Avg.	54%	52%	46%	42%	29%

Notes to Tables 1 through 4:

The following notes (i) generally define each line-item category shown in the Tables, and (ii) highlight other factors you should be aware of. You should review the attached Tables only in conjunction with the following notes, which are an integral part of the numerical information.

Note 1: Gross Sales means all revenue received or otherwise derived from operating the Retail Business, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of collection or when actually provide the products or services in exchange for the revenue. Gross Sales does not include (1) any bona fide returns and credits that are actually provided to customers or (2) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority.

Note 2: Total Cost of Goods Sold (Total COGS) is the sum of all expenses associated with inventory, including: the purchase of accessories, parts, and the cost of shipping inventory to the American Freight Retail Business and includes a mark-up to help offset the internal administrative costs associated with buying,

inventory, merchandising, and distribution of all merchandise. This value is the sum of all these costs less any credits given for merchandise returned for refurbishment and damaged or defective merchandise returned for return merchandise authorization. The COGS also include the cost associated with protection agreements paid to the approved supplier.

Note 3: Gross Profit is calculated as Gross Sales less the Total COGS.

Note 4: Royalty Fee is an imputed figure equal to 5% of Gross Sales. Company-owned American Freight Retail Businesses do not pay a Royalty Fee, but we have included a Royalty Fee line item, since it is a fee that you will incur.

Note 5: Wages is the sum of all business personnel cost, including: commissions, salaries and hourly pay for both full-time and part-time employees, employee and employer contributions for F.I.C.A. taxes, federal unemployment taxes, state unemployment taxes, worker's compensation insurance, group health insurance (if any), and payroll processing fees.

Note 6: Occupancy Expenses is the sum of all business occupancy costs, including rental space cost, common area maintenance (C.A.M), property taxes, real estate insurance, store maintenance, internet and telephone cost, electric, water and gas utilities.

Note 7: Marketing Expenses is calculated for each American Freight Retail Business as the greater of (i) the actual marketing expenses incurred by such business (such as expenses for online advertising, social media costs, billboards, radio ads, newspapers ads, and inserts) or (ii) an imputed figure equal to the Marketing Fee that you will pay us, which is equal to the greater of 5% of Gross Sales or \$7,100 per month (\$82,500 per year). Company-owned American Freight Retail Businesses do not pay the Marketing Fee, but we have imputed the Marketing Fee for those American Freight Businesses with actual marketing expenditures that were lower than the Marketing Fee that you will be required to pay. We recommend that you spend at least 2% of your Gross Sales on local marketing, in addition to the Marketing Fee.

Note 8: Miscellaneous Expenses is the sum of all general and administrative expenditures related to the day-to-day operations of an American Freight Retail Business not referenced in other expense categories, including: bank service charges, insurance expense, store supplies, third-party credit card fees, accounting/professional fees, security cost and all other miscellaneous cost. This FPR does not reflect interest, income taxes, depreciation or amortization.

Note 9: Technology Fee is an imputed figure equal to one thousand five hundred dollars (\$1,500) per month. Company-owned American Freight Retail Businesses do not pay a Technology Fee, but we have included a Technology Fee line item, since it is a fee that you will incur.

Note 10: Total Expenses is the sum of the Royalty Fee, Wages, Occupancy Expenses, Marketing Expenses, Miscellaneous Expenses, and the Technology Fee. This FPR does not reflect sales taxes, interest, income taxes, depreciation or amortization.

Note 11: Net Income is Gross Profit less Total Expense.

Notes to Item 19:

- 1. Some American Freight Retail Businesses have sold or earned these amounts. Your individual results may differ. There is no assurance that you will sell or earn as much.**
2. We report all financials for company-owned American Freight Retail Businesses on an accrual basis. Thus, the expenses reflected in each month may not have been the actual month the expenses were incurred.
3. Written substantiation for the financial performance representations in this Item 19 will be made available to you upon reasonable request.
4. We strongly suggest that you consult your own financial advisor or personal accountant and conduct an independent investigation on any financial projections, costs and expenses, and federal, state, local income taxes or any other applicable taxes that you may incur in operating an American Freight Retail Business.

Other than the above financial performance representation, American Freight does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 Aaron Granger, General Counsel for American Freight at aaron.granger@americanfreight.us or (740) 368-0226; the Federal Trade Commission; and/or the appropriate state regulatory agencies.