

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

The following information is provided for the purpose of helping you evaluate the potential earnings capability of a Hammer & Nails® Unit franchise or “Shop”. Please carefully read all information in this Item 19, including the statements following the table, which explain the information provided in the tables below and the limitations on this and the other information contained in this Item 19.

The chart below showing the actual gross revenue figures for 15 Hammer & Nails® Shops (Qualifying Franchised Outlets) which have been open for business at least 12 full months as of December 31, 2022. Shops that opened in 2022 are not included in any of the charts including below.

GROSS REVENUES OF FRANCHISED OUTLETS

Qualifying Franchised Outlets - Gross Sales						
	<u>High</u>	<u>Top 25%</u>	<u>Average</u>	<u>Median</u>	<u>Low</u>	<u># of Shops</u>
2019	\$453,052	\$425,345	\$322,057	332,600	\$193,380	10
2020	\$646,340	\$383,449	\$344,592	\$338,642	\$111,820	10
2021	\$974,685	\$863,377	\$563,068	\$421,450	\$185,390	11
2022	\$1,453,663	\$1,139,605	\$712,962	\$696,563	\$308,491	15

Notes:

(1) Chart 1 shows the historical financial performance reflecting the actual Gross Revenues for 2019 through 2022 for the Hammer & Nails® Shops, or Qualifying Franchised Outlets, that were open for business at least twelve (12) full months the applicable years. This includes the Gross Revenues of the Folsom Shop, which is owned in-part by our Chairman. This Shop operates in the same manner as other Hammer & Nails Unit Franchises. For the purpose of this Item 19, “Gross Revenues” is the total selling price of all services and products and all income of every other kind and nature related to the Hammer & Nails® business, whether for cash or credit and regardless of collection in the case of credit. “Gross Revenues” include: (a) All proceeds from the sale of memberships, coupons, gift cards/certificates or vouchers; but when the coupons, gift cards/certificates or vouchers are redeemed, but does not include the retail value of the services provided; and (b) revenues from any vending machines or other equipment, machines or devices installed in the Hammer & Nails® business. “Gross Revenues” does not include (i) sales taxes collected from customers, if the taxes are actually transmitted in a timely manner to the appropriate taxing authority; (ii) tips or gratuities paid directly to employees by customers of the Hammer & Nails® business or paid and turned over to employees in lieu of direct tips or gratuities; (iii) returns to shippers or manufacturers; and (iv) proceeds from isolated sales of trade fixtures not constituting any part of the products and services offered for sale at the Hammer & Nails® business or having any material effect upon the ongoing operation of the Hammer & Nails® business.

(3) Although the square footage of the Shops reporting above varies from 1100 +/- square feet to 2500 +/- square feet, each Shop offers substantially the same products and services as your franchised Shop will offer to customers.

(4) There are a number of fixed and variable costs associated with a Hammer & Nails® Shop that are not reflected in the table above and that vary among individual Hammer & Nails® Shops. These costs, which are significant, include costs described in Items 6 and 7 of this Disclosure Document, inventory costs, equipment costs, labor costs, rent, and other occupancy costs, taxes, utilities, insurance, royalty fees, advertising, supplies, bad debt, warranty expenses, charge card expenses, equipment rental, taxes, debt service, depreciation on equipment and property, legal and accounting fees, regulatory compliance, management costs, general administrative expenses, preopening organization costs, employee benefits, and repairs and maintenance. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business.

(5) The information in the chart was compiled based on reported revenues submitted to us by Hammer & Nails® franchisees. We do not know if the figures reported to us by the franchisees were audited. We have not independently audited or verified the accuracy of these numbers, and we do not know if these numbers have been verified or audited on behalf of the franchisees.

This information is current through December 31, 2022. The information in the chart is unaudited and is based on the information that has been reported to us by our franchisees.

Written substantiation for the financial performance representations made in this Item 19 will be made available to the prospective franchisee upon reasonable request.

We encourage you to consult with your financial advisors in reviewing the information in this Item 19, in particular, in estimating the categories and amount of additional expenses that may be incurred in establishing and operating a Hammer & Nails® Shop.

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

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Aaron Meyers, President and Chief Executive Officer, 101 Parkshore Drive, Suite 100, Folsom, CA 95630, (916) 932-2150, the Federal Trade Commission, and the appropriate state regulatory agencies.