FRANCHISE DISCLOSURE DOCUMENT

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American Freight Franchisor, LLC
A Delaware Limited Liability Company
109 Innovation Court, Suite J
Delaware, Ohio 43015
(740) 363-2222
www.americanfreight.com
customerservice@americanfreight.com

The franchise offered is for the operation of business that sells home furnishings, mattresses and appliances under the name "AMERICAN FREIGHT."

The total investment necessary to begin operation of an AMERICAN FREIGHT retail business is $~~521,900~~496,900 to $~~948,900~~942,900. This includes $~~374,900~~359,900 to $~~484,900~~499,900 that must be paid to the franchisor or its affiliate(s). If you enter into a Development Agreement, you will pay us a development fee due in connection with signing the Development Agreement. The development fee will be $49,900 for your first AMERICAN FREIGHT retail business to be developed under the Development Agreement and $35,000 for each additional AMERICAN FREIGHT retail business to be developed under the Development Agreement. ~~You~~To acquire development rights under a Development Agreement, you must commit to develop a minimum of at least two AMERICAN FREIGHT retail businesses and the total investment to begin operation ~~if you acquire development rights~~ (for a minimum of 2 Retail Businesses) is $~~556,900~~531,900 to $~~983,900~~977,900. This includes $~~409,900~~394,900 to $~~519,900~~534,900 that must be paid to us or our affiliate.

This Disclosure Document summarizes certain provisions of your franchise agreement, development agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. You must receive this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact John Henning, Director of Franchise Development for American Freight Franchisor, LLC at 109 Innovation Court, Suite J, Delaware, Ohio 43015 and (484) 942-6383.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this Disclosure Document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April ~~25, 2022, as amended January 25~~28, 2023

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit I**.**
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit B includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only AMERICAN FREIGHT business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an AMERICAN FREIGHT franchisee?	Item 20 or Exhibit I lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

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 and development agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in the city of its corporate headquarters (currently Delaware, Ohio). Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in the city of its corporate headquarters than in your own state.

2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

3. **Mandatory Minimum Payments.** You must make minimum advertising fund payments, regardless or your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

4. **Short Operating History**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

5. **Supplier Control**. You must purchase all or nearly all 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 for the same or similar goods. This may reduce the anticipated profit of your franchised business.

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.

THE FOLLOWING PROVISIONS APPLY ONLY TO TRANSACTIONS GOVERNED BY THE MICHIGAN FRANCHISE INVESTMENT LAW

Pursuant to the provisions of the Michigan Franchise Investment Law, MCL 445.1501, et. seq., American Freight Franchisor, LLC provides the following notices and disclosures to potential franchisees in the State of Michigan:

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(a) A prohibition of the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years; and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchisee on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchisee for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this Notice shall be directed to the Department of Attorney General, Consumer Protection Division, 670 Law Building, 525 West Ottawa Street, Lansing, Michigan 48913, (517) 335-7567.

Note: Despite paragraph (f) above, we intend, and we and you agree, to enforce fully the arbitration provisions of our Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, "**we**," or "**us**" means American Freight Franchisor, LLC, the franchisor. "**You**" or "**your**" means the person or entity that buys the franchise. If the franchisee is a corporation, limited liability company or other entity, we may require certain of your owners to sign the Personal Guarantee attached as Exhibit D to the Franchise Agreement and, if applicable, the Payment and Performance Guarantee attached as Appendix C to the Development Agreement, which means that all of the provisions of the Franchise Agreement and, as applicable, the Development Agreement also will apply to them.

The Franchisor

We are a Delaware limited liability company formed on October 13, 2020. We do business under our corporate name and the name "AMERICAN FREIGHT." Our principal business address is 109 Innovation Court, Suite J, Delaware, Ohio 43015. Our agents for service of process are listed in Exhibit A to this Disclosure Document.

We were established to offer franchises for specialty retail businesses engaged in selling furniture, appliances and mattresses ("**American Freight Retail Businesses**") that (i) operate under the trade name "AMERICAN FREIGHT" and other trademarks, service marks, trade names and commercial symbols we designate (collectively, the "**Trademarks**"), and (ii) operate under a distinct system (the "**System**"). We have not operated an American Freight Retail Business or similar business. Except as described in this Item 1, we currently do not conduct any other business activities. We have not previously offered franchises or operated businesses in any other line of business.

Parents and Predecessors

We have no predecessors.

We are directly owned by Franchise Group Newco S, LLC ("**FG Newco S**"), a Delaware limited liability company. In addition to us, FG Newco S directly owns American Freight Outlet Stores, LLC, a Delaware limited liability company ("**AFOS**"), which is described in more detail below in this Item 1.

In September 2019, our indirect parent, Liberty Tax, Inc. changed its name to Franchise Group, Inc. The principal business address of Franchise Group, Inc. ("~~**FGI**~~**FRG**") is 109 Innovation Court, Suite J, Delaware, Ohio 43015. ~~FGI~~FRG is a publicly traded company that has a number of direct or indirect subsidiaries which currently offer and sell franchises in the United States. None of these affiliated franchise programs operate an American Freight Retail Business franchise.

On or about October 23, 2019, ~~FGI~~FRG completed its acquisition from Sears Hometown and Outlet Stores, Inc. ("**SHOS"**) of the Sears Outlet business and the eight Sears Outlet retail businesses then operated by Sears Outlet Stores, L.L.C., now known as AFOS. The Sears Outlet business was designed to provide customers with in-store and online access to new, one-of-a kind, out-of-carton, discontinued, reconditioned, overstocked, and scratched and dented products across a broad assortment of merchandise categories, including home appliances, lawn and garden equipment, mattresses and tools, at prices that are significantly lower than list prices. American Freight has combined the two brands under the American Freight name on a nationwide basis such that all Sears Outlet businesses have been converted to the American Freight brand. As of December ~~25~~31, ~~2021~~2022, there were ~~116~~110 of these converted units in within the United States including 1 unit in Puerto Rico. These stores sell primarily as-is appliances. Accordingly, these stores

are not included in Items 19 and 20 as these are not similar to the type of business that a franchisee would operate.

On or about February 14, 2020, ~~FGI~~FRG acquired American Freight Group, Inc., a Delaware corporation incorporated on August 7, 2014 and converted to a limited liability company, American Freight Group, LLC, on February 27, 2020, whose principal business address is located at 109 Innovation Court, Suite J, Delaware, Ohio 43015 ("**American Freight**") and, as of February 14, 2020, its indirect subsidiary, American Freight, LLC, a Delaware limited liability company, owned and operated (and it continues to own and operate) American Freight outlets within the United States. American Freight outlets have been in operation since 1994. ~~As of December 25, 2021, there were 250 company-operated American Freight Retail Businesses in operation and 1 American Freight Retail Business operating under a franchise agreement. The principal business address of American Freight, LLC is also 109 Innovation Court, Suite J, Delaware, Ohio 43015. Prior to the issuance of this Disclosure Document, neither~~Neither American Freight nor American Freight, LLC has offered franchises in any line of business.

~~FGI's~~FRG's Other Programs

Buddy's Franchising and Licensing LLC, a Florida limited liability company ("**Buddy's**"), offers franchises for specialty retail businesses engaged in rent-to-own leasing (also referred to as "**lease purchase**") and selling consumer electronics, residential furniture, appliances and household accessories that operate under the trade name "BUDDY'S HOME FURNISHINGS" and other trademarks, service marks, trade names and commercial symbols. Buddy's does not operate any Buddy's retail businesses, however, Buddy's parent company, Buddy's Newco, LLC, a Delaware limited liability company ("**Buddy's Newco**") owns and operates company-owned Buddy's retail businesses. The primary business address for Buddy's is 8529 Southpark Circle, Suite 150, Orlando, Florida 32819. As of December 31, ~~2021~~2022, there were ~~276~~302 franchised Buddy's retail businesses, and ~~37~~36 company-owned Buddy's retail businesses open and operating in the United States. Buddy's has not offered franchises in any other line of business.

Vitamin Shoppe Franchising, LLC, a Delaware limited liability company ("**VS**"), offers franchises to develop and operate specialty retail stores under "THE VITAMIN SHOPPE®" name and other trademarks which offer and sell nutritional products and services including vitamins, minerals, herbs, specialty supplements, sports nutrition and other health and wellness products ("**TVS Stores**"). VS does not operate any TVS Stores. VS' principal place of business is 300 Harmon Meadow Blvd., Secaucus, New Jersey 07094. VS' direct parent company, Vitamin Shoppe Industries, LLC ("**VS Industries**") owns and operates all of the company-owned TVS Stores. As of December ~~25, 2021, there were 681 VT Stores open and operational throughout the United States. As of December 31, 20221, VS Industries also owns and operates 30 retail businesses~~31, 2022, Vitamin Shoppe had 673 company-owned Vitamin Shoppe stores in operation, 29 company-owned stores in operation primarily located in the ~~State of Washington, with a few locations in Idaho and Oregon~~Pacific Northwest, under the name "Super Supplements~~.~~," and 2 Vitamin Shoppe stores operating under franchise agreements. VS has not offered franchises in any other line of business.

PSP Franchising, LLC, a Delaware limited liability company ("**PSP**"), offers franchises for the establishment and operation of retail stores under the Pet Supplies Plus name and other trademarks offering pet food, pet supplies, pets, pet grooming and bathing services, and related products and services ("**Pet Supplies Plus Stores**"). PSP does not operate any Pet Supplies Plus Stores. However, its parent company, PSP Stores, LLC has operated company-owned stores that are similar to the franchises offered by PSP. The primary business address for both PSP and PSP Stores, LLC is 17197 N. Laurel Park Drive, Suite 402, Livonia, Michigan 48152. As of December ~~2021~~2022, there were ~~374~~429 franchised Pet Supplies Plus

Stores and ~~229~~232 company-owned Pet Supplies Plus Stores open and operating. PSP has not offered franchises in any other line of business.

WNW Franchising, LLC, a Delaware limited liability company ("**WNW**"), offers franchises for small format specialty retail businesses that provide self-service pet bathing, professional pet grooming, and retail sale of select pet supplies, pet accessories, pet bakery items, and pet food under the trade name "Wag N' Wash". As of December 31, ~~2021~~2022, there were ~~no company-owned and 11~~14 franchised Wag N' Wash stores ~~in operation~~open and operating and no company-owned stores. WNW's principal business address is 17197 N. Laurel Park Drive, Suite 402, Livonia, Michigan 48152. WNW has not offered franchises in any line of business other than as listed above.

Sylvan Learning, LLC, a Delaware limited liability company ("**Sylvan**"), offers franchises for the operation of a SYLVAN-branded learning center with a system designed for specialized assessment and teaching of individualized educational programs for children in the principal areas of reading, mathematics, writing and test preparation under the Sylvan Learning name and other trademarks ("**Sylvan Centers**"). Sylvan does not operate any Sylvan Centers, however, Educate Corporate Center Holdings, LLC ("**ECCH**"), another wholly-owned indirect subsidiary of Sylvan's parent company, Educate, Inc., has owned and operated corporate-owned Sylvan Centers since its inception in May 2007. Sylvan's principal place of business is 4 North Park Drive, Hunt Valley, Maryland 21030. As of December 31, ~~2021~~2022, there were ~~566~~468 franchised Sylvan Centers ~~in operation~~and 5 company-owned Sylvan Centers open and operating in the United States. Sylvan has not offered franchises in any other line of business.

W.S. Badcock Corporation, a Florida corporation ("**Badcock**"), is a specialty retailer of furniture, appliances, bedding, electronics, home office equipment, accessories and seasonal items in a showroom format that operates under the trade name "BADCOCK HOME FURNITURE & MORE" and other trademarks, service marks, trade names and commercial symbols. Badcock's principal place of business is 200 North Phosphate Boulevard, Mulberry, Florida 33860. As of December 31, ~~2021~~2022, Badcock had ~~66~~64 company-owned Stores and ~~317~~318 dealer-owned locations. Badcock has never offered franchises in any line of business.

The Franchise

We offer franchises to operate American Freight Retail Businesses to certain qualified individuals and entities. In this Disclosure Document, the term "Retail Business" will refer to the individual American Freight Retail Business you will operate under the terms of a franchise agreement, the current form of which is attached to this Disclosure Document as Exhibit C (the "**Franchise Agreement**"). The Franchise Agreement will grant you a territory (the "**Territory**") for the Retail Business. The Retail Business will operate under the Trademark and offer for sale appliances, furniture and mattresses, along with ancillary product and services such as warranties, protection agreements, fabric protection, delivery, installation and haulaway services. American Freight Retail Businesses offer and sell (i) products and services that we designate as require to be offered in American Freight Retail Businesses ("**Core Products and Services**") and (ii) products and services that we designate as optional in American Freight Retail Businesses ("**Optional Products and Services**"). American Freight Retail Businesses may only offer "Approved Products and Services" which means the range, types and brands of products and services associated with the System as set forth in the Operations Manual as Core Products and Services or Optional Products and Services, or otherwise approved by us for sale in ~~a~~an American Freight Retail Business.

We also offer to grant certain qualified individuals and entities the right to become a multi-unit developer ("**Developer**") to open a certain number of American Freight Retail Businesses within a designated geographic territory (a "**Development Area**") to meet a specified development schedule (a "Development Schedule"). ~~You~~To acquire development rights under a Development Agreement, you must

commit to develop a minimum of ~~two American Freight Retail Businesses~~at least two AMERICAN FREIGHT retail businesses under the Development Agreement. Developers will develop American Freight Retail Businesses under the terms of a development agreement, the current form of which is attached to this Disclosure Document as Exhibit D (the "**Development Agreement**"). For each Retail Business developed under the Development Agreement, the applicable Developer must sign our then-current form of Franchise Agreement, which will govern the operation of the Retail Business and which may be in a different form from the Franchise Agreement included as Exhibit C to this Disclosure Document.

The Market and Competition

You will compete with other businesses, offering like products, merchandise and services, including online retailers. The market competition may vary from one geographic area to another. The Retail Business will offer the products to the general public.

Licenses and Permits

Some states have laws which may require you to obtain a bedding and furniture retailer license and/or a service contract seller license before you can operate your Retail Business. You should investigate the existence or application of these laws in your particular state. Other than these laws, there are no laws and regulations specific to the industry in which you will operate.

ITEM 2
BUSINESS EXPERIENCE

Peter Corsa: Chief Executive Officer Home Furnishings Segment

Mr. Corsa has been our Chief Executive Officer Home Furnishings Segment since November 2022. From January 2022 to November 2022, he was in between positions, but provided consulting services. He was the Chief Operating Officer of At Home Group Inc. in Plano, Texas from January 2017 to January 2022. He was also President of At Home Group in Plano, Texas from January 2018 to January 2022.

Jeffrey Seghi: Chief Financial Officer

Mr. Seghi has been our Chief Financial Officer since July 2022. He has also been Executive Vice President and Chief Financial Officer of American Freight Management Company, LLC since July 2022. He was also Senior Vice President and Controller for American Freight Management Company, LLC from January 2022 to July 2022. From October 2018 to January 2022, he was Corporate Controller for American Signature, Inc. in Columbus, Ohio. He was Director of Accounting for Express, Inc. in Columbus, Ohio from December 2010 to October 2018.

Philip Etter: Chief People Officer

Mr. Etter has been our Chief People Officer since October 2020. He also has been a Vice President of AFOS since July 2016 and prior thereto, was the Division Vice President, Human Resources for Sears Authorized Hometown Stores, LLC from October 2012 to February 2016, all in Hoffman Estates, Illinois.

Michael Gray: Chief Stores Officer

Mr. Gray has been our Chief Stores Officer since October 2020. He was the Vice President of Dollar General in Goodlettesville, Tennessee from November 2019 to September 2020. He served as Chief Operating Officer of SHOS in Hoffman Estates, Illinois from December 2017 to October 2019. He also

held other executive level positions with SHOS, including Senior Vice President – Store Operations from April 2016 to November 2017 and Vice President and General Manager from October 2012 to March 2016.

~~John Batten~~Lauri Joffee Turjeman: Chief Marketing Officer

~~Mr~~Ms. ~~Batten~~Turjeman has been our Chief Marketing Officer since ~~October 2020. He has also been the Chief Marketing Officer of American Freight Management Company, LLC~~April 2023. From March 2020 to April 2023, she served as our Chief Digital Officer in Delaware, Ohio ~~since May 2017. From October 2015 to May 2017, he was self-employed in Huntsville, Alabama. From June 2009 to October 2015, he was the~~. From May 2018 to March 2020, she was the Senior Vice President of Marketing ~~for Harbor Freight in Calabasas, California.~~, E-Commerce & Information Technology for SHOS in Hoffman Estates, Illinois.

Norman McLeod: Chief Development Officer

Mr. McLeod has been our Chief Development Officer since December 2022. From October 2013 to September 2021, he was the Chief Development Officer for At Home Group Inc. in Dallas, Texas.

Alissa Ahlman: Chief Merchandising Officer

Ms. Ahlman has been Chief Merchandising Officer for ~~FGI~~FRG since January 2023. She has also served on the Board of Directors for Ollie's Bargain Outlet, Inc. in Harrisburg, Pennsylvania since May 2020. From January 2019 to May 2020, she was temporarily retired. From June 2015 to December 2018, she was the Chief Merchandising Officer and Chief Design Officer for At Home Group Inc. in Plano, Texas.

Terrence "Terry" McGee, Jr.: Vice President of Franchise Development

Mr. McGee has been our Vice President of Franchise Development since October 2022. He was Vice President of Franchise Development for Best Life Brands in Troy, Michigan from October 2019 to October 2022. From December 2016 to October 2019, he was Senior Director of Franchise Development for Huntington Learning Center in Hackensack, New Jersey.

Kenneth Peters: Division Vice President of Franchise Operations and Support Services

Mr. Peters has been our Division Vice President of Franchise Operations and Support Services since February 2022. He held the following positions with Transform Holding Company in Hoffman Estates, Illinois: President and Chief Operating Officer from December 2020 to February 2022 and Vice President Field/Operations from September 2019 to December 2020. He was Division Vice President Hometown for SHOS in Hoffman Estates, Illinois from May 2017 to September 2019.

John Henning, Jr.: Director of Franchise Development

Mr. Henning has been Director of Franchise Development since February 2022. Mr. Henning was also Director of Franchise Development for We Insure Inc. in Jacksonville, Florida from January 2020 to April 2022. He was a Senior Franchise Salesperson with RE/MAX LLC in Denver, Colorado from January 2014 to September 2019.

Herman Payne, Jr.: Director of Franchise Operations

Mr. Payne has been Director of Franchise Operations since November 2021. From January 2021 to November 2021, Mr. Payne was Director of Special Projects and from January 2020 to January 2021

was Director of Operations for American Freight, in Chicago, Illinois. He was semi-retired from November 2019 to January 2020. He was Analytics and Reporting for the Sears Dealer Organization in Hoffman Estates, Illinois from August 2019 to November 2019. He was Director of Store Operations for Sears Outlet in Hoffman Estates, Illinois from April 2016 to August 2019.

Aaron Granger: General Counsel

Mr. Granger has been General Counsel since November 2021. Mr. Granger was Global Head of Legal for Williams Lea in Columbus, Ohio from April 2019 to November 2021. Prior to that, he was the Head of Legal, Americas for Williams Lea in Columbus, Ohio from June 2018 to April 2019. Mr. Granger was an Associate General Counsel for DHL Supply Chain, North America in Westerville, Ohio from June 2012 to May 2018.

ITEM 3
LITIGATION

Disclosures Regarding FRG's Other Programs

Pending Matter

MMS Group, LLC v. Buddy's Franchising and Licensing LLC, Case No. 01-22-0004-9922, American Arbitration Association. On or about November 29, 2022, a former franchisee, MMS Group, LLC, and its owners filed a demand for arbitration, alleging that Buddy's breached the franchisee's franchise agreement, breached the covenant of good faith and fair dealing, and violated Florida's Deceptive and Unfair Trade Practices Act by failing to renew the franchise agreement and by failing to provide them with a first right of refusal, and alleging unfair methods of competition. On or about December 29, 2022, Buddy's filed its answer to the arbitration demand and filed counterclaims against the former franchisee, alleging that it breached the franchise agreement by violating the in-term and post-term covenants not to compete and selling unapproved inventory, violated the Lanham Act by falsely coding inventory to influence customer purchasing decisions, and violated the Defend Trade Secrets Act. On April 4, 2023, the arbitrator denied Buddy's letter request for leave to file for injunctive relief. Each party has filed a motion to dismiss, which is pending before the arbitration tribunal. Buddy's intends to defend this matter vigorously.

Concluded Matter

In the Matter of Buddy's Newco, LLC, FTC Matter No: 191 0074. On May 11, 2020, the Federal Trade Commission (the "FTC") issued its Final Decision and Order in connection with its civil investigation of Buddy's parent company, Buddy's Newco, LLC~~, a parent of Buddy's~~, Aaron's, Inc. and Rent-A-Center, Inc. Buddy's Newco, LLC agreed to settle, without an admission that the antitrust laws were violated, FTC allegations that the three rent-to-own operators negotiated and executed reciprocal purchase agreements. Under the terms of the Order (to which Buddy's is also subject), the three rent-to-own operators are prohibited from entering into any reciprocal purchase agreement or inviting others to do so and from enforcing any non-compete clauses still in effect from the past reciprocal purchase agreements. The operators were also required to implement antitrust compliance programs and notify the FTC in the event of certain changes in corporate governance. In addition, the companies are prohibited from having any of their representatives serve as a board member or officer of a competitor and from allowing any competitor's representative to serve on their boards.

Other than ~~this action~~these actions, no litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.

ITEM 5
INITIAL FEES

Franchise Agreement

To apply for a franchise, you will submit a Franchise Application to us including preliminary financial and biographical information. We will evaluate this information and if there is mutual interest in continuing discussions, you will submit the Prospective Franchisee Confidentiality Agreement attached to this Disclosure Document as Exhibit E.

The first payment you must make for any Retail Business is the initial franchise fee. You must pay to us a Forty-Nine Thousand Nine Hundred Dollar ($49,900) initial franchise fee ~~(the "**Initial Franchise Fee**")~~ upon signing the Franchise Agreement. ~~For the second and each subsequent franchise agreement signed by you under the~~If you execute a Development Agreement with us, the ~~Initial Franchise Fee~~initial franchise fee will be Thirty- Five Thousand Dollars ($35,000)~~. The Initial Franchise Fee~~ for the second and each subsequent Franchise Agreement signed by you under the Development Agreement. The initial franchise fee is a lump sum payment, fully earned upon receipt, and is not refundable.

We offer a 20% discount on the initial franchise fee to honorably discharged veterans of U.S. Armed Forces who otherwise meet our program requirements. This discount is only applicable for the first American Freight Retail Business granted to you and may not be combined with any other initial franchise fee discount.

We offer a 10% discount on the initial franchise fee to current and former first responders. That have been in good standing for at least five (5) consecutive years as a firefighter, paramedic or law enforcement officer and who otherwise meet the requirements for an American Freight Retail Business. This discount is only applicable for the first American Freight Retail Business granted to you and may not be combined with any other initial franchise fee discount.

Development Agreement

You must pay to us a non-refundable lump sum development fee (the "**Development Fee**") upon signing the Development Agreement in an amount equal to 100% of the initial franchise ~~fee for the first Retail Business to be developed under the Development Agreement and 100% of the initial franchise fee for each additional~~fees for all Retail Business to be developed under the Development Agreement. You must ~~agree~~commit to develop a minimum of two Retail Businesses under the Development Agreement. ~~No~~For the avoidance of any doubt, if you committed to develop three Retail Businesses under a Development Agreement, at the time you execute the Development Agreement, you would be required to pay the initial franchise ~~fee must be paid when you sign the Franchise Agreement for each additional location. This fee~~ fees for all three Retail Businesses in one lump sum. Using our current fee structure, you would pay $49,900 for the first Retail Business and $70,000 for the second and third Retail Businesses to be developed, or a total of $119,900. Any initial franchise fees payable for a Retail Business is fully earned ~~by us when paid~~ and is not refundable. The range of Development Fees paid to us during the 2022 calendar year was between $17,500 to $154,900.

Initial Inventory

Before opening for business, you must purchase your initial inventory of Approved Products and Services from us or our affiliates. We estimate that the cost of the initial inventory will range from $~~300,000~~250,000 to $~~400,000~~350,000 per Retail Business. Opening inventory purchases are not refundable under any circumstances.

New Store Setup

You must pay to us the sum of $~~15,000 to $~~25,000 to $45,000 to cover the cost to set up your new Retail Business after turnover of location from the landlord. This amount also includes the cost to build display boxes for merchandise presentation and the check-out counter; the set-up of POS equipment (and to ensure systems are working prior to opening); and includes the receiving and set up of inventory for the initial flooring of merchandise prior to opening along with set up of backroom display racking and organization of initial store inventory backstock. The New Store Setup fee is not refundable under any circumstances.

Furniture, Fixtures, and Equipment

You must pay to us or our affiliates the sum of $25,000 to $45,000 to cover the cost of furniture, trade fixtures, and other equipment necessary for the operation of your Retail Business. This amount also includes fixtures to display merchandise, materials to build display fixtures, check-out counters and IT/POS/LP equipment. The fee for Furniture, Fixtures, and Equipment is not refundable under any circumstances.

Grand Opening Advertising

Before opening for business, you must pay us the sum of Ten Thousand Dollars ($10,000) in connection with the grand opening of your Retail Business ("**Grand Opening Advertising Fee**"). We will create a plan for a grand opening program which will consist of print ads, radio and digital marketing to promote the opening of your Retail Business. Such grand opening marketing will be conducted prior to the opening of the Retail Business and continue for three months thereafter. The Grand Opening Advertising Fee is not refundable under any circumstances.

Except as discussed above, you do not pay us or our affiliates any other fees or payments before your Retail Business opens. Neither we nor our affiliates offer financing of the Initial Franchise Fee, Development Fee or other initial amounts payable to us. Except as specifically disclosed, the ~~above described~~above-described fees are uniformly imposed.

ITEM 6
OTHER FEES

Franchise Agreement

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Sales	Weekly	See Notes 1, 3 and 5.
Marketing Fee Obligation	~~The greater of $7,100 or~~1,638.46 per week. Should fiscal monthly sales exceed $142,000, the last weekly payment of the month shall include additional marketing fees not to exceed 5% of Gross Sales of your Retail Business	~~Monthly~~Weekly	See Notes 2, 4 and 5.
Marketing Cooperative Contribution	Not currently established or collected	Determined when established	See Note 2.
Extension Fee	$4000 for each of the first 6 months of the Extension Request and $6,000 for the 7th through 12th month of the Extension Request	Monthly	Payable under the Franchise Agreement or Development Agreement for one Business if you request and we grant in our sole discretion an extension no less than 90 days before any Opening Deadline
Technology Fee	$~~1,500~~346.15 per ~~month~~week, but may increase if our costs increase	~~Monthly~~Weekly	This fee will cover costs of all store systems, store networking, telecommunications and other store IT expenses. See Note 4.
Additional Training	$500 per day	As incurred	
Refresher Training	$500 per day	As incurred	
Additional Assistance	$500 per day	As incurred	
Audit	$100 per hour	Upon demand	See Note 6.
Renewal Fee	50% of the then-current initial franchise fee	Upon demand	
Transfer Fee	$2,000	At time of transfer	
Late Fee/Interest Expense	$100 for each delinquent report or payment under the Franchise Agreement; all late payments will bear interest at 18% per year or the maximum legal rate in the state where the Retail Business is Monthly located.	Automatically upon next electronic transfer of funds	
Relocation Charge	Our costs and expenses	As incurred	
Temporary Operating Expense	Our costs and expenses	As incurred	Payable if you relocate.
Tax Reimbursement	Will vary under the circumstances	As incurred	If we temporarily operate the Retail Business as provided

Type of Fee	Amount	Due Date	Remarks
			under the Franchise Agreement, we have the right to charge you our reasonable costs incurred in operating the Retail Business.
Costs and Attorneys' Fees	Our costs and expenses	As incurred	
Indemnification	Will vary under the circumstances	As incurred	You must indemnify and reimburse us for our costs if we are sued or held liable in any case having to do with the operation of the Retail Business or your breach of the Franchise Agreement. See Note 7.

Notes:

Unless otherwise noted, you pay all fees to us, and all fees are uniformly imposed. All fees are non-refundable. You must sign a draft authorization for your business bank account. A current copy of the draft authorization is included as Exhibit C to the Franchise Agreement. The draft authorization permits us to draw from your account all amounts due and payable to us or our affiliates. You must maintain a sufficient balance to satisfy those account drafts and will be liable for any costs resulting from your failure to do so.

(1) "**Gross Sales**" means all revenue that you receive or otherwise derive from operating your 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 you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Retail Business, there will be added to Gross Sales an amount equal to the imputed gross revenue that the insurer used to calculate those proceeds. Gross Sales does not include (a) any bona fide returns and credits that are actually provided to customers or (b) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Sales calculation.

(2) The Marketing Fee is paid to us for deposit in a Marketing Fund. The Marketing Fee is payable for each Retail Business you own. If a Marketing Cooperative is established, each Retail Business within a designated local advertising area (including any company-owned Retail Business) will be a member of the applicable Marketing Cooperative and each Retail Business will have one vote on all matters requiring a vote.

(3) You must pay us the Royalty Fee under the Franchise Agreement weekly. Each Sunday, we will compute your Gross Sales for the period beginning at midnight on the preceding Sunday and ending at midnight on the Saturday after such preceding Sunday. Before 12:00 p.m. local time in Delaware, Ohio on the next business day after we make the computation of your weekly Gross Sales, we will notify you of the amount of Gross Sales computed by us. After 2:00 p.m. local time in Delaware, Ohio on the next business day after you are notified of the amount of our computation of your weekly Gross Sales, we will withdraw from your account all amounts due and payable to us or our affiliates.

(4) ~~You must pay us the~~The Marketing Fee due under the Franchise Agreement ~~monthly. We~~is paid to us on a weekly basis. Each Monday, we will compute your Gross Sales for the ~~prior fiscal calendar month~~period beginning at midnight on the ~~23rd day of the month for such preceding month. Before 12:00~~

p.m. local time in Delaware, Ohio on the 24th day of the monthpreceding Sunday and ending at midnight on the Saturday after such preceding Sunday. On the next business day after we make the computation of your weekly Gross Sales, we will notify you of the amount oftotal Gross Sales computed by us. After 2:00 p.m. local time in Delaware, Ohio on the 25th day of the monthOn the next business day after you are notified of the computation of your weekly Gross Sales, we will withdraw from your account all amounts due and payable to us or our affiliates for all Marketing Fees and Technology Fees and any other recurring payments due under thisthe Franchise Agreement, whether calculated as a flat fee or based on the Gross Sales computed by us and based on the agreements between you and us and/or our affiliates. If you are required to pay additional Marketing Fees due to your fiscal monthly sales exceeding $142,000, such additional Marketing Fees shall be withdrawn from your account in the same manner as described above. Your Marketing Fees will not exceed 5% of the Gross Sales of your Retail Business.

(5) If we are unable to calculate any fees or other amounts due to us and our affiliates based on Gross Sales, whether as a result of your failure to make the necessary information available to us, communications failures, force majeure or otherwise, we may estimate the amount of fees due and may make a corresponding withdrawal from your account. If we overestimate the amount of fees due from you, then you will receive a credit for the overestimated amount against future fees when the amount has been determined. If we have underestimated the amount of fees due from you, then we will be authorized to withdraw the amount of the underpayment from your account immediately upon such determination.

(6) Audits and inspections generally will be at our expense. However, if an audit is made necessary by your failure to furnish reports, financial statements, tax returns or schedules as required under the Franchise Agreement, or if any audit or inspection reveals that you have understated or underreported Gross Sales, in addition to the amounts owed to us, you must reimburse us the cost and out-of-pocket expenses of the inspection or audit and we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to two years thereafter. Any such further audits and examinations will be at your sole expense, including any professional fees, travel and room and board expenses we incur related thereto. Furthermore, if you intentionally understate or underreport Gross Sales at any time or a subsequent audit or evaluation conducted within the two-year period reveals any understatement of your Gross Sales by 2% or more, in addition to any other remedies provided in this Agreement, we have the right to terminate the Franchise Agreement immediately.

(7) The prevailing party in any action or proceeding under the Franchise Agreement, any lease or sublease, or otherwise relating to the Retail Business will be entitled to recover its reasonable attorneys' fees and costs. You (or your assignee) must also pay the attorneys' fees and costs we incur in any bankruptcy or insolvency proceeding pertaining to you. Further, in the event of a breach or threatened breach of the Franchise Agreement by either party, the aggrieved party will be entitled to an injunction or specific performance, as appropriate, plus reasonable attorneys' fees and costs.

Development Agreement

Unless otherwise noted, you pay all fees to us and all fees are uniformly imposed. All fees are non-refundable.

Aside from the fees payable by you under the Development Agreement, you must pay the fees payable under the Franchise Agreement for each Franchise Agreement you sign for the operation of a Retail Business.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

(RETAIL BUSINESS DEVELOPED UNDER FRANCHISE AGREEMENT)					
TYPE OF EXPENDITURE	**AMOUNT Low ~~to High~~ Range**	**AMOUNT ~~High Range~~**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Initial Franchise Fee (Note 1)	$49,900	$49,900	Lump Sum	Upon Signing of Franchise Agreement	Us
Leasehold Improvements (Note 2)	$0~~ to $50,000~~	$100,000	As Arranged	Varies, depends on vendor terms	3rd party vendors or landlord
Furniture, Fixtures and Equipment (Note 3)	$25,000~~ to $35,000~~	$45,000	As Arranged	As Arranged	Us, our affiliates or 3rd party vendors
Delivery Truck (Note 4)	$5,000~~ to $7,000~~	$7,000	As Incurred	As Incurred	3rd party vendors
Signage (Note 5)	$10,000~~ to $30,000~~	$34,000	As Incurred	As Incurred	3rd party vendors
Three Months' Rent (Note 6)	$~~30,000 to $100,000~~45,000	$75,000	As Incurred	As Incurred	Landlord
Security Deposit (Note 7)	$0~~ to $50,000~~	$30,000	As Arranged	Before Opening	Landlord
Opening Inventory and Supplies (Note 8)	$~~300,000 to $400,000~~250,000	$350,000	Lump Sum	As Arranged	Us, our affiliates or 3rd Party vendors
Grand Opening Advertising (Note 9)	$10,000	$10,000	As Arranged	Before Opening	Us
Training Expenses (Note 10)	$2,000~~ to $12,000~~	$12,000	As Incurred	As Incurred	3rd parties
Miscellaneous Opening Costs (Note 11)	$0~~ to $10,000~~	$10,000	As Incurred	As Incurred	3rd parties
New Store Setup Costs (Note 12)	$~~15,000 to $~~25,000	$45,000	As Incurred	As Incurred	Us

(RETAIL BUSINESS DEVELOPED UNDER FRANCHISE AGREEMENT)					
TYPE OF EXPENDITURE	**AMOUNT Low ~~to High~~ Range**	**AMOUNT High Range**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Additional Funds (Note 13) (3-month period)	$75,000~~ to $170,000~~	$175,000	As Incurred	As Incurred	3rd party vendors, employees, landlord
TOTAL (Note 14)	$~~521,900 to $948,900~~496,900	$942,900			

Notes:

* Except where otherwise noted, we do not offer direct or indirect financing to franchisees for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable. Third party suppliers will decide if payments to them are refundable.

(1) Initial Franchise Fee. The Initial Franchise Fee is $49,900. If you sign a Development Agreement, the Initial Franchise Fee for the second and each subsequent Retail Business that you open under the Development Agreement will be $35,000.

(2) Leasehold Improvements. The costs of construction and leasehold improvements depend upon the size and condition of the premises, whether the landlord will pay for some or all of the build-out, the nature and extent of leasehold improvements required, the local cost of contract work and the location of the Retail Business.

(3) Furniture, Fixtures and Equipment. We will provide you with a list of the furniture, trade fixtures and other equipment necessary for the operation of the Retail Business but this category includes fixtures to display merchandise, materials to build display fixtures, check-out counters and IT/POS/LP equipment. The initial investment required will depend on financing terms available and other factors.

(4) Delivery Truck. This category includes the cost to set up a delivery truck with supplies and equipment ~~if you decide not to outsource delivery and installation services and assumes you will be leasing the~~because all Businesses are required to self – deliver all customer orders. For purposes of this Item 7, we have assumed that you will lease your delivery truck(s).

(5) Signage. This category includes American Freight signage for the exterior of the building (1 to 2 signs, depending on building size) and any pylon signs as allowed by landlord, as well as interior signage required in the Operations Manual. Who is responsible for procuring the exterior signage and ensuring proper installation will be determined by us. You are not permitted to use local sign vendors at your Retail Business.

(6) Lease. You typically will rent the premises for the Retail Business. We are unable to estimate with any precision the costs of leasing or purchasing real estate because of the wide variation from region to region and between urban and rural areas. A new lease will vary in rental amounts, lease terms, amount of space, tenant improvements, security deposit and advance rental required, and the cost of purchasing real estate is extremely site-dependent. Location is a major factor in the amount of rent needed, as are the age and quality of the building, the proximity to residential areas and other commercial areas of interest, local demographics, real estate related taxes in the jurisdiction, brokerage commissions, the length of the lease,

and other factors. Your location will typically be ~~20,000~~25,000 to 30,000 square feet. American Freight Retail Businesses are usually located in strip-type centers or free-standing buildings.

(7) Security Deposits. Landlords may require a security deposit. A typical lease deposit will be an amount equal to one month's rent.

(8) Opening Inventory and Supplies. Your initial inventory must be purchased from us or any approved suppliers. Initial inventory consists of various Approved Products and Services used in the operation of the Retail Business as well as other merchandise or products offered for sale by the Retail Business. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies~~ and if you are selling home appliances (which would account for an additional $50,000 to $60,000 of inventory costs)~~.

(9) Grand Opening Advertising. This amount is paid to us for advertising support for the grand opening of the Retail Business which could include flyers, newspaper ads, digital marketing, billboards and other forms of media.

(10) Training. You must make arrangements and pay the expenses for at least two people, including your General Manager and any additional people we may require, to attend our initial training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodations you choose.

(11) Miscellaneous Opening Costs. This category includes security deposits for utilities, permits and cash fund for the register, among other things.

(12) New Store Setup Costs. This category includes the cost to set up new store after turnover of location from the landlord. Includes the cost to build display boxes for merchandise presentation and the check-out counter. Also includes set up of POS equipment and ensure systems are working prior to opening. In addition, includes the receiving and set up of inventory for the initial flooring of merchandise prior to store opening along with set up of backroom display racking and organization of initial store inventory backstock.

(13) Additional Funds. This amount of working capital is projected as sufficient to cover initial operating expenses, including payroll, payroll taxes, employee benefits, utility costs, insurance, supplies, credit card interchange fees, local marketing, for a period of three months. This amount is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document.

(14) Total. This total is an estimate of your initial investment and is based on our estimate of average costs and market conditions prevailing as of the date of this Disclosure Document and our affiliates' 26 years of experience. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

(DEVELOPMENT OF MULTIPLE RETAIL BUSINESSES UNDER DEVELOPMENT AGREEMENT – for a Minimum of Two Retail Businesses)				
TYPE OF EXPENDITURE	**AMOUNT**	**METHOD OF PAYMENT**	**WHEN DUE**	**TO WHOM PAYMENT IS TO BE MADE**
Development Fee	$84,900 (for a minimum of two Retail Businesses)	Lump Sum	Upon Signing of Development Agreement	Us
TOTAL (for development of first Retail Business)(Note 2)	$~~556,900~~531,900 to $~~983,900~~977,900 See Table above for range of development costs for each Retail Business			

Notes:

* We do not offer direct or indirect financing to developers for any items. Except where otherwise noted, all amounts that you pay to us or our affiliates are nonrefundable.

(1) Development Fee. Upon signing the Development Agreement, you must pay us the Development Fee. The Development Fee varies, and it will be ~~an amount~~ based ~~on~~upon the number of Retail Businesses you commit to developing under the Development Agreement. You must commit to develop ~~a minimum of~~at least two Retail Businesses under the Development Agreement and the total investment to begin operation if you acquire development rights (for a minimum of 2 Retail Businesses) is $~~556,900~~531,900 to $~~983,900~~977,900. For the second and each subsequent franchise agreement signed by you under the Development Agreement, 100% of the ~~Initial Franchise Fee of Thirty Five~~initial franchise fee of Thirty-Five Thousand Dollars ($35,000) will be paid when you sign the Development Agreement.

(2) Total Initial Investment. For each Retail Business that you develop pursuant to a Development Agreement, you will execute a Franchise Agreement and incur the initial investment expenses for the development of a single Retail Business as described in the first table in this Item 7. ~~No~~The initial franchise ~~fee is owed upon execution of the Franchise Agreement since the initial fee was paid in full upon execution of~~ fees for all Retail Businesses to be developed under the Development Agreement are paid at the time you execute the Development Agreement. No additional initial franchise fees are due when you execute the individual Franchise Agreement for each Retail Business.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To help ensure a uniform image and uniform quality of products and services throughout the System, you must maintain and comply with our quality standards.

We must consent to the location of the Retail Business, and you will enter into a lease with the landlord for the location. You and the landlord must execute the standard form of lease addendum (attached to the Franchise Agreement as Exhibit E).

You must construct and equip the Retail Business in accordance with our approved design, specifications and standards. In addition to meeting our design specifications and standards, it is your responsibility to ensure that your building plans comply with the Americans With Disabilities Act and all other federal, state and local laws.

Designated Sources

We will furnish you with lists of approved supplies and approved suppliers (including lists of Approved Products and Services). You must only use Approved Products and Services, equipment, fixtures, furnishings, signs, advertising materials, trademarked items, novelties and other items in construction and operation of your Retail Business as set forth in the approved supplies/services and approved suppliers lists we establish. We may approve and change the manufacturer or supplier for approved supplies/services. Certain approved supplies/services may only be available (due to the availability or our restrictions on whom you must purchase from) from one source or select suppliers designated by us, and we and/or our affiliates may be the only source. Currently we or our affiliates are the only supplier for the Retail Business inventory. You will pay the then-current price in effect for approved supplies/services you purchase from us or our affiliates, and we and our affiliates will make a profit on those sales to you. All products, equipment, supplies, services and other items used in the operation of your Retail Business that are not included in approved supplies/services or approved suppliers' lists must conform to the specifications and standards we establish periodically.

We may establish a distribution center, or designate a distributor(s) for the System, for Approved Products and Services and require System franchisees to purchase Approved Products and Services from our distribution center, or a distributor(s) designated by us (no matter if there are alternate suppliers/distributors for the Approved Products and Services that are available to you).

We establish and modify specifications and standards for approved products based on our ongoing review of using quality products through our affiliates' operation of its businesses and our communications with manufacturers and suppliers. Based on those ongoing events, we may revise the list of approved suppliers. We give you the updated approved lists as we believe is advisable.

If we permit any items to be submitted for approval as Approved Products and Services or permit any Approved Product and Service to be a source from a supplier other than our designated single-source supplier or other select suppliers designated by us, you may propose the item and/or a supplier not on our approved list for our prior written approval. We may require you to submit sufficient information, specifications and samples concerning the item or supplier for us to determine whether the item or supplier meets our criteria. You must reimburse us for all costs and expenses that we incur in reviewing the alternative item or supplier. Our determination of approved suppliers, brands, manufacturers, distributors or supplies/services will be based on a variety of criteria, which may include quality, conformity with our specifications, reputation, delivery capability, design, price, insurance, distribution methods, supplier considerations and compatibility with the System. We generally will notify you of supplier approval or disapproval within 30 days of our receipt of all the information and samples we request but if you do not receive a response from us within 30 days, the supplier is deemed disapproved. The supplier also may be required to sign a supplier agreement. We may re-inspect the facilities and products of any supplier of an approved supplier or item and revoke our approval of any supplier or item that fails to continue to meet any of our criteria.

We will send written notice of any revocation of an approved supplier or item. We may require you to immediately withdraw from supply in your Retail Business any Approved Products and Services or any other product or service which in our reasonable opinion (i) does not conform or no longer conforms with the standards, quality controls and specifications for products or services to be supplied in an American

Freight Retail Business; (ii) does not conform or no longer conforms with the range of products or services to be supplied in a American Freight Retail Business; or (iii) is, or may be, a health or safety risk.

There may be certain products or goods that require minimum orders from suppliers which would be greater than any individual American Freight Retail Business, in our experience, could reasonably make. In order to provide the opportunity for our franchisees to offer these certain products or goods, we or our affiliates may, periodically, purchase these products or goods in sufficient quantities to meet the supplier's minimum order requirements and then make these products or services available to our individual franchisees for sale at their American Freight Retail Businesses.

We and our affiliates reserve the right to receive rebates or other consideration from suppliers in connection with your purchase of these products or goods from us. The range and level of rebates are dictated by the suppliers or manufacturers, and often there are volume requirements that must be met or undertaken before these rebates are distributed to us and/or our affiliates. We and/or our affiliates will retain and use such payments as we deem appropriate or as required by the vendor. ~~During our~~For the fiscal year ended December ~~25, 2021, we received $41,375 from vendors on account of franchisee purchases and consumer financing programs. Our affiliate received $540,633 from required purchases or leases by franchisees for the same period~~31, 2022, we had total revenues of $3,206,703. During the 2022 fiscal year, we received $2,827,342 from the sale of inventory to our franchisees, which amount represented 88% of our total revenues for the fiscal year. In the fiscal year ended December 31, 2022, we earned amounts totaling $53,603 from approved and designated vendors who provided goods and services to our franchisees. Of that amount, $21,918 was received from the vendor who provides financing for customers purchasing products and services from our franchisees. The other $31,685 was received as a vendor subsidy of which $21,777 was shared with the franchisees as part of a vendor promotion. These payment figures described in this paragraph are unaudited and internally generated. There are no approved, recommended or required suppliers in which any of our officers own an interest.

We may negotiate prices for products or services for the benefit of the System but not on behalf of individual franchisees. This does not guarantee that the price for these products or services will be lower than other similar products on the market. We do not have purchasing or distribution cooperatives as of the date of this Disclosure Document. You may use only marketing and promotional materials that meet our standards.

To ensure the efficient management and operation of your Retail Business, and the transmission of data to and from us, your Retail Business must have, use and maintain, (i) such register, workstation and kiosk computers, monitors and printers, credit card terminals and other computer related accessories or peripheral equipment as we specify in the Operations Manual or otherwise in writing, and (ii) computer and communication software, used to record, analyze and report sales, inventory and tax information, as we specify in the Operations Manual or otherwise in (collectively, the "Computer System"). You must obtain from us our software package ("Software Package") that includes a license for all necessary software to run your Retail Business and includes one license for Office 365 for your business-related e-mail. In addition to the Software Package, we reserve the right to designate a single source from whom you must purchase other portions of the Computer System and we may be the designated single source for such other portions of the Computer System or a designated supplier for certain aspects of the Computer System. You may not use any unapproved hardware or software or component of the Computer System that has not been obtained from the source(s) we designate.

You must carry insurance policies protecting you, us, our affiliates and any other persons we designate by name. You must purchase insurance policies with the coverages we specify in the Operations Manual or otherwise in writing. Currently, you must have comprehensive general liability insurance with $1,000,000 minimum coverage per occurrence and $2,000,000 in the aggregate, automobile liability

insurance with a combined single limit of $1,000,000 minimum coverage, personal injury coverage of $1,000,000 per occurrence, product liability coverage of at least $2,000,000, umbrella liability coverage of $2,000,000 per occurrence and in the aggregate, business property insurance that extends coverage on a replacement cost basis, workers compensation and employers' liability insurance as required by law, cyber insurance, and any other coverage required by law or your lease. All insurance policies must name us as an additional insured party. You must furnish us copies of all insurance policies.

We estimate that your payments to us and/or our affiliates and your purchase of products and services that meet our specifications and standards will represent approximately 80% of the cost to establish the Retail Business and approximately 80% of the cost to operate the Retail Business on an ongoing basis.

We consider a variety of factors when determining whether to renew or grant additional franchises. The factors we consider include compliance with the requirement described in this Item 8.

ITEM 9
FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise, Development 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	Section 6 (a) of Franchise Agreement	Item 11
b. Pre-opening purchases/leases	Section 9 of Franchise Agreement	Items 5, 6 and 11
c. Site development and other pre-opening requirements	Section 9 of Franchise Agreement; Section 3 of Development Agreement	Items 5 and 11
d. Initial and ongoing training	Section 7 (b) and (c) of Franchise Agreement	Items 6 and 11
e. Opening	Section 6 (b) of Franchise Agreement; Sections 1 and 3.1 of Development Agreement	Item 8
f. Fees	Sections 5 and 12 of Franchise Agreement; Sections 2 and 4.3 of Development Agreement	Items 5, 6, and 11
g. Compliance with standards and policies/~~Operating~~Operations Manual	Section 9 (h) and (i) of Franchise Agreement	Items 1, 7, 8 and 11
h. Trademarks and proprietary information	Section 10 of Franchise Agreement; Section 9 of Development Agreement	Item 13
i. Restrictions on products/services offered	Section 9 of Franchise Agreement	Items 8 and 16

Obligation	Section in Agreement	Disclosure Document Item
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development and sales quotas	Section 4 of Development Agreement	Item 12
l. Ongoing product/service purchases	Section 9 of Franchise Agreement	Items 6, 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 6 and 13(f)(vi) of Franchise Agreement	Item 8
n. Insurance	Sections 8 (d), (e), and (f) of Franchise Agreement	Items 7 and 8
o. Advertising	Section 12 of Franchise Agreement	Items 6 and 11
p. Indemnification	Section 8(c) of Franchise Agreement	Item 17
q. Owner's participation/management/ staffing	Section 7 of Franchise Agreement	Item 15
r. Records and reports	Sections 5(h), (j) and 9(q) of Franchise Agreement	Item 8
s. Inspections and audits	Section 5(k) and 9(k) of Franchise Agreement	Item 6
t. Transfer	Section 13 of Franchise Agreement; Section 7 of Development Agreement	Item 17
u. Renewal	Section 3 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 15 of Franchise Agreement; Sections 6.2 and 8.2 of Development Agreement	Item 17
w. Non-competition covenants	Sections 8 (g),(h),(i),(j) of Franchise Agreement; Section 8 of Development Agreement	Item 17
x. Dispute resolution	Section 16 of Franchise Agreement; Section 9 of Development Agreement	Item 17
y. Personal Guaranty of spouse/owner/shareholders	Section 17(f) and Exhibit D of Franchise Agreement; Appendix C of Development Agreement	Item 15

ITEM 10
FINANCING

~~The following financing program is currently available to you, if you meet the credit requirements of the lender. The lender has final discretion to determine whether you are credit worthy and otherwise qualify for the financing.~~

~~ConnectOne Bank ("**CNOB**") offers financing for your equipment, fixtures, furniture, computers, inventory and signs. At its sole discretion, CNOB may offer you financing for other items associated with your franchise. The amount of financing will vary depending on your costs, but CNOB may loan up to 75% of the costs required to establish your location (including but not limited to fixtures, furniture, computers. inventory and signs). The interest factor in the loan will be tied to prevailing conditions, your individual credit history, personal financial condition and other underwriting criteria determined at the sole discretion of CNOB. Currently, the rate is 500 to 700 bps over the five (5) year Treasury rate. This rate shall remain fixed for a period of 5 years. At the end of the first 5 years, the rate shall reset using the then current five (5) year treasury rate. CNOB will set a floor but there will be no ceiling on the rate. The term of the loan can range from 84 to 120 months. CNOB takes a security interest in and will file a financing statement against all the equipment and assets of your franchise operating company and location. The principals of the franchisee and their spouses must personally guaranty the loan. We will guarantee up to an aggregate of $500,000 of all debt financed by CNOB through this financing program. The loan is non-cancelable, and all payments must be made on a timely basis. The loan may not be prepaid during the first 24 months and thereafter the franchisee can prepay up to 15% annually without prepayment penalty. The prepayment penalty is determined as follows: a percentage of remaining principal balance as of the date loan repayment occurs, calculated as follows: 3% during year 3, 2% during year 4, and 1% during year 5. Delinquent payments are subject to a late charge of 5% of the monthly payment. If you default under the loan agreement, you may be immediately liable for all future payments, including accrued interest, less the net proceeds from any disposition of the assets. You will also be responsible for all costs of collection, including reasonable attorney fees. Also, CNOB may repossess the secured assets. A default under a loan agreement may lead to the termination of your franchise rights, property lease and\or sublease. In the loan agreement, you waive notice of repossession after default and any defenses to your obligations to CNOB. You also waive trial by jury and agree to application of New Jersey law and to jurisdiction of the courts in Bergen County, State of New Jersey. CNOB has and may in the future sell, assign, syndicate and\or discount its loans to a third party. Copies of the current CNOB Loan Agreement and related documents, are attached as Exhibit K.~~

~~Except as described above, we~~We do not offer direct or indirect financing~~. We~~ and we do not guarantee your note, lease or any financial obligation related to your Retail Business.

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

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance~~:~~.

Franchise Agreement. Before you open the Retail Business developed under the Franchise Agreement, we will:

1. Provide you with site selection guidelines and general building and design requirements for the Retail Business. You typically will lease or sublease the premises for the Retail Business from a third party. (Franchise Agreement, Sections 6(a), (c), (d) and (e))

2. Provide you with the Approved Products, Approved Suppliers and Approved Supplies Lists. (Franchise Agreement, Sections 9(a) and (b)) We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for Approved Products and Services. (Franchise Agreement, Section 9(f))

3. Provide you with access to ~~a copy of the~~copies of our Pre-opening Manual and Operations Manual, collectively, the "**Manuals**") containing mandatory and suggested specifications, standards and operating procedures for the Retail Business. (Franchise Agreement, Section 4(a))

4. Approve all grand opening promotional materials and advertising to be used by you. (Franchise Agreement, Section 12(d))

5. Provide the initial training program described below. We provide this initial training program without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Franchise Agreement, Section 7(b))

Development Agreement. Before you open a Retail Business developed under the Development Agreement, we will designate your Development Area and the Development Schedule with which you must comply in order to be in compliance with the Development Agreement. (Development Agreement, Section 1)

Ongoing Assistance.

Franchise Agreement. During the operation of the Retail Business, we will:

1. Maintain the Marketing Fund. (Franchise Agreement, Section 12(a))

2. Provide updates to the Approved Products, Approved Suppliers and Approved Supplies Lists. (Franchise Agreement, Section 9)

3. Make periodic visits to the Retail Business as we reasonably determine to be necessary to provide consultation and guidance. (Franchise Agreement, Section 4(c))

4. Provide refresher training courses, as we determine necessary and require you to attend. We provide these training programs without charge; however, you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Franchise Agreement, Section 7(c))

5. Furnish you periodically with updated and revised material for the ~~Operations Manual~~Manuals. (Franchise Agreement, Section 4(a))

Development Agreement. The Development Agreement does not require us to provide any other assistance or services during the operation of the Retail Businesses. All ongoing obligations to you in approving your future locations will be provided according to the then-current terms of any Franchise Agreements between you and us, including our then-current site selection guidelines.

Advertising and Websites.

Recognizing the value of advertising, and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, we may require you to satisfy the Advertising Obligation. We will determine what proportion of the Advertising Obligation you must: (1) pay as a Marketing Fee to the Marketing Fund; (2) spend on local marketing, advertising and promotion;

and (3) contribute to a Marketing Cooperative (if one is established for your region). (Franchise Agreement, Section 12). As of the date of this Disclosure Document, there are no franchisee advertising councils.

You (directly or through a Marketing Cooperative) may not use any marketing or promotional plans or materials until the materials have been submitted for our prior approval. If you do not receive written notice of approval from us within 14 days of the date of receipt by us of the samples or materials, we will be deemed to have disapproved them for your use. (Franchise Agreement, Section 12.(d))

Marketing Fund.

We have established and administer the Marketing Fund. You must pay us ~~the monthly Marketing Fee which is the greater of $7,100 or 5% of your monthly Gross Sales payable by the 25th day of each month as further described in Item 6~~a weekly marketing fund contribution equal to $1,638.46. Should fiscal monthly sales exceed $142,000, the last weekly payment of the month shall include additional marketing fees not to exceed 5% of the Gross Sales of your Retail Business. The Marketing Fee will be placed in the Marketing Fund that we own and manage. We may use the Marketing Fund to formulate, develop, and conduct marketing and promotion programs to promote the System and products in a form and media we determine in our sole judgment to be appropriate. Media used for any marketing program may include television, radio, newspapers, magazines, the internet and other written publications, which all may be local, regional or national in coverage. We may use national and regional marketing and advertising agencies periodically to create and place advertising and other marketing communications. We reserve the right to use the Marketing Fund to reimburse us for all costs that we incur related to the marketing and promotion programs, including the proportionate compensation of employees who devote time and render service in the conduct, formulation, development and production of the marketing and promotion programs or the administration of the Marketing Fund. Our company-owned and affiliate-owned businesses will contribute to the Fund on the same basis as franchisees.

We have no obligation to spend any amount on marketing in the area or Territory where you are located. Marketing Fund contributions not spent in any fiscal year will be carried over for future use. The Marketing Fund is not a trust or escrow account, creates no fiduciary duties or obligations, and is our property. You have no property rights of any kind with respect to the monies in the Marketing Fund. Upon request, we will provide you with an unaudited financial report showing receipts and disbursements of the Marketing Fund. During the 2022 fiscal year, Marketing Fund contributions collected were spent as follows: 65% digital marketing, 20% traditional marketing (Media/TV/Print/Radio/Streaming), 5% other expenses, and 10% administrative expenses. The Marketing Fund will not be used for advertising principally directed at the sale of franchises. ~~During the last fiscal year, Marketing Fund contributions collected were spent as follows: 25% traditional marketing (radio/TV/print); 65% digital marketing; and 10% administrative expenses.~~

You must also participate in any promotional programs and customer loyalty programs we establish, including (i) purchasing from us any cards, application forms and other materials for use in connection with the customer loyalty program, and (ii) honoring any customer loyalty points or rewards a customer has accrued whether from the Retail Business or elsewhere.

Local Marketing Expenditure.

~~You must~~We recommend you spend at least 2% of your ~~Gross Sales~~gross sales on approved local marketing~~, advertising and promotion~~. As discussed above, you must submit your marketing materials to us for approval (including print, electronic or other forms of media). We may provide to you, in the ~~Operations Manual~~Manuals or otherwise in writing, information specifying the types of local marketing,

advertising and promotional activities that qualify as local marketing, advertising and promotion under the Franchise Agreement.

Advertising Cooperatives.

There are currently no local or regional advertising cooperatives. We have the right to designate local advertising markets ("**Marketing Cooperatives**") and, if designated, you must direct some or all (as designated by us) of your local marketing expenditures to the Marketing Cooperative in your designated local advertising market. Each American Freight Retail Business (which includes any company-owned Retail Business) within a designated local advertising area will be a member of the applicable Marketing Cooperative and each American Freight Retail Business will have one vote on all matters requiring a vote. We reserve the right to designate the bylaws that govern the operation of Marketing Cooperatives, although the bylaws cannot modify the voting structure set forth in the prior sentence. We may also designate the amount that you must contribute to the Marketing Cooperative. Any dispute which arises in any Marketing Cooperative regarding the amount or usage of such local marketing expenditures will be resolved by us in our sole discretion.

Websites.

Any Website (as defined below) is deemed "advertising" under the Franchise Agreement and is subject to (among other things) our review and prior written approval before it may be used. The term "**Website**" means an interactive electronic document, contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In connection with any Website, you agree to the following:

1. We may establish a Website to promote the Trademarks, any or all of the Approved Products and Services, American Freight Retail Businesses and/or the System. We have the right to control all aspects of the Website, including its design, content, functionality, links to the Websites of third parties, and policies and terms of usage.

2. You may not establish a Website that uses or involves the Trademarks, or any of the Approved Products and Services, American Freight Retail Businesses or the System.

3. We may designate one or more webpage(s) of any Website that we maintain to describe any of our franchisees and/or American Freight Retail Businesses. We may limit and/or discontinue any or all webpages.

4. In addition to any other applicable requirements, you must comply with our policies for Websites (which we may issue periodically in the ~~Operations Manual~~Manuals or otherwise in writing). (Franchise Agreement, Section 9 (o)).

Computer System.

To ensure the efficient management and operation of your Retail Business, and the transmission of data to and from us, your Retail Business must have, use and maintain, (i) such register, workstation and kiosk computers, monitors and printers, credit card terminals and other computer related accessories or peripheral equipment as we specify in the Operations Manual or otherwise in writing, and (ii) computer and communication software, used to record, analyze and report sales, inventory and tax information, as we specify in the Operations Manual or otherwise in (collectively, the "**Computer System**"). We estimate that the costs for the computer hardware will range from $10,000 to $15,000. You must obtain from us our software package ("**Software Package**") that includes a license for all necessary software to run your Retail

Business and includes one license for Office 365 for your business-related e-mail, which is included in the Technology Fee that is currently ~~$1,500~~346.15 per ~~month~~week. In addition to the Software Package, we reserve the right to designate a single source from whom you must purchase other portions of the Computer System and we may be the designated single source for such other portions of the Computer System or a designated supplier for certain aspects of the Computer System. You may not use any unapproved hardware or software or component of the Computer System that has not been obtained from the source(s) we designate. In addition, you agree to the following:

1. Your Computer System must have the capacity to electronically exchange information, messages and other data with other computers, by such means (including the Internet and the Intranet), and using such protocols (e.g. TCP/IP), required in the ~~Operations Manual~~Manuals or otherwise in writing. You must maintain at all times, access to the Intranet in the manner specified by us in the ~~Operations Manual~~Manuals or otherwise in writing. If required by us, you must execute such agreements or acknowledge such policies as we may prepare for use of the Intranet, and you must all times to comply. You must maintain (i) an email account for our direct correspondence with the General Manager; and (ii) a separate email account for your Retail Business;

2. You will provide us with full access to the Computer System and to all data associated with the operation of your Retail Business. We will have the right, at any time, to retrieve data and information relating to the operations of your Retail Business from your Computer System through direct access, by internet connection, modem or other requested means and use it for any reasonable business purpose both during and after the Term. We may specify in the ~~Operations Manual~~Manuals or otherwise in writing the information that you must collect and maintain on the Computer System installed at your Retail Business, and you must provide to us reports as we may request from the data collected and maintained, which must be in the form and format we designate. We also have independent access to the ~~point of sale~~point-of-sale system and all data.

3. You must keep your Computer System in good maintenance and repair and, at your expense, must promptly install such additions, changes, modifications, substitutions and/or replacements to the Computer System, telephone and power lines and other computer related facilities, as we direct. Subject to the requirements in this Agreement, you will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your Computer System; (b) the manner in which your Computer System interfaces with our computer systems and the computer systems of third parties; and (c) any and all consequences that may arise if your Computer System is not properly operated, maintained or upgraded;

4. We may develop or authorize others to develop software programs for use in the System, which you may be required to purchase and/or license and use in connection with your Retail Business and for which you may be required to execute a license, sublicense or maintenance agreement with us or the approved vendor. All right, title and interest in software programs will remain with the licensor of the software programs;

5. If required by us, you must: (i) contract with us or any service providers designated by us to provide infrastructure, platforms and/or computing services and resources to be used in connection with or as part of the Computer System (e.g. web hosting services, cloud computing services) as required by us in the ~~Operations Manual~~Manuals or otherwise; or (ii) obtain such services and resources under any contracts or arrangements we establish to obtain such services and resources for the System. You acknowledge that we will have no liability to you in connection with any Computer System problems, including any problems caused by any approved supplier or service provider providing products or services related to the Computer System; and

6. You may not use or download any software programs on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software programs, you are liable for all damages and problems caused by the unauthorized software program in addition to our other remedies provided under the Franchise Agreement.

Site Selection and Build-Out.

You must select the site for the Retail Business according to site selection guidelines we provide. Upon your submission of all required information, we will provide you with written notification within 30 days whether or not we have consented to the site you selected. If we have not delivered to you written notice of our acceptance of a proposed site within 30 days after receiving the complete site report, that site will be deemed rejected. You may not develop a Retail Business on the site unless we have consented to the site. Once you obtain our written consent, the site will become the Authorized Location designated on Exhibit A to the Franchise Agreement. The site selection factors considered by us in deciding whether or not to object to the location may include the following: (a) demographics; (b) traffic patterns; (c) visibility; (d) ability to reflect image to be portrayed by ~~American Freight~~ Retail Businesses; (e) adequacy of signs and image; ~~and~~ (f) locations of competitors' stores and (g) location of company-owned Retail Businesses .

If the Retail Business is not ready to open for business within 9 months after the signing of the Franchise Agreement, we have the right to terminate the Franchise Agreement or we may grant you, in our sole discretion, an extension for up to 12 months upon our receipt of your written request before the expiration of the 9-month deadline. If we determine, in our sole discretion, that you are in good faith using your best efforts to get the Retail Business open for business, then upon your written request and upon your execution of a withdrawal authorization form, we may permit you to extend, for a period of time to be determined by us, not to exceed 12 months, the date by which the Retail Business must be open and operational. If we grant you an extension, you must pay us monthly extension fees as follows: $4000 per month for each of the first 6 months of any extension, and $6,000 per month for months 7 through 12 of any extension. We shall have the right to withdraw the monthly extension fee from your bank account pursuant to the terms of the withdrawal authorization. The monthly extension fees that you pay us will not be refunded under any circumstances and will not be credited against any fee paid to us. There is no guarantee that we will grant you any extensions. If you fail to obtain an Authorized Location and begin operations of your Retail Business within the extended timeframe, we may terminate the Franchise Agreement. (Franchise Agreement, Section 6(b)).

You are generally responsible for purchasing and installing the necessary equipment, signs, fixtures, opening inventory and supplies per our written specifications. You are also responsible for complying with all local ordinances and building codes and obtaining any required permits. We may require you to purchase some or all of these items from us, an affiliate of ours, or a designated third party.

Time Before You Open Your Business.

We expect that you will open your Retail Business within 4 to 6 months after you sign the Franchise Agreement. However, you are required to open the Retail Business within 9 months from the signing of the Franchise Agreement. These deadlines may only be extended by prior written agreement with us. If you fail to begin operations within the required timeframe, we may terminate the Franchise Agreement (Franchise Agreement, Section 6(d)).

Factors that may impact this length of time may include whether you have a site selected upon execution of the Franchise Agreement, your ability to obtain a site, prepare a site survey, arrange leasing and financing, make leasehold improvements, install fixtures, equipment, and signs, decorate the Retail Business, meet local requirements, and obtain inventory and similar factors.

~~Operations Manual~~Manuals.

We will provide you with access to ~~a copy of~~ our Pre-Opening Manual and Operations Manual. Our ~~Operations Manual contains~~Manuals contain proprietary information, and you must keep such information confidential. ~~A copy of the Table~~The Tables of Contents for the current ~~Operations Manual is~~Manuals are attached as Exhibit G. The Pre-Opening Manual currently has a total of 107 pages and the Operations Manual has a total of ~~18~~17 pages ~~an~~and contains links to full length documents on our Intranet with our most current policies and procedures.

Training.

Before you open the Retail Business, at least two individuals, including you and your store manager and such other individuals as we designate must attend and successfully complete to our satisfaction our initial training program. Your failure to successfully complete training may result in termination of the Franchise Agreement. In this case, we will refund any fees paid by you to us, less our reasonable expenses. Training generally occurs at our training facilities in Delaware, Ohio, but we may schedule your training at a corporate location or other site located closer to you. In addition, in our sole discretion, all or any part of the training may be conducted virtually. We offer the training program as we determine necessary. You must pay for the salaries, fringe benefits, travel costs and expenses, and related costs for the individuals associated with you who attend the training program, but there is no separate fee for you and the other person to attend the initial training program which is included in the Initial Franchise Fee.

INITIAL TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-job Training	Location
Leadership	7 hours	0	Delaware, Ohio
Marketing	3 hours	0	Delaware, Ohio
Operations	10 hours	0	Delaware, Ohio
Sales	20 hours	0	Delaware, Ohio
In-store Operations	0	30 hours	Your store location
TOTAL	40 hours	30 hours	

~~Kristin McCormick~~Brandon Huff, Brian Flinn, Marcus Walker, and ~~Dan~~Daniel Norris will oversee all training. Their experience is as follows: ~~Ms~~Mr. ~~McCormick~~Huff has spent ~~22~~the past 17 years in the Learning and Development~~, with the last 19 of these years involved in training for Sears, Sears Home Outlet and~~ space, in a variety of roles. Brandon leads the Learning and Development team for American Freight; Mr. Walker has spent ~~21~~22 years in retail, with the last 11 years in training roles for Sears, Sears Home Outlet, and American Freight. Mr. Flinn has spent 30 years in retail, with the last 10 years in training ~~retail~~roles for Sears, Sears Home Outlet, and American Freight~~; and~~. Mr. ~~Flinn~~Norris has spent ~~29~~30 years in retail, with the last ~~9~~7 years in training ~~retail~~roles for Sears, Sears Home Outlet and American ~~Freight; Mr. Norris has spent 12 years in retail, with the last 6 in training retail for Sears, Sears Home Outlet and~~

~~American~~ Freight. Additional employees who have experience in some facet of the operation of an American Freight Retail Business (for example, ~~opening~~store openings, operations, or systems management), will assist in training. The minimum years of experience for any additional employees who assist in training is approximately 6 years. The instruction materials for the training consists of our ~~Operations Manual~~manuals and various presentations and demonstrations.

ITEM 12
TERRITORY

Franchise Agreement and Development Agreement

The following describes how the Territory and Development Area are determined, and the rights that you and we have under the Franchise Agreement and Development Agreement.

Franchise Agreement

If the location for the Retail Business is known at the time that you sign the Franchise Agreement, (i) your Franchise Agreement will specify the location for Retail Business and (ii) the Territory will be determined by you and us before you sign the Franchise Agreement and the geographic area constituting the Territory will be described in the Franchise Agreement. The size and scope of the Territory will be contained in the Franchise Agreement. To determine the Territory, we use the density classes as defined by Forum Analytics. Once a Retail Business location is determined, we use the zip code of the Retail Business to determine to which class the trade area is assigned and the trade area radius, using the SIMMS Suggested Radius to define the Territory. If the location for the Retail Business is not known when you sign the Franchise Agreement, we will designate ~~the Territory once we authorize a location for the~~a geographic area within which you will look for a site for your Retail Business. Once you locate a possible site for your Retail Business, ~~and~~we will evaluate the site. If we authorize the site, then the location for the Retail Business and description of the Territory will be documented in an addendum to ~~the~~your Franchise Agreement. The territories for American Freight Retail Businesses may have overlapping customer bases.

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

During the term of the Franchise Agreement, we will not establish, nor franchise any other person to establish or operate ~~a~~an American Freight Retail Business in the Territory except as may be permitted under the Franchise Agreement and those exceptions are described in this Item 12. There are no circumstances under which the Territory may be altered prior to expiration or termination of the Franchise Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration or other factors, other than compliance with the Franchise Agreement. Except as described below, you will have no right of first refusal and, unless you sign the Development Agreement, you will not have any similar rights to acquire additional franchises or establish additional American Freight Retail Businesses. You do not have the right to relocate the Retail Business without our prior written authorization.

You may not solicit and sell products or services identified by the Trademarks to customers and prospective customers residing outside the Territory and Development Area through any other channels of distribution, including by catalog, telemarketing, the Internet or other direct marketing. You may only sell products and services from your Authorized Location.

Development Agreement

If you sign a Development Agreement, the Development Agreement will specify a Development Area, within which you may locate potential sites for Retail Businesses, subject to our approval and according to our then-current site selection guidelines. The size and scope of the Development Area will be contained in the Development Agreement and will be determined on a case-by-case basis. The factors that we consider in determining the size of a Development Area include current and projected market demand, demographics and population, traffic patterns, location of other American Freight Retail Businesses, the financial and other capabilities of the developer, and our development plans.

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

During the term of the Development Agreement, if you are in full compliance with the obligations under the Development Agreement and Development Schedule and any other agreements between you and your affiliates and us and our affiliates, we will not operate, nor license any other person to establish or operate a American Freight Retail Business in the Development Area except as may be permitted under the Development Agreement and those exceptions are described in this Item 12. If you fail to pay any franchisee fees or execute any Franchise Agreement by any fee deadline; comply with the Development Schedule; an event occurs which gives us the right to terminate any Franchise Agreement; or you breach or otherwise fail to comply fully with any provision contained in the Development Agreement, we may terminate the Development Agreement, extend deadlines, or reduce the size of the Development Area to a lesser area that we determine. There are no other circumstances under which the Development Area may be altered prior to expiration or termination of the Development Agreement. Your territorial protection is not dependent upon achievement of a certain sales volume, market penetration, or other factors, other than compliance with the Development Agreement and Development Schedule.

Your rights in the Development Area will not apply to American Freight Retail Businesses (or their related territories) operating when you sign the Development Agreement, approved for development or under development in the Development Area when you sign the Development Agreement.

Our Reserved Rights (Franchise Agreement and Development Agreement)

Under the Franchise Agreement and Development Agreement, we and our affiliates retain all the rights that we do not specifically grant to you. Among the rights that we and our affiliates retain are the following (the following list is only for purposes of illustration and is not meant to limit our and our affiliates' rights):

(1) operate and grant to others the right to operate American Freight Retail Businesses at any location outside the Territory and Development Area regardless of the proximity of such American Freight Retail Businesses to the Territory and Development Area;

(2) operate and grant to others the right to operate retail businesses or any other business, other than Competitive Businesses (defined below), at any location (including within the Territory and Development Area) that operate under any trademarks, service marks or trade dress (including the Trademarks) and under terms and conditions as we establish;

(3) solicit and sell products or services to customers and prospective customers residing within the Territory and Development Area, including without limitation by catalog, direct advertising over the Internet or other electronic means. We are not required, nor will we, pay any compensation to you for soliciting or accepting orders from customers located in your Territory and/or Development Area;

(4) merge with, acquire, establish or become associated with any businesses or locations of any kind under other systems and/or other marks, which businesses and locations may offer or sell items, products and services that are the same as or similar to the Approved Products and Services offered at or from the Retail Business(es) and which may be located anywhere within or outside the Territory and Development Area. Except as provided below under Conversion of Non-System Store in the Territory and Development Area, we may not grant a Competitive Business the right to use the Trademarks at a location in the Territory and Development Area; and

(5) engage in any other business activities not expressly prohibited by the Franchise Agreement and Development Agreement, both within and outside the Territory and Development Area.

Operation or Franchising of Similar Businesses Under Different Trademarks by Us or Our Affiliates

Except as described in Item 1, we do not operate or franchise, or currently plan to operate or franchise, any business under a different trademark that sells or will sell goods or services similar to those that our America Freight franchisees sell. However, our affiliates, including Buddy's and ~~Sears Outlet~~Badcock (described in Item 1) and other companies that currently are or in the future may become a part of ~~FGI~~FRG, may operate and/or franchise businesses under a different trademark that sell similar goods or services to those that our American Freight franchisees sell. Currently, Buddy's and Badcock's businesses maintain offices and training facilities that are physically separate from the offices and training facilities of our franchise network. All of the businesses that our affiliates and their franchisees operate may solicit and accept orders from customers near your business. Because they are separate companies, we do not expect any conflicts between our franchisees and our affiliates' franchisees regarding territory, customers or support, and we have no obligation to resolve any perceived conflicts that might arise.

ITEM 13
TRADEMARKS

As mentioned in Item 1, American Freight, LLC licenses to us the right to use the Trademarks. The Franchise Agreement sublicenses you to use the Trademarks. The Development Agreement does not authorize you to use the Trademarks. American Freight, LLC has filed or intends to file all required affidavits and renewals for the Trademarks listed below. American Freight, LLC also claims common law trademark rights for all of the Trademarks.

Trademark	Principal or Supplemental Register	Registration Date	Registration Number
AMERICAN FREIGHT	Principal	January 1, 2008	3362041
DR. MARVIN'S	Principal	May 3, 2011	3954456
NORDICREST	Principal	November 16, 2010	3875531
STEWART & HAMILTON	Principal	July 19, 2005	2973591
AMERICAN FREIGHT FURNITURE · MATTRESS · APPLIANCE	Principal	January 11, 2022	6616011
AMERICAN FREIGHT FURNITURE · MATTRESS · APPLIANCE	Principal	January 11, 2022	6616012

Your use of the Trademarks and any goodwill is to our exclusive benefit, and you retain no rights in the Trademarks upon expiration or termination of your Franchise Agreement. You are not permitted to

make any changes or substitutions of any kind in or to the use of the Trademarks unless we direct in writing. We may also designate the Trademarks you are licensed to use in the ~~Operations Manual~~Manuals. You must comply within a reasonable time if we notify you to discontinue or modify your use of any Trademark. We will have no liability or obligation as to your modification or discontinuance of any Trademark.

We have an exclusive license to use and sublicense others to use the Trademarks under a license agreement with American Freight, LLC (the "**License Agreement**"). The License Agreement has a term of 20 years. The parties may agree to renew or extend the License Agreement at the end of the term. The License Agreement may be terminated by either party upon written notice to the other of the default of the other under any of the provisions of the License Agreement or by written agreement signed by both parties. If we were ever to lose our rights under the License Agreement to the Trademarks, under the License Agreement with us, American Freight, LLC must allow our franchisees to maintain their rights to use the Trademarks in accordance with their franchise agreements. In this event, American Freight, LLC may also require us to assign all or some of our franchise agreements with our franchisees.

There are currently no effective material determinations by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Trademarks. Other than the License Agreement with American Freight, LLC, there are no currently effective agreements that significantly limit our rights to use or license the use of any Trademarks in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the Trademarks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Trademarks and we have the sole right to decide to pursue or settle any infringement actions related to the Trademarks. You must notify us promptly of any infringement or unauthorized use of the Trademarks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Trademarks, with limited exceptions described in the Franchise Agreement, you must make the changes or substitutions at your own expense except that we will reimburse you for the cost of any new signage.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents, patents pending or copyrights that are material to the franchise. We or American Freight, LLC claim copyright ownership and protection for the Franchise Agreement, operation and training manuals, web site and for various sales, promotional and other materials published periodically. We have a non-exclusive license to use and sublicense others to use the System and other intellectual property relating to the operation of American Freight Retail Businesses under the License Agreement with American Freight, LLC described in Item 13.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us that could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve

the right to control any litigation related to any patents and copyrights, and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the patents or copyrights of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the manuals. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including but not limited to the manuals and all other copyright material. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take any action, and we have the sole right to decide the appropriate response to any unauthorized use of proprietary information. You must comply with all changes to the manuals at your cost.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

During the term of the Franchise Agreement, you must devote full time and best efforts to the management of the Retail Business. You can hire a General Manager to perform your direct, on-premises operations and management obligations. Your General Manager is not required to hold any amount of equity interest in the Retail Business. Only with our express written permission may the General Manager not be one of your principal owners. You, your General Manager, and any other individuals we designate must complete our training course. The use of a General Manager in no way relieves you of your obligations to comply with the Agreement and to ensure that the Retail Business is properly operated.

All shareholders, officers, directors, partners, members and all managers and other employees having access to our proprietary information must execute non-disclosure agreements in a form we accept. If we so require, your managers and supervisory personnel and other employees receiving training from us must execute covenants not to compete in a form that we approve.

We will require all or some of your owners who have sufficient net worth, liquidity and management qualifications (as determined by us) to sign a Personal Guarantee which is attached as Exhibit D to the Franchise Agreement. If your owner(s) does not satisfy the qualifications to become a franchisee based on his/her/their qualifications, we may require the spouse(s) of the owner(s) to sign the Personal Guarantee in order to satisfy our qualifications. The above qualification requirements also apply to Development Agreements and the required individuals must sign a Personal Guarantee, which is attached as Exhibit C to the Development Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale at the Retail Business only Approved Products and Services, and you may not offer at the Retail Business any products and services that have not been approved by us or use the premises for any purpose other than the operation of the Retail Business. We have the unlimited right to change the types of Approved Products and Services you may offer.

You also may not offer for sale any products or services through the internet or other online programming or advertising, mail order or other direct marketing channels. You are not otherwise limited in the customers to whom you may sell products or services.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

FRANCHISE AGREEMENT

	Provision	Section in Agreement	Summary
a.	Length of the term of the franchise	3(a)	Term of franchise is 10 years.
b.	Renewal or extension of the term	3(b)	Renewed for one additional 10-year term.
c.	Requirements for you to renew or extend	3(b)	You give us written notice of your decision to renew at least 12 months but not more than 18 months before the end of the expiring term; at our sole option, you sign our then current form of franchise agreement, which may contain terms materially different than the original Franchise Agreement; you are not in default and have satisfied your obligations on a timely basis; you pay us a renewal fee; if leasing, you have written proof of your ability to remain in possession of the premises of the Retail Business throughout the renewal term; you comply with our training requirements; and you sign a release.
d.	Termination by you	14(c)	You may terminate the Franchise Agreement only for a material breach by us, provided you give us written notice of the breach and allow 30 days to cure the breach and, if not cured, wait 60 days from the original notice of breach before terminating the Franchise Agreement (subject to state law).
e.	Termination by us without cause	Not applicable	Not applicable.
f.	Termination by us with cause	14(b)	We can terminate the Franchise Agreement if you default or fail to comply with your obligations.
g.	"Cause" defined – defaults which can be cured	14(b)(i)	You have 10 days to cure the non-submission of reports and non-payment of amounts due and owing; and 30 days to cure defaults for the failure to abide by our standards and requirements in connection with the operation of your business, or failure to meet any requirements or specifications established by us, and any other default not listed in h below.

	Provision	Section in Agreement	Summary
h.	"Cause" defined – defaults which cannot be cured	14(b)(ii)	Non-curable defaults include: material misrepresentation or omission in written data furnished to us, abandonment, loss of lease, the failure to timely cure a default under the lease, the loss of your right of possession or failure to relocate, insolvency, unapproved assignments or transfers, convictions, unauthorized use of confidential information, intentionally understating or underreporting Gross Sales or other fees, multiple defaults, or failure to cure within 24 hours of notice a default which materially impairs the goodwill associated with any of our Trademarks.
i.	Your obligations on termination/non-renewal	15	Obligations include complete de-identification and payment of amounts due, assignment of lease upon our demand and telephone numbers, return of ~~Operations Manual~~Manuals and related writings, and proprietary materials and right to purchase assets of the Retail Business (also see o and r below).
j.	Assignment of contract by us	13(a)	No restrictions on our right to assign.
k.	"Transfer" by you - defined	13(b)	Includes any transfer of any interest in the Franchise Agreement, your Retail Business, the Authorized Location, the lease for the Authorized Location or substantially all of the assets of your Retail Business or, if you are a business entity, the transfer of any ownership interests in you.
l.	Our approval of transfer by you	13(c)	We have the right to approve all transfers.
m.	Conditions for our approval of transfer	13(f)	Transferee meets all of our then-current requirements for new franchisees and signs then-current form of franchise agreement, all amounts owed by prior franchisee paid, required modernization is completed, training completed and transfer fee paid, required guarantees signed, necessary financial reports and other data on franchise business is prepared, and release signed by you and personal guarantors (also see r below).
n.	Our right of first refusal to acquire your business	13(h)	We can match any offer for the interest that you propose to transfer, except that we will waive our right of first refusal in the case of a Principal Owner who dies or becomes incapacitated or disabled, and the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person.

	Provision	Section in Agreement	Summary
o.	Our option to purchase your business	15(b)	We can purchase any lease contracts, inventory, supplies, equipment and fixtures used in the Retail Business and your interest in your lease for the Retail Business upon termination or expiration of the Franchise Agreement.
p.	Your death or disability	13(g)	You can transfer your franchise rights to your heir or successor in interest like any other transfer, provided the person satisfies our training requirements and other transfer conditions, but if assignee is your spouse or child, no transfer fee is required. During any transition period, we have the right to assume management and control of the Retail Business.
q.	Non-competition covenants during the term of the franchise	8(h)	No interest in Competitive Business; no diverting business; we may require you to have owners, General Manager, guarantors, officer, directors, members, and partners to sign non-competition covenants. "**Competitive Business**" means any business that sells or offers rent-to-own home furnishings, mattresses or appliances through any channel, including, without limitation, business conducted by means of retail outlets, internet or direct marketing (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	8(i)	No direct or indirect involvement in a Competitive Business for 2 years (i) at the premises of the Retail Business, (ii) in the Territory, (iii) within ~~15~~20 miles of the Territory or (iv) within ~~15~~20-mile radius of any other American Freight Retail Business (subject to state law).
s.	Modification of the Agreement	17(d)	No modifications generally, but we have the right to change the ~~Operations Manual~~Manuals, list of authorized Trademarks. list of Approved Products and Services, and list of suppliers.
t.	Integration/merger clause	17(b)	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the Franchise Agreement and this Disclosure Document may not be enforceable.
u.	Dispute resolution by arbitration or mediation	16	Except for certain claims, all disputes must be arbitrated in the city where our headquarters is located (currently Delaware, Ohio), subject to state law.
v.	Choice of forum	17(i)	Subject to mediation and arbitration requirement, litigation generally must be in the applicable state or federal district court where our headquarters are located (currently Delaware, Ohio), subject to state law.

	Provision	Section in Agreement	Summary
w.	Choice of law	17(h)(i)	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, Delaware law will govern any dispute (subject to state law).

This table lists certain important provisions of the development agreement and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

DEVELOPMENT AGREEMENT

	Provision	Section in Agreement	Summary
a.	Length of the term of the franchise	Section 5	Begins on the Effective Date of the Development Agreement and ends, unless sooner terminated, on the last opening deadline date specified in the Development Schedule.
b.	Renewal or extension of the term	Section 5	No renewal rights.
c.	Requirements for you to renew or extend	Not Applicable	Not Applicable
d.	Termination by you	Not Applicable	Not Applicable (subject to state law)
e.	Termination by us without cause	Not Applicable	Not Applicable
f.	Termination by us with cause	Section 6.1	Development Agreement can only be terminated for cause.
g.	"Cause" defined – defaults which can be cured	Not Applicable	Not Applicable
h.	"Cause" defined – defaults which cannot be cured	Section 6.1	You fail to timely execute a Franchise Agreement or fail to pay any initial franchise fee owed thereunder; you fail to have open and operating the minimum number of Retail Businesses specified in the Development Schedule at any deadline; any Franchise Agreement is subject to termination as a result of default; or you breach or otherwise fail to comply fully with any provision of the Development Agreement.
i.	Your obligations on termination/non-renewal	Section 6.2	You will lose your right to develop additional Retail Businesses.
j.	Assignment of contract by us	Section 7	No restriction on our right to assign.
k.	"Transfer" by you - defined	Section 7	Includes transfer of the Development Agreement, any interest in the Development Agreement, or, if you are an Entity, any interest in the Entity.

	Provision	Section in Agreement	Summary
l.	Our approval of transfer by you	Section 7	We have the right to approve or not approve all transfers in our sole discretion.
m.	Conditions for our approval of transfer	Section 7	We have no obligation to approve any transfer unless you have properly transferred all of your Franchise Agreements to the proposed transferee in accordance with those agreements.
n.	Our right of first refusal to acquire your business	Section 7	We have the option to match a bona fide offer.
o.	Our option to purchase your business	Not Applicable	Not Applicable
p.	Your death or disability	Not Applicable	We have the right to approve or disapprove any transfer in our sole discretion.
q.	Non-competition covenants during the term of the franchise	Section 8.1	No interest in Competitive Business; no act injurious or prejudicial to the goodwill associated with the Trademarks and the System, no use or duplication of the System (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	Sections 8.2	No direct or indirect involvement in a Competitive Business for 2 years (i) in the Development Area, (ii) a ~~10~~20-mile radius of the Development Area or (iii) within ~~15~~20-mile radius of any other American Freight Retail Business (subject to state law).
s.	Modification of the Agreement	Section 10	Any modification will only be valid if in writing and signed by party to be bound.
t.	Integration/merger clause	Section 10	Only the terms of the Development Agreement are binding (subject to state law). Any representations or promises made outside of the Development Agreement and this Disclosure Document may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 9	Except for certain claims, all disputes must be arbitrated in the city where our headquarters is located (currently Delaware, Ohio), subject to state law.
v.	Choice of forum	Section 9	Subject to arbitration requirement, litigation generally must be in the applicable state or federal district court where our headquarters are located (currently, Delaware, Ohio), subject to state law.
w.	Choice of law	Section 9	Except for claims under federal trademark law, and the parties' rights under the Federal Arbitration Act, Delaware law will govern any dispute (subject to state law).

ITEM 18
PUBLIC FIGURES

We do not use any public figure to promote the franchise. No public figure is involved in our actual management or control.

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.

~~The company-operated~~ 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 ~~your store~~franchised American Freight Retail Businesses in appearance~~,~~ and in the products and services offered.

No franchised American Freight ~~strongly suggests that you consult your own financial advisor or personal accountant and conduct an independent investigation on any financial projections and federal, state, local income taxes or any other applicable taxes that you may incur in operating an American Freight Retail Business.~~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.

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

~~**Analysis of Average Gross Sales and Expenses for Company-Operated AmericanFreight Retail Businesses**~~

~~As of December 31, 2021, there were 250 company-operated American Freight Retail Businesses in operation, 190 of which are included in this Financial Performance Representation ("**FPR**"). Of those 250 American Freight Retail Businesses, 57 were not open for at least 12 months as of December 31, 2021 and 3 company-operated American Freight Retail Businesses were permanently closed during 2021. American Freight reports all its financials on an accrual basis. Thus, the expenses reflected in each month may not have been the actual month the expenses were incurred.~~

~~The Tables set forth~~This FPR includes certain historical information on ~~Gross Sales~~Net Income and expenses for ~~company-operated~~ American Freight Retail Businesses. ~~The Tables reflect the arithmetic mean (average) annual Gross Sales and expenses, and the highest, lowest, median and number and percent of the~~ We are presenting data from the past two fiscal years to provide you with information on how American Freight Retail Businesses ~~higher than the mean, of the American Freight Retail Businesses included in the Tables.~~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.

~~The Tables reflect the payment of the Royalty, Marketing Fee (included in the marketing expenses), and Technology Fee that must be deducted from the Gross Sales to obtain your net income. You should conduct an independent investigation of the costs and expenses you will incur in operating your American Freight Retail Business.~~

~~**Description of Table 1-A**~~

In each Table ~~1-A reflects the historical average annualized Gross Sales, Cost of Goods Sold, Gross Profit,Royalty, Wages, Occupancy Expense, Advertising Expense, Miscellaneous Expense, Technology Fee, Total Expense and Net Income by revenue range for 190 company-operated American Freight Retail Businesses for fiscal year 2021. To determine which Stores fell in each revenue range, we ranked these 190~~, we ranked the American Freight Retail Businesses based on their annual ~~Revenue~~Net Income and separated them into categories based on ranges of ~~Gross Sales. This information is calculated from a mix of newer and mature American Freight Retail Businesses.~~

Net Income. The data is ~~**Description of Table 1-B**~~

~~Table 1-B are the derivation tables and reflect the historical highest, lowest, median and number and percent of company-operated American Freight Retail Businesses higher than the group average, on an average annualized basis for the stores in each revenue range.~~

~~This information 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 ~~company-operated~~ 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 ~~A~~

Statement of Net Income and Expenses

~~Statement of Average Revenues and Expenses~~

~~For~~for Company-Owned American Freight ~~Company-Operated~~Retail Businesses Opened 12 Months or More ~~for~~ in Fiscal Year 2021 (by ~~Revenue Range~~Net Income)

	Net Income		Net Income		Net Income		Net Income		Net Inco
	~~Gross Sales Below~~< $~~1.50M~~0		~~Gross Sales~~ Between $~~1.5M~~0 - $~~2.49M~~99,999		~~Gross Sales~~ Between $~~2.5M~~100K - $~~3.49M~~199,999		~~Gross Sales~~ Between $~~3.5M~~200K - $~~4.5M~~299,999		~~Gross Sales Over~~ $~~4.5~~ More
	Average	%	Average	%	Average	%	Average	%	Average
	$~~1,131,901~~1,384,685	~~100.0~~100%	$~~1,985,394~~1,694,064	~~100.0~~100%	$~~3,044,787~~2,008,592	~~100.0~~100%	$~~3,966,446~~2,576,668	~~100.0~~100%	$~~5,590,180~~4,067,682
	$~~626,530~~815,800	~~55.4~~58.9%	$~~1,153,157~~961,010	~~58.1~~56.7%	$~~1,721,227~~1,090,856	~~56.5~~54.3%	$~~2,232,998~~1,436,002	~~56.3~~55.7%	$~~3,122,759~~2,220,803
	$~~505,371~~568,885	~~44.6~~41.1%	$~~832,237~~733,053	~~41.9~~43.3%	$~~1,323,560~~917,736	~~43.5~~45.7%	$~~1,733,448~~1,140,667	~~43.7~~44.3%	$~~2,467,421~~1,846,879
ee	$~~56,595~~69,234	5.0%	$~~99,270~~84,703	5.0%	$~~152,239~~100,430	5.0%	$~~198,322~~128,833	5.0%	$~~279,509~~203,384
	$~~174,854~~197,310	~~15.4~~14.2%	$~~251,141~~227,191	~~12.6~~13.4%	$~~351,955~~253,740	~~11.6~~12.6%	$~~455,690~~314,579	~~11.5~~12.2%	$~~604,539~~455,630
cy	$~~207,381~~261,543	~~18.3~~18.9%	$~~240,888~~201,177	~~12.1~~11.9%	$~~223,333~~218,176	~~7.3~~10.9%	$~~250,912~~226,108	~~6.3~~8.8%	$~~302,243~~248,188
~~g~~ ote	$~~85,541~~108,067	~~7.6~~7.8%	$~~93,927~~100,776	~~4.7~~5.9%	$~~93,734~~116,894	~~3.1~~5.8%	$~~118,199~~130,576	~~3.0~~5.1%	$~~145,760~~205,225
eous	$~~49,026~~58,008	~~4.3~~4.2%	$~~61,704~~56,034	~~3.1~~3.3%	$~~76,104~~61,424	~~2.5~~3.1%	$~~88,327~~68,285	~~2.2~~2.7%	$~~110,815~~87,654
gy Fee	$18,000	~~1.6~~1.3%	$18,000	~~0.9~~1.1%	$18,000	~~0.6~~0.9%	$18,000	~~0.5~~0.7%	$18,000
es	$~~591,397~~712,162	~~52.2~~51.4%	$~~764,930~~687,881	~~38.5~~40.6%	$~~915,366~~768,663	~~30.1~~38.3%	$~~1,129,450~~886,381	~~28.5~~34.4%	$~~1,460,866~~1,218,081
	($~~86,026~~143,278)	~~-7.6-~~ 10.3%	$~~67,307~~45,172	~~3.4~~2.7%	$~~408,194~~149,073	~~13.4~~7.4%	$~~603,998~~254,286	~~15.2~~9.9%	$~~1,006,555~~628,798
~~res In~~	~~42~~		~~68~~		~~32~~		~~28~~		~~20~~
~~ores in~~	~~1 - 9 years~~		~~1 - 27 years~~		~~1 - 27 years~~		~~3 - 25 years~~		~~2 - 20 yea~~

TABLE ~~1 B~~2

Derivation of Net Income and Expenses
~~Derivation of Average Revenues and Expenses~~
~~For~~for Company-Owned American Freight ~~Company-Operated~~Retail Businesses
Opened 12 Months or More ~~for~~
in Fiscal Year 2021 (by ~~Revenue Range~~Net Income)

	Net Income ~~Gross Sales Below $1.50M~~Less Than $0	Net Income ~~Gross Sales~~Between ~~$1.5M~~0 - ~~$2.49M~~99,999	Net Income ~~Gross Sales~~Between ~~$2.5M~~100K - ~~$3.49M~~199,999	Net Income ~~Gross Sales~~Between ~~$3.5M~~200K - ~~$4.5M~~299,999	Net Income ~~Gross Sales Over $4.5M~~$300,000 or More
~~Number of Stores In Sample~~	~~42~~	~~68~~	~~32~~	~~28~~	~~20~~
Highest ~~Total Revenue~~Gross Sales (Note 1)	$~~1,463,768~~2,418,811	$~~2,541,150~~2,659,908	$~~3,454,950~~3,183,087	$~~4,498,368~~4,037,517	$6,979,461
Lowest ~~Total Revenue~~Gross Sales	$482,310	$~~1,504,744~~1,034,165	$~~2,576,775~~1,137,076	$~~3,516,861~~1,927,298	$~~4,503,044~~2,338,938
~~Median Total Revenue~~**Average Gross Sales**	**$~~1,164,125~~1,384,685**	**$~~1,971,631~~1,694,064**	**$~~3,038,286~~2,008,592**	**$~~4,001,298~~2,576,668**	**$~~5,460,043~~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.	~~24~~23	~~34~~16	~~16~~10	~~15~~5	~~9~~30
% of Stores Higher Than Group Avg.	~~57~~49%	~~50~~53%	~~50~~45%	~~54~~29%	~~45~~41%
Highest Cost of Goods Sold (Note 2)	$~~928,187~~1,421,021	$~~1,510,282~~1,727,731	$~~2,020,042~~1,902,801	$~~2,608,627~~2,463,210	$~~4,465,680~~4,371,689
Lowest Cost of Goods Sold	$~~234,762~~229,820	$~~765,287~~505,258	$~~1,345,410~~365,544	$~~1,941,714~~1,036,925	$~~2,516,807~~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	$~~644,158~~790,542	$~~1,159,649~~1,026,009	$~~1,747,203~~1,128,668	$~~2,206,906~~1,287,757	$~~3,065,805~~2,050,159
# of Stores Higher Than Group Avg.	22	~~35~~17	~~17~~14	~~12~~6	~~9~~30
% of Stores Higher Than Group Avg.	~~52~~47%	~~51~~57%	~~53~~64%	~~43~~35%	~~45~~41%
Highest Gross Profit (Note 3)	$~~839,303~~1,056,385	$~~1,129,166~~934,605	$~~1,574,529~~1,436,861	$~~2,191,264~~1,574,307	$~~3,048,979~~3,122,259
Lowest Gross Profit	$~~241,371~~250,812	$~~261,791~~525,130	$~~895,030~~659,405	$~~1,422,325~~835,227	$~~1,957,697~~1,115,355
Average Gross Profit	**$568,885**	**$733,053**	**$917,736**	**$1,140,667**	**$1,846,879**
Median Gross Profit	$~~504,996~~550,677	$~~815,928~~738,835	$~~1,357,328~~879,533	$~~1,717,038~~1,094,356	$~~2,407,641~~1,735,364
# of Stores Higher Than Group Avg.	~~21~~20	~~29~~16	~~19~~7	~~11~~5	~~9~~29
% of Stores Higher Than Group Avg.	~~50~~43%	~~43~~53%	~~59~~32%	~~39~~29%	~~45~~40%
Highest Royalty Fee (Note 4)	$~~73,188~~120,941	$~~127,057~~132,995	$~~172,747~~159,154	$~~224,918~~201,876	$348,973
Lowest Royalty Fee	$24,116	$~~75,237~~51,708	$~~128,839~~56,854	$~~175,843~~96,365	$~~225,152~~116,947
Average Royalty Fee	**$69,234**	**$84,703**	**$100,430**	**$128,833**	**$203,384**
Median Royalty Fee	$~~58,206~~65,145	$~~98,582~~89,498	$~~151,914~~101,331	$~~200,065~~118,648	$~~273,002~~193,388
# of Stores Higher Than Group Avg.	0	~~34~~16	~~16~~10	~~15~~5	~~9~~30
% of Stores Higher Than Group Avg.	0%	~~50~~53%	~~50~~45%	~~54~~29%	~~45~~41%
Highest Wages (Note 5)	$~~279,591~~313,811	$~~313,811~~319,878	$~~405,431~~402,265	$~~557,401~~550,370	$790,935
Lowest Wages	$110,087	$~~182,852~~154,267	$~~281,625~~158,363	$~~375,307~~225,512	$~~478,017~~272,202
Average Wages	**$197,310**	**$227,191**	**$253,740**	**$314,579**	**$455,630**
Median Wages	$~~168,445~~200,733	$~~250,452~~231,546	$~~356,205~~252,844	$~~454,459~~292,868	$~~602,561~~435,178
# of Stores Higher Than Group Avg.	~~17~~24	~~32~~17	~~16~~10	~~14~~3	~~10~~33
% of Stores Higher Than Group Avg.	~~40~~51%	~~47~~57%	~~50~~45%	~~50~~18%	~~50~~45%
Highest Occupancy Expenses (Note 6)	$~~390,496~~543,740	$~~543,740~~266,738	$381,308	$~~479,281~~301,961	$~~471,016~~479,281
Lowest Occupancy Expenses	$~~93,708~~124,014	$~~127,067~~93,708	$~~121,379~~130,855	$~~124,708~~127,067	$~~160,371~~121,379
Average Occupancy Expenses	**$261,543**	**$201,177**	**$218,176**	**$226,108**	**$248,188**
Median Occupancy Expenses	$~~205,605~~237,737	$~~231,634~~217,575	$~~231,262~~186,956	$~~232,487~~235,753	$~~304,715~~232,736

	Net Income ~~Gross Sales Below $1.50M~~Less Than $0	Net Income ~~Gross Sales~~Between ~~$1.5M~~0 - ~~$2.49M~~99,999	Net Income ~~Gross Sales~~Between ~~$2.5M~~100K - ~~$3.49M~~199,999	Net Income ~~Gross Sales~~Between ~~$3.5M~~200K - ~~$4.5M~~299,999	Net Income ~~Gross Sales Over $4.5M~~$300,000 or More
# of Stores Higher Than Group Avg.	~~21~~19	~~27~~17	~~18~~10	~~11~~9	~~11~~33
% of Stores Higher Than Group Avg.	~~50~~40%	~~40~~57%	~~56~~45%	~~39~~53%	~~55~~45%
Highest ~~Advertising Expense~~Marketing Expenses - (Note 7)	$196,373	~~$204,519~~146,610	~~$173,096~~204,519	~~$275,509~~201,876	~~$216,205~~348,973
Lowest ~~Advertising Expense~~Marketing Expenses	~~$31,182~~85,200	~~$25,863~~85,200	~~$22,728~~85,200	~~$31,684~~96,365	~~$62,899~~121,100
~~Median Advertising Expense~~**Average Marketing Expenses**	~~$79,604~~**108,067**	~~$94,336~~**100,776**	~~$90,606~~**116,894**	~~$116,841~~**130,576**	~~$151,409~~**205,225**
Median Marketing Expenses	$96,684	$95,006	$106,521	$118,951	$193,388
# of Stores Higher Than Group Avg.	17	~~34~~11	~~16~~8	~~13~~5	~~10~~29
% of Stores Higher Than Group Avg.	~~40~~36%	~~50~~37%	~~50~~36%	~~46~~29%	~~50~~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 ~~1 B~~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 < $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	
	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

~~**Derivation of Average Revenues and Expenses**~~

~~For~~for Company-Owned American Freight ~~Company-Operated~~Retail Businesses Opened 12 Months or More ~~for~~ in Fiscal Year ~~2021~~2022 (by ~~Revenue Range~~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	~~Gross Sales Below $1.50M~~1,435,022	~~Gross Sales $1.5M - $2.49M~~2,559,532	~~Gross Sales $2.5M - $3.49M~~2,717,860	~~Gross Sales $3.5M - $4.5M~~3,698,321	~~Gross Sales Over $4.5M~~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

	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
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%
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)	$~~70,774~~181,313	$~~257,567~~129,766	$~~154,483~~138,159	$~~135,616~~166,223	$~~151,961~~124,975
Lowest Miscellaneous Expenses	($~~31,509~~132,788)	$~~37,080~~59,332	$~~51,451~~62,964	$~~64,021~~75,606	$~~73,300~~90,909
Average Miscellaneous Expenses	**$69,582**	**$81,291**	**$83,762**	**$104,846**	**$109,520**
Median Miscellaneous Expenses	$~~49,018~~67,438	$~~58,010~~80,162	$~~70,821~~81,482	$~~84,879~~95,951	$~~108,397~~108,332
# of Stores Higher Than Group Avg.	~~21~~80	~~26~~10	~~12~~3	~~13~~4	~~8~~3
% of Stores Higher Than Group Avg.	~~50~~43%	~~38~~43%	~~38~~23%	~~46~~33%	~~40~~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
~~Median~~**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%

	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 Total ~~Expense~~Expenses (Note 10)	$~~782,243~~1,414,070	$~~1,162,325~~1,566,211	$~~1,265,247~~1,747,358	$~~1,399,297~~1,606,557	$~~1,766,514~~1,597,329
Lowest Total ~~Expense~~Expenses	$~~470,731~~276,543	$~~544,859~~662,594	$~~726,694~~813,354	$~~925,921~~964,676	$~~1,118,208~~1,209,890
~~Median~~**Average Total ~~Expense~~Expenses**	**$~~588,861~~727,570**	**$~~764,907~~945,524**	**$~~907,074~~1,002,380**	**$~~1,110,593~~1,253,830**	**$~~1,519,581~~1,372,153**
Median Total Expenses	$692,226	$897,278	$935,467	$1,243,284	$1,335,764
# of Stores Higher Than Group Avg.	~~21~~77	~~34~~9	~~15~~6	~~13~~6	~~12~~3
% of Stores Higher Than Group Avg.	~~50~~41%	~~50~~39%	~~47~~46%	~~46~~50%	~~60~~43%
Highest Net Income (Note 11)	($~~173,891~~1,344)	$~~344,281~~93,270	$~~635,227~~197,575	$~~1,047,171~~284,141	$~~1,405,526~~618,978
Lowest Net Income	($~~464,876~~763,391)	(~~$411,910~~)3,504	$~~7,993~~104,756	$~~230,553~~204,927	$~~674,395~~306,970
Average Net Income	**($251,603)**	**$54,458**	**$152,438**	**$240,397**	**$400,474**
Median Net Income	($~~88,791~~236,998)	$~~71,157~~55,979	$~~421,262~~150,936	$~~629,662~~236,073	$~~976,887~~373,792
# of Stores Higher Than Group Avg.	~~21~~101	~~35~~12	~~20~~6	~~15~~5	~~9~~2
% of Stores Higher Than Group Avg.	~~50~~54%	~~51~~52%	~~63~~46%	~~54~~42%	~~45~~29%

~~Table~~ Notes to Tables 1 through 4:

The following notes (i) generally define each ~~line item~~line-item category shown ~~on~~in the ~~attached~~ 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

~~DEFINED: **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)

~~DEFINED: 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 ~~(“**RMA**”)~~. The COGS also include the cost associated with protection agreements paid to the approved supplier.

Note 3: Gross Profit

~~DEFINED: Gross Profit ~~is calculated as Gross Sales less the ~~Cost of Goods Sold~~Total COGS.

~~**Note 4: Royalty**~~

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.

~~DEFINED: Although the company-operated American Freight Retail Businesses do not pay a Royalty, we include the Royalty of five percent (5%) of your Gross Sales for the accounting period because that is an expense you will incur.~~

Note 5: Wages ~~Expense~~

~~DEFINED: Wages Expense ~~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 ~~Expense~~

Expenses ~~DEFINED: Occupancy Expense ~~is the sum of all business occupancy ~~cost~~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: Advertising Expense**~~

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.

~~DEFINED: Advertising Expense is all advertising expenses, including online advertising, social media costs, billboards, radio ads, newspaper ads and inserts. Some American Freight Retail Businesses are near each other and may have combined advertising. Note that the Advertising Expense is higher than The Marketing Fee you will be required to pay, thus The Marketing Fee is included in this expense. Although the company-operated American Freight Retail Businesses do not pay a Marketing Fee, we include the expense because that is an expense you will incur.~~

Note 8: Miscellaneous Expenses

is ~~DEFINED: Miscellaneous Expenses are~~ 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~~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**~~

~~DEFINED: Although the company-operated American Freight Retail Businesses do not pay a~~**Note 9: Technology Fee**~~, we include the Technology fee of~~ is an imputed figure equal to one thousand five hundred dollars ($1,500) per month ~~because that is an expense~~. 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 ~~Expense~~

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

Note 11: Net Income

~~DEFINED: Net Income~~ is Gross Profit less Total Expense.

Notes to Item 19:

1. **Some American Freight Retail Businesses have sold or earned ~~this amount~~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.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS ~~2019~~2020 TO ~~2021~~2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
~~Franchised~~	~~2019~~	~~0~~	~~0~~	~~0~~
Franchised	2020	0	0	0
	2021	0	1	+1
~~Company-Owned~~	~~2019~~2022	~~157~~1	~~172~~5	~~+15~~+4
Company-Owned	2020	172	193	+21
	2021	193	250	+57
~~Total Outlets~~	~~2019~~2022	~~157~~250	~~172~~255	~~+15~~+ 5
Total Outlets	2020	172	193	+21
	2021	193	251	+58
	2022	251	260	+9

TABLE 2
TRANSFERS OF OUTLETS FROM
FRANCHISEES TO NEW OWNERS
(OTHER THAN FRANCHISOR OR AFFILIATE
FOR YEARS ~~2019~~2020 TO ~~2021~~2022)

State	Year	Number of Transfers
Totals	~~2019~~2020	0
	~~2020~~2021	0
	~~2021~~2022	0

TABLE 3
STATUS OF FRANCHISED OUTLETS
FOR YEARS ~~2019~~2020 TO ~~2021~~ 2022

State	Year	Outlets at Start of ~~the~~ Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – ~~Other~~other Reasons	Outlets at End of Year
~~Texas~~Florida	~~2019~~ 2020 ~~2021~~	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Missouri	2020	0	0	0	0	0	0	0
~~Total~~	~~2019~~ ~~2020~~ 2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Texas	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
Wisconsin	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Year	Outlets at Start of ~~the~~ Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – ~~Other~~other Reasons	Outlets at End of Year
Totals	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	4	0	0	0	0	5

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS
FOR YEARS ~~2019~~2020 TO ~~2021~~ 2022

		Outlets at Start of ~~the~~ Year	Outlets Opened	Outlets Reacquired ~~From~~from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
~~AL~~	~~2019~~	~~5~~	~~1~~	~~0~~	~~0~~	~~0~~	~~6~~
AL	2020	6	2	0	0	0	8
	2021	8	1	0	0	0	9
~~AR~~	~~2019~~2022	~~1~~9	1	0	0	0	~~2~~10
AR	2020	2	0	0	0	0	2
	2021	2	11	0	0	0	13
~~AZ~~	~~2019~~2022	~~6~~13	0	0	0	0	~~6~~13
AZ	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	~~2019~~2022	~~0~~6	0	0	~~0~~1	0	~~0~~5
~~CA~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~CO~~	~~2019~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~-~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~-~~	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~CT~~	~~2019~~	~~2~~	~~0~~	~~0~~	~~0~~	~~0~~	~~2~~
~~-~~							
~~-~~							
CT	2020	2	0	0	0	0	2
	2021	2	0	0	1	0	1
	~~2019~~2022	~~0~~1	0	0	0	0	~~0~~1
~~DE~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~FL~~	~~2019~~	~~24~~	~~0~~	~~0~~	~~0~~	~~0~~	~~24~~
~~-~~							
~~-~~							
FL	2020	24	0	0	0	0	24
	2021	24	2	0	0	0	~~24~~26
~~GA~~	~~2019~~2022	~~10~~26	~~2~~0	0	~~0~~1	0	~~12~~25
GA	2020	12	1	0	0	0	13
	2021	13	3	0	0	0	16
~~HI~~	~~2019~~2022	~~0~~16	0	0	0	0	~~0~~16

		Outlets at Start of ~~the~~ Year	Outlets Opened	Outlets Reacquired ~~From~~**from** Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~IA~~	~~2019~~	~~0~~	~~1~~	~~0~~	~~0~~	~~0~~	~~1~~
IA	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
	~~2019~~2022	~~0~~1	0	0	0	0	~~0~~1
~~ID~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~IL~~	~~2019~~	~~5~~	~~0~~	~~0~~	~~0~~	~~0~~	~~5~~
IL	2020	5	0	0	0	0	5
	2021	5	1	0	0	0	6
~~IN~~	~~2019~~2022	~~10~~6	0	0	0	0	~~10~~6
IN	2020	10	2	0	0	0	12
	2021	12	2	0	0	0	~~12~~14
~~KS~~	~~2019~~2022	~~2~~14	~~1~~0	0	0	0	~~3~~14
KS	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
~~KY~~	~~2019~~2022	~~4~~3	0	0	0	0	~~4~~3
KY	2020	4	0	0	0	0	4
	2021	4	7	0	0	0	11
~~LA~~	~~2019~~2022	~~3~~11	~~1~~0	0	0	0	~~4~~11
LA	2020	4	2	0	0	0	6
	2021	6	0	0	1	0	5
~~MA~~	~~2019~~2022	~~0~~5	~~0~~1	0	0	0	~~0~~6
MA	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
~~MD~~	~~2019~~2022	1	0	0	0	0	1
MD	2020	1	0	0	0	0	1
	2021	1	0	0	0	0	1
~~MI~~	~~2019~~2022	~~8~~1	0	0	0	0	~~8~~1
MI	2020	8	0	0	0	0	8

		Outlets at Start of ~~the~~ Year	Outlets Opened	Outlets Reacquired ~~From~~**from** Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2021	8	1	0	0	0	9
~~MN~~	~~2019~~2022	~~2~~9	~~0~~2	0	0	0	~~2~~11
MN	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
~~MO~~	~~2019~~2022	~~5~~2	~~1~~0	0	0	0	~~6~~2
MO	2020	6	0	0	0	0	6
	2021	6	9	0	0	0	15
~~MS~~	~~2019~~2022	~~1~~15	0	0	0	0	~~1~~15
MS	2020	1	2	0	0	0	3
	2021	3	1	0	0	0	4
~~NC~~	~~2019~~2022	~~3~~4	~~1~~0	0	~~0~~2	0	~~4~~2
NC	2020	4	3	0	0	0	7
	2021	7	2	0	0	0	9
	~~2019~~2022	~~0~~9	~~0~~1	0	0	0	~~0~~10
~~NJ~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
NM	~~2019~~2020	1	0	0	0	0	1
	~~2020~~2021	1	0	0	0	0	1
	~~2021~~2022	1	0	0	0	0	1
~~NV~~	~~2019~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~-~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~-~~	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~NY~~	~~2019~~	~~5~~	~~0~~	~~0~~	~~1~~	~~0~~	~~4~~
~~-~~							
~~-~~							
NY	2020	4	0	0	0	0	4
	2021	4	2	0	0	0	6
~~OH~~	~~2019~~2022	~~16~~6	~~0~~1	0	~~0~~1	0	~~16~~6
OH	2020	16	2	0	0	0	18
	2021	18	3	0	0	0	21
~~OK~~	~~2019~~2022	~~2~~21	0	0	0	0	~~2~~21
OK	2020	2	1	0	0	0	3
	2021	3	7	0	0	0	10

		Outlets at Start of ~~the~~ Year	Outlets Opened	Outlets Reacquired ~~From~~**from** Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	~~2019~~2022	~~0~~10	~~0~~1	0	0	0	~~0~~11
~~OR~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
~~PA~~	~~2019~~	~~6~~	~~0~~	~~0~~	~~0~~	~~0~~	~~6~~
PA	2020	6	1	0	0	0	7
	2021	7	1	0	0	0	8
	~~2019~~2022	~~0~~8	~~0~~2	0	0	0	~~0~~10
~~PR~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
RI	~~2019~~2020	1	0	0	0	0	1
	~~2020~~2021	1	0	0	0	0	1
	~~2021~~2022	1	0	0	0	0	1
~~SC~~	~~2019~~	~~5~~	~~0~~	~~0~~	~~0~~	~~0~~	~~5~~
SC	2020	5	1	0	0	0	6
	2021	6	1	0	0	0	7
~~TN~~	~~2019~~2022	~~6~~7	1	0	0	0	~~7~~8
TN	2020	7	0	0	0	0	7
	2021	7	1	0	0	0	8
~~TX~~	~~2019~~2022	~~12~~8	~~6~~1	0	0	0	~~18~~9
TX	2020	18	1	0	0	0	19
	2021	19	3	0	1	1	20
~~VA~~	~~2019~~2022	~~5~~20	0	0	0	~~0~~1	~~5~~19
VA	2020	5	2	0	0	0	7
	2021	7	1	0	0	0	8
	~~2019~~2022	~~0~~8	~~0~~1	0	~~0~~1	0	~~0~~8
~~WA~~	~~2020~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
	~~2021~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~	~~0~~
WV	~~2019~~2020	2	0	0	0	0	2
	~~2020~~2021	2	0	0	0	0	2

		Outlets at Start of ~~the~~ Year	Outlets Opened	Outlets Reacquired ~~From~~**from** Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	~~2021~~2022	2	0	0	0	0	2
~~WI~~	~~2019~~	~~4~~	~~0~~	~~0~~	~~0~~	~~0~~	~~4~~
WI	2020	4	1	0	0	0	5
	2021	5	1	0	0	0	6
~~Total~~	~~2019~~2022	~~157~~6	~~16~~0	0	~~1~~0	0	~~172~~6
Totals	**2020**	**172**	**21**	**0**	**0**	**0**	**193**
	2021	**193**	**61**	**0**	**3**	**1**	**250**
	2022	**250**	**12**	**0**	**6**	**1**	**255**

TABLE 5
PROJECTED OPENINGS
AS OF DECEMBER ~~25~~31, ~~2021~~ 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets For the Next Fiscal Year	Projected New Company-Owned Outlets For the Next Fiscal Year
~~Alabama~~Colorado	0	0	~~1~~3
~~Arkansas~~Florida	0	1	0
~~Colorado~~Georgia	~~0~~1	~~0~~1	~~2~~0
~~Georgia~~Illinois	~~1~~0	~~2~~1	~~1~~0
~~Illinois~~Indiana	~~1~~0	~~2~~1	~~1~~0
~~Indiana~~Iowa	0	0	~~1~~3
Louisiana	~~1~~0	~~0~~1	~~2~~1
~~Massachusetts~~Maryland	~~0~~1	~~0~~1	~~1~~0
~~Maryland~~Michigan	~~0~~1	~~2~~1	~~0~~1
~~Michigan~~Mississippi	0	0	~~2~~1
~~Mississippi~~Missouri	0	~~0~~1	~~1~~0
Nebraska	0	0	~~2~~1
~~North Carolina~~New Hampshire	0	0	~~2~~1
~~Ohio~~North Carolina	0	0	~~3~~2
~~Oklahoma~~Ohio	0	0	1
Pennsylvania	0	0	~~3~~2
~~South Carolina~~	~~0~~	~~0~~	~~1~~
Tennessee	0	0	2
Texas	~~1~~3	2	~~1~~0
Virginia	~~1~~0	0	1

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets For the Next Fiscal Year	Projected New Company-Owned Outlets For the Next Fiscal Year
~~Wisconsin~~Wyoming	0	0	1
Total	~~5~~6	~~9~~10	~~30~~20

Attached as Exhibit I is a list of the names, business addresses and telephone numbers of all American Freight franchisees as of December ~~25~~31, ~~2021~~2022. ~~We had~~There were no franchisees who had ~~a~~an American Freight Retail Business terminated, canceled, or not renewed by us in fiscal year ~~2021~~2022, who otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in fiscal year ~~2021~~2022, or who did not communicate with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the System.

During the last three 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.

There are currently no trademark-specific franchisee organizations associated with the American Freight System.

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit B to this Disclosure Document are the audited financial statements of ~~FGI~~FRG, our parent company, which include the consolidated balance sheets as of December 31, 2022 and December 25, 2021~~ and December 26, 2020~~, ~~2020~~ and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the fiscal years ended December 31, 2022, December 25, 2021 and December 26, 2020~~, the transition period ended December 28, 2019, and the fiscal year ended April 30, 2019~~ and the related notes (collectively referred to as the "**financial statements**"). ~~FGI~~FRG guarantees the performance of our obligations under the Franchise Agreement. A copy of the guaranty of ~~FGI~~FRG is attached as Exhibit B.

ITEM 22
CONTRACTS

This Disclosure Document includes a sample of the following contracts that you will be required to sign in connection with being granted a franchise:

Exhibit C: Franchise Agreement, including exhibits:

Exhibit D: Development Agreement

Exhibit E Prospective Franchisee Confidentiality Agreement

Exhibit F: Franchisee Acknowledgement

Exhibit H Sample Release

ITEM 23
RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document are attached as the last two pages of this Disclosure Document. Please return the first copy of the Receipt to us and retain the other copy for your records. If you are missing these Receipts, please contact us at the following address or telephone number:

American Freight Franchisor, LLC
109 Innovation Court, Suite J
Delaware, Ohio
(740) 363-2222

EXHIBIT A

List of State Administrators and Agents for Service of Process

STATE ADMINISTRATORS

We intend to register this Disclosure Document as a franchise in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in that state:

California	Department of Financial Protection and Innovation 320 West 4th Street Suite 750 Los Angeles, CA 90013 (213) 576-7500 or (866) 275-2677
Florida	Department of Agriculture and Consumer Services Division of Consumer Services Mayo Building 407 South Calhoun Street Tallahassee, FL 32399 (850) 410-3754
Hawaii	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722
Illinois	Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State Indiana Securities Division Franchise Section 302 W. Washington Street, Room E-111 Indianapolis, IN 46204 (317) 232-6681
Maryland	Office of the Attorney General Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
Michigan	Michigan Department of the Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 335-7567

Minnesota	Minnesota Department of Commerce Securities – Franchise Registration 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1500
Nebraska	Department of Banking and Finance Bureau of Securities 1526 K Street, Suite 300 Lincoln, NE 68508 (402) 471-3445
New York	NYS Department of Law Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005-1495 (212) 416-8236 Phone (212) 416-6042 Fax
North Dakota	North Dakota Securities Department 600 East Boulevard 5th Floor – State Capitol, Dept. 414 Bismarck, ND 58505 (701) 328-4712
Oregon	Department of Consumer and Business Services Division of Finance Labor and Industries Building Salem, OR 97310 (503) 378-4387
Rhode Island	Department of Business Regulation Division of Securities 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920 (401) 462-9527
South Dakota	South Dakota Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501 (605) 773-3563

Texas	Secretary of State Statutory Document Section P.O. Box 13563 Austin, TX 78711 (512) 475-1769
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051
Washington	Securities Administrator Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760
Wisconsin	Wisconsin Securities Commission Securities and Franchise Registration 345 West Washington Street Madison, WI 53703 (608) 266-3431

AGENTS AUTHORIZED TO RECEIVE SERVICE OF PROCESS

We intend to register this Disclosure Document as a franchise in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agent for service of process in those states:

California	California Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, California 90013
Hawaii	Hawaii Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813
Illinois	Illinois Attorney General 500 South Second Street Springfield, Illinois 62706
Indiana	Indiana Secretary of State 302 W. Washington Street, Room E-111 Indianapolis, IN 46204
Maryland	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Department of Commerce Corporations and Securities Bureau 6546 Mercantile Way Lansing, Michigan 48910
Minnesota	Minnesota Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101
New York	Attention: New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492

North Dakota	North Dakota Securities Commissioner 600 East Boulevard 5th Floor – State Capitol, Dept. 414 Bismarck, ND 58505
Oregon	Director Department of Insurance and Finance 700 Summer Street, N.E. Suite 120 Salem, Oregon 97310
Rhode Island	Director of Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920
South Dakota	Director of the Division of Insurance Department of Labor and Regulation 124 S. Euclid Avenue, Suite 104 Pierre, SD 57501
Virginia	Clerk of the State Corporation Commission 1300 East Main Street Richmond, Virginia 23219
Washington	Securities Administrator Washington State Department of Financial Institutions 150 Israel Road Tumwater, Washington 98501
Wisconsin	Wisconsin Commissioner of Securities 345 West Washington Street, Fourth Floor Madison, Wisconsin 53703

EXHIBIT B

Financial Statements

GUARANTEE OF PERFORMANCE

For value received, Franchise Group, Inc., a Delaware corporation (the "Guarantor"), located at 109 Innovation Court, Suite J, Delaware, Ohio 43015, absolutely and unconditionally guarantees to assume the duties and obligations of American Freight Franchisor, LLC, located at 109 Innovation Court, Suite J, Delaware, Ohio 43015 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This Guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Delaware, Ohio on this 5th day of April 2023.

Guarantor:

FRANCHISE GROUP, INC.

By: _____

Name: Eric Seeton

Title: Chief Financial Officer

Item 8. Financial Statements and Supplementary Data.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franchise Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Franchise Group, Inc. and subsidiaries (the "Company") as of December 31, 2022 and December 25, 2021 and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the three fiscal years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 25, 2021 and the results of its operations and its cash flows for each of the three fiscal years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2023, expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill – American Freight Reporting Unit – Refer to Notes 1 and 7 to the financial statements

Critical Audit Matter Description

The Company performed a quantitative impairment evaluation of the goodwill for the American Freight reporting unit by comparing the estimated fair value of the reporting unit to its carrying value. The Company determined the fair value of the American Freight reporting unit using an income approach and a market approach. The determination of the fair value requires management to make significant estimates and assumptions related to projected cash flows, discount rates and growth rates. Changes in these assumptions could have a significant impact on either the fair value, the amount of any goodwill impairment charge, or both. The goodwill balance was $737.4 million as of December 31, 2022, of which $300.8 million was related to the American Freight reporting unit. The carrying value of the American Freight reporting unit exceeded its fair value as of the measurement date which resulted in a $70.0 million goodwill impairment.

Given the significant judgments made by management to estimate the fair value of the American Freight reporting unit, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to projected cash flows, discount rates and growth rates of the American Freight reporting unit required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the projected cash flows and growth rates ("forecasts"), and the selection of a discount rate for the American Freight reporting unit included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value of American Freight, such as controls related to management's forecasts and selection of the discount rate.
- We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors and (3) forecasted information included in industry reports.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, (2) discount rate, and (3) market multiples by:
    - Testing the source information underlying the determination of the discount rate and market multiples and the mathematical accuracy of the calculations.
    - Developing a range of independent estimates and comparing those to the discount rate and market multiples selected by management.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 28, 2023

We have served as the Company's auditor since 2019.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Franchise Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Franchise Group, Inc. and subsidiaries (the "Company") as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the fiscal year ended December 31, 2022, of the Company and our report dated February 28, 2023, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management's Report on Internal Control Over Financial Reporting (not presented herein). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company identified a material weakness in its controls over financial reporting involving the preparation of its Statement of Cash Flows. As a result of this deficiency, there was a misclassification of cash flows associated with interest payments on the Company's secured borrowing resulting in an overstatement of cash flows provided by operating activities and an overstatement of cash flows used in financing activities for the three and six months ended March 26, 2022 and June 25, 2022, respectively, within its Statement of Cash Flows.

This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements as of and for the fiscal year ended December 31, 2022, of the Company, and this report does not affect our report on such financial statements.

/s/ Deloitte & Touche LLP

Richmond, Virginia
February 28, 2023

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Years Ended December 31, 2022, December 25, 2021, and December 26, 2020

(In thousands, except per share data)	Year Ended 12/31/2022	12/25/2021	12/26/2020
Revenues:			
Product	$ 3,832,291	$ 3,012,471	$ 1,899,662
Service and other	535,961	209,103	65,798
Rental	29,580	33,630	64,267
Total revenues	4,397,832	3,255,204	2,029,727
Operating expenses:			
Cost of revenue:			
Product	2,485,934	1,892,741	1,136,054
Service and other	36,340	16,506	2,149
Rental	11,070	11,552	21,905
Total cost of revenue	2,533,344	1,920,799	1,160,108
Selling, general, and administrative expenses	1,573,281	1,108,054	817,108
Goodwill impairment	70,000	—	—
Total operating expenses	4,176,625	3,028,853	1,977,216
Income from operations	221,207	226,351	52,511
Other income (expense):			
Bargain purchase gain	3,514	132,559	—
Gain on sale-leaseback transactions, net	59,772	—	—
Other, net	(21,929)	(67,368)	(5,294)
Interest expense, net	(339,982)	(133,114)	(96,774)
Income (loss) from continuing operations before income taxes	(77,418)	158,428	(49,557)
Income tax expense (benefit)	(8,845)	(33,538)	(60,501)
Income (loss) from continuing operations	(68,573)	191,966	10,944
Income (loss) from discontinued operations, net of tax	—	171,822	16,210
Net Income (Loss)	(68,573)	363,788	27,154
Less: Net (income) loss attributable to non-controlling interest	—	—	(2,090)
Net income (loss) attributable to Franchise Group, Inc.	$ (68,573)	$ 363,788	$ 25,064
Amounts attributable to Franchise Group, Inc.:			
Net income (loss) from continuing operations	$ (68,573)	$ 191,966	$ 20,645
Net income (loss) from discontinued operations	—	171,822	4,419
Net income (loss) attributable to Franchise Group, Inc.	$ (68,573)	$ 363,788	$ 25,064
Income (loss) per share from continuing operations:			
Basic	$ (1.96)	$ 4.56	$ 0.57
Diluted	(1.96)	4.48	0.57
Net income (loss) per share:			
Basic	$ (1.96)	$ 8.83	$ 0.70
Diluted	(1.96)	8.67	0.70
Weighted-average shares outstanding:			
Basic	39,309,855	40,199,681	34,531,362
Diluted	39,309,855	40,964,182	34,971,935

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2022, December 25, 2021, and December 26, 2020

(In thousands)	Year Ended		
	12/31/2022	12/25/2021	12/26/2020
Net income (loss)	$ (68,573)	$ 363,788	$ 27,154
Other comprehensive income (loss)			
Foreign currency translation adjustment	—	381	242
Unrealized (loss) gain on interest rate swap agreement, net of taxes of $0, $13, and ($24), respectively	—	45	(103)
Reclassification of unrealized loss on interest rate swap agreement and foreign currency translation adjustments realized upon disposal of business	—	973	—
Other comprehensive income (loss)	—	1,399	139
Comprehensive income (loss)	(68,573)	365,187	27,293
Less: comprehensive (income) loss attributable to non-controlling interest	—	—	(1,915)
Comprehensive income (loss) attributable to Franchise Group, Inc.	$ (68,573)	$ 365,187	$ 25,378

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
As of December 31, 2022 and December 25, 2021

(In thousands, except share count and per share data)	12/31/2022	12/25/2021
Assets		
Current assets:		
Cash and cash equivalents	$ 80,783	$ 292,714
Current receivables, net	170,162	118,698
Current securitized receivables, net	292,913	369,567
Inventories, net	736,841	673,170
Current assets held for sale	8,528	—
Other current assets	27,272	24,063
Total current assets	1,316,499	1,478,212
Property, plant, and equipment, net	223,718	449,886
Non-current receivables, net	11,735	11,755
Non-current securitized receivables, net	39,527	47,252
Goodwill	737,402	806,536
Intangible assets, net	116,799	127,951
Tradenames	222,703	222,687
Operating lease right-of-use assets	890,949	714,741
Investment in equity securities	11,587	35,249
Other non-current assets	59,493	18,902
Total assets	$ 3,630,412	$ 3,913,171
Liabilities and Stockholders' Equity		
Current liabilities:		
Current installments of long-term obligations, net	$ 6,935	$ 183,924
Current installments of debt secured by accounts receivable, net	340,021	302,246
Current operating lease liabilities	179,519	173,101
Accounts payable and accrued expenses	376,895	410,552
Other current liabilities	40,541	50,833
Total current liabilities	943,911	1,120,656
Long-term obligations, net, excluding current installments	1,374,479	1,278,469
Non-current debt secured by accounts receivable, net	107,448	105,256
Non-current operating lease liabilities	720,474	557,071
Other non-current liabilities	62,720	88,888
Total liabilities	3,209,032	3,150,340
Stockholders' equity:		
Common stock, $0.01 par value per share, 180,000,000 and 180,000,000 shares authorized, 34,925,773 and 40,296,688 shares issued and outstanding at December 31, 2022 and December 25, 2021, respectively	349	403
Preferred stock, $0.01 par value per share, 20,000,000 and 20,000,000 shares authorized, 4,541,125 and 4,541,125 shares issued and outstanding at December 31, 2022 and December 25, 2021, respectively	45	45
Additional paid-in capital	311,069	475,396
Retained earnings	109,917	286,987
Total equity	421,380	762,831
Total liabilities and equity	$ 3,630,412	$ 3,913,171

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Year Ended December 31, 2022

(In thousands)	Shares	Common stock	Shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity
Balance at December 25, 2021	40,297	$ 403	4,541	$ 45	$ 475,396	$ —	$ 286,987	$ 762,831
Net income	—	—	—	—	—	—	(68,573)	(68,573)
Exercise of stock options	41	1	—	—	(311)	—	—	(310)
Stock-based compensation, net	509	5	—	—	8,379	—	—	8,384
Common dividend declared ($2.50 per share)	—	—	—	—	—	—	(99,983)	(99,983)
Preferred dividend declared ($1.88 per share)	—	—	—	—	—	—	(8,514)	(8,514)
Repurchase of common stock	(5,921)	(60)	0	0	(172,395)	—	0	(172,455)
Balance at December 31, 2022	34,926	$ 349	4,541	$ 45	$ 311,069	$ —	$ 109,917	$ 421,380

Consolidated Statement of Stockholders' Equity
Year Ended December 25, 2021

(In thousands)	Shares	Common stock	Shares	Preferred stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity
Balance at December 26, 2020	40,092	$ 401	1,250	$ 13	$ 382,383	$ (1,399)	$ 3,769	$ 385,167
Net income	—	—	—	—	—	—	363,788	363,788
Total other comprehensive income	—	—	—	—	—	1,399	—	1,399
Exercise of stock options	60	1	—	—	663	—	—	664
Stock-based compensation, net	145	1	—	—	12,840	—	—	12,841
Issuance of Series A Preferred Stock	—	—	3,291	32	79,510	—	—	79,542
Common dividend declared ($1.750 per share)	—	—	—	—	—	—	(72,055)	(72,055)
Preferred dividend declared ($1.875 per share)	—	—	—	—	—	—	(8,515)	(8,515)
Balance at December 25, 2021	40,297	$ 403	4,541	$ 45	$ 475,396	$ —	$ 286,987	$ 762,831

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders' Equity
Year Ended December 26, 2020

(In thousands)	Shares	Common stock	Shares	Preferred Stock	Additional paid-in-capital	Accumulated other comprehensive loss	Retained earnings	Total Franchise Group Equity	Non-controlling interest	Total Equity
Balance at December 29, 2019	18,250	$ 183	1,887	$ 19	$ 108,339	$ (1,538)	$ 18,388	$ 125,391	$ 26,370	$ 151,761
Changes and distributions of non-controlling interest in New Holdco	—	—	—	—	23,744	(175)	—	23,569	(25,927)	(2,358)
Net income	—	—	—	—	—	—	25,064	25,064	2,090	27,154
Total other comprehensive income	—	—	—	—	—	314	—	314	(175)	139
Exercise of stock options	50	1	—	—	519	—	—	520	—	520
Stock-based compensation, net	66	—	—	—	8,810	—	—	8,810	—	8,810
Issuance of common stock	12,292	123	—	—	228,892	—	—	229,015	—	229,015
Issuance of Series A Preferred Stock	—	—	1,250	13	29,470	—	—	29,483	—	29,483
Conversion of preferred to common stock	9,434	94	(1,887)	(19)	(10,028)	—	—	(9,953)	—	(9,953)
Common dividend declared ($1.125 per share)	—	—	—	—	—	—	(41,286)	(41,286)	—	(41,286)
Preferred dividend declared ($0.609 per share)	—	—	—	—	—	—	(755)	(755)	—	(755)
Tax Receivable Agreement	—	—	—	—	(7,363)	—	—	(7,363)	—	(7,363)
Adjustment	—	—	—	—	—	—	2,358	2,358	(2,358)	—
Balance at December 26, 2020	40,092	$ 401	1,250	$ 13	$ 382,383	$ (1,399)	$ 3,769	$ 385,167	$ —	$ 385,167

See accompanying notes to consolidated financial statements.

FRANCHISE GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 31, 2022, December 25, 2021, and December 26, 2020

	Year Ended		
(In thousands)	**12/31/2022**	**12/25/2021**	**12/26/2020**
Operating Activities			
Net income (loss)	$ (68,573)	$ 363,788	$ 27,154
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for doubtful accounts for accounts receivable	136,978	8,878	5,930
Goodwill impairment	70,000	—	—
Depreciation, amortization, and impairment charges	85,363	72,765	62,543
Amortization of deferred financing costs	17,327	48,552	30,635
Amortization of secured debt discount	103,207	4,413	—
Stock-based compensation expense	15,082	13,696	9,484
Gain on sale-leaseback, bargain purchases, and sales of Company-owned stores, net	(66,078)	(137,747)	(4,133)
Prepayment penalty for early debt extinguishment	—	36,726	—
Gain on divestiture of Liberty Tax	—	(188,092)	—
Change in fair value of investment	23,662	31,773	—
Deferred income taxes	(74,208)	709	1,092
Other, net	577	1,749	85
Change in			
Accounts, notes, and interest receivable	(58,814)	(10,396)	(19,811)
Securitized accounts receivable	(50,359)	(8,147)	—
Income taxes receivable	4,117	(20,191)	(8,059)
Other assets	(3,804)	12,939	(5,573)
Interest payable for secured debt	(70,667)	3,089	—
Accounts payable and accrued expenses	(29,177)	(12,215)	23,927
Inventory	(64,663)	(121,393)	97,681
Deferred revenue	(7,396)	5,073	20,537
Net cash provided by (used in) operating activities	(37,426)	105,969	241,492
Investing Activities			
Purchases of property, plant, and equipment	(53,984)	(48,045)	(41,518)
Proceeds from sale of property, plant, and equipment	273,605	12,872	37,573
Acquisition of business, net of cash and restricted cash acquired	(3,843)	(1,063,811)	(353,423)
Divestiture of business, net of cash and restricted cash sold	—	179,471	—
Issuance of operating loans to franchisees	—	(17,749)	(34,136)
Payments received on operating loans to franchisees	—	23,103	50,291
Net cash provided by (used in) investing activities	215,778	(914,159)	(341,213)
Financing Activities			
Dividends paid	(111,728)	(67,234)	(29,350)
Issuance of long-term debt and other obligations	439,000	1,901,724	770,665
Repayment of long-term debt and other obligations	(541,406)	(1,261,455)	(741,100)
Proceeds from secured debt obligations	382,133	400,000	—
Repayment of secured debt obligations	(374,706)	—	—
Issuance of common stock	—	—	198,004
Issuance of preferred stock	—	79,542	29,482
Payments for repurchase of common stock	(172,455)	—	—
Principal payments of finance lease obligations	(2,673)	—	(4,716)
Payment for debt issue costs and prepayment penalty on extinguishment	(1,339)	(102,652)	(16,865)
Cash paid for taxes on exercises/vesting of stock-based compensation	(7,010)	(191)	33
Net cash provided by (used in) financing activities	(390,184)	949,734	206,153
Effect of exchange rate changes on cash, net	—	36	(76)
Net increase in cash and cash equivalents and restricted cash	(211,832)	141,580	106,356
Cash, cash equivalents and restricted cash at beginning of year	293,082	151,502	45,146
Cash, cash equivalents and restricted cash at end of year	$ 81,250	$ 293,082	$ 151,502

See accompanying notes to consolidated financial statements.

	Supplemental Cash Flow Disclosure		
	Year Ended		
(In thousands)	12/31/2022	12/25/2021	12/26/2020
Cash paid for taxes, net of refunds	$ 65,796	$ 42,154	$ 1,858
Cash paid for interest	81,158	91,623	49,825
Cash paid for interest on secured debt	91,994	—	—
Accrued capital expenditures	3,401	3,445	5,025
Non-cash proceeds from divestiture of Liberty Tax	—	74,073	—
Deferred financing costs from issuance of common stock	—	—	31,013
Capital expenditures funded by finance lease liabilities	7,333	756	—
Tax receivable agreement included in other long-term liabilities	—	504	16,775

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows.

(In thousands)	12/31/2022	12/25/2021
Cash and cash equivalents	$ 80,783	$ 292,714
Restricted cash included in other non-current assets	467	368
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 81,250	$ 293,082

Amounts included in other non-current assets represent those required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims.

See accompanying notes to consolidated financial statements.

(1) Organization and Significant Accounting Policies

Description of Business. Franchise Group, Inc. (the "Company") is an owner and operator of franchised and franchisable businesses that continually looks to grow its portfolio of brands while utilizing its operating and capital allocation philosophies to generate strong cash flows. The Company has a diversified and growing portfolio of highly recognized brands.

Acquisitions. For a complete description of the Company's acquisitions, refer to "Note 2 - Acquisitions". On March 10, 2021, the Company completed its acquisition of Pet Supplies Plus for an aggregate purchase price of $451.3 million. On September 27, 2021, the Company completed its acquisition of Sylvan Learning ("Sylvan") for an aggregate purchase price of $82.9 million. On November 22, 2021, the Company completed its acquisition of Badcock Home Furniture & more ("Badcock") for an aggregate purchase price of $548.8 million.

The assets acquired and the liabilities assumed in the acquisitions above are recorded at fair value in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations." Acquisition-related costs are expensed as incurred. The purchase price is allocated to the various tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values. In the case where there is an excess of aggregate net fair value of assets acquired and liabilities assumed over the fair value of consideration transferred, the purchase price will be recorded as a bargain purchase gain. Determining the fair value of certain assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions, which are inherently uncertain. Many of the estimates and assumptions used to determine fair values, such as those used for intangible assets are made based on forecasted information and discount rates. In addition, the judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations.

During the measurement period, which is not to exceed one year from the acquisitions, the Company may record adjustments to the acquired assets and liabilities assumed or the preliminary purchase price, with a corresponding offset to goodwill or bargain purchase gain, to reflect new information obtained about facts and circumstances that existed as of the acquisition dates. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Divestitures. On July 2, 2021, the Company completed the sale of its Liberty Tax business to NextPoint Acquisition Corp. ("NextPoint"), as described in "Note 3 - Divestitures".

Segment Information. The Company currently operates in six reportable segments: Vitamin Shoppe, Pet Supplies Plus, Badcock, American Freight, Buddy's and Sylvan.

The Vitamin Shoppe segment is an omnichannel specialty retailer and wellness lifestyle company with the mission of providing customers with the most trusted products, guidance and services to help them become their best selves, however they define it. Vitamin Shoppe offers one of the largest varieties of products among vitamin, mineral and supplement retailers. The broad product offering enables Vitamin Shoppe to provide customers with a depth of selection of products that may not be readily available at other specialty retailers or mass merchants, such as discount stores, supermarkets, drug stores and wholesale clubs. Vitamin Shoppe continues to focus on improving the customer experience through the roll-out of initiatives including increasing customer engagement and personalization, enhancing the omnichannel experience (including in stores, online and on mobile devices), growing private brands and improving the effectiveness of pricing and promotions.

The Pet Supplies Plus segment is a leading omnichannel retail chain and franchisor of pet supplies and services. Pet Supplies Plus has a diversified revenue model comprised of Company-owned store revenue, franchise royalties and revenue generated by the wholesale distribution of products to its franchisees. Pet Supplies Plus offers a curated selection of premium brands, proprietary private labels and specialty products with retail price parity with online players. Additionally, Pet Supplies Plus offers grooming, pet wash and other services in most of its locations. On February 22, 2022, Pet Supplies Plus completed its acquisition of Wag N' Wash, an emerging grooming, pet-wash and natural pet food franchise. Wag N' Wash is primarily focused on dogs, has a store footprint that is substantially smaller than a Pet Supplies Plus location and is operated by the Pet Supplies Plus management.

The Badcock segment is a retailer of furniture, appliances, bedding, electronics, home office equipment, accessories and seasonal items in a showroom format. Additionally, Badcock offers multiple and flexible payment solutions and credit

options through third parties and its consumer financing services. The Company is in the process of moving the financing business fully to a third-party provider.

The American Freight segment is a retail chain offering in-store and online access to furniture, mattresses, new and out-of-box home appliances and home accessories at discount prices. American Freight buys direct from manufacturers and sells direct in warehouse-style stores. By cutting out the middleman and keeping its overhead costs low, American Freight can offer quality products at low prices. The American Freight segment provides customers with multiple payment options including third-party financing providing access to high-quality products and brand name appliances that may otherwise remain aspirational to some of its customers. American Freight also serves as a liquidation channel for major appliance vendors. American Freight operates specialty distribution centers that test every out-of-box appliance before it is offered for sale to customers. Customers typically are covered by the original manufacturer's warranty and are offered the opportunity to purchase a full suite of extended-service plans and services.

The Buddy's segment is a specialty retailer of high quality, name brand consumer electronic, residential furniture, appliances and household accessories through rent-to-own agreements. The rental transaction allows customers the opportunity to benefit from the use of high-quality products under flexible rental purchase agreements without long-term obligations.

The Sylvan segment is an established and growing franchisor of supplemental education for Pre-K-12 students and families. Sylvan addresses the full range of student needs with a broad variety of academic curriculums delivered in an omnichannel format. The Sylvan platform provides franchisees with the ability to provide a range of supplemental educational services, including on premises, virtually, at a satellite location, and in the home.

Principles of Consolidation. The audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). The Company consolidates any entities in which it has a controlling interest, the usual condition of which is ownership of a majority voting interest. Prior to April 1, 2020, the Company reported a non-controlling interest representing the economic interest in Franchise Group New Holdco, LLC ("New Holdco") held by the former equity holders of Buddy's (the "Buddy's Members"). As of April 1, 2020, the Company redeemed all outstanding New Holdco units for shares of common stock of the Company and now has a 100% interest in New Holdco. Refer to "Note 11 - Stockholders' Equity" for more information on the non-controlling interest.

The Company does not possess any ownership interests in franchisee entities; however, the Company may provide financial support to franchisee entities. Because the Company's franchise arrangements provide franchisee entities the power to direct the activities that most significantly impact their economic performance, the Company does not consider itself the primary beneficiary of any such entity that meets the definition of a variable interest entity ("VIE"). The primary beneficiary is the entity that possesses the power to direct the activities of the VIE that most significantly impact its economic performance and has the obligation to absorb losses or the right to receive benefits from the VIE that are significant to it. Based on the results of management's analysis of potential VIEs, the Company has not consolidated any franchisee entities. The Company's maximum exposure to loss resulting from involvement with potential VIEs is attributable to accounts and notes receivables and future lease payments due from franchisees. When the Company does not have a controlling interest in an entity but has the ability to exert significant influence over the entity, the Company applies the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year End. For the years ended December 25, 2021 and December 26, 2020, our fiscal year ended on the Saturday in December closest to December 31st. On February 22, 2022, our Board of Directors ("Board") approved a change in our fiscal year-end from the last Saturday in December closest to December 31st to the Saturday in December or January, whichever is closest to December 31st. Fiscal year 2022 ended on December 31, 2022 and included 53 weeks, with the 53rd week falling in the fourth fiscal quarter, and fiscal years 2021 and 2020 included 52 weeks.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation. Revenues have been classified into product, service and other and rental revenues as further discussed in "Note 8 - Revenue." Costs of sales for product includes the cost of merchandise, transportation and warehousing costs. Service and other costs of sales include the direct costs of warranties. Rental cost of sales represents the amortization of inventory costs over the leased term. Other operating expenses, including employee costs, depreciation and amortization, and advertising expenses have been classified in selling, general and administrative expenses. For the years ended December 31, 2022, December 25, 2021 and December 26, 2020, total advertising expense was $98.1 million, $74.1 million, and $52.8 million, respectively. The Company also includes occupancy costs in selling, general and administrative expenses.

*Cash and Cash Equivalents***.** The Company considers all highly liquid instruments with maturities of three months or less at the time of purchase, as well as credit card receivables for sales to customers in its Company-owned stores that generally settle within two to five business days, to be cash equivalents. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally-insured limits. The Company has not experienced any losses related to these balances, and the Company believes credit risk to be minimal.

Securitization of Receivables. Sales of beneficial interests in customer revolving lines of credit are recorded as cash and an equivalent amount is recorded as "Debt secured by accounts receivable, net" on the Company's Consolidated Balance Sheets. The accounts receivable, which have been securitized, are recorded as "Securitized accounts receivable" on the Consolidated Balance Sheets. The net securitized accounts receivable on the balance sheet include the current and non-current portions, net of allowance for bad debt and an unamortized purchase discount recorded in purchase accounting related to the Badcock Acquisition.

*Inventories***.** Inventory for the Vitamin Shoppe segment is recorded at the lower of cost or market value using the weighted-average cost method. Inventory includes costs directly incurred in bringing the product to its existing condition and location. In addition, the cost of inventory is reduced by purchase discounts and other allowances received from vendors. A markdown reserve is estimated based on a variety of factors, including, but not limited to, the amount of inventory on hand and its remaining shelf life, current and expected market conditions and product expiration dates. In addition, the Company has established a reserve for estimated inventory shrinkage based on the actual, historical shrinkage of its most recent physical inventories adjusted, if necessary, for current economic conditions and business trends. Physical inventories and cycle counts are taken on a regular basis. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand or competition differ from management expectations.

Inventory for the Pet Supplies Plus segment is recorded at the lower of cost, determined on the average cost method or net realizable value for store inventories. Pet Supplies Plus includes freight and labor costs on products purchased from its distribution center in cost of products sold. Wholesale inventories are valued at the lower of cost (including freight), determined on the average cost method or net realizable value. Volume-based vendor allowances, rebates, and credits that relate to the Company's store merchandising activities are applied to product cost and recognized in cost of goods sold as the related product is sold.

Inventory for the Badcock segment is comprised of finished goods and is valued at the lower of cost or market value, with cost determined by the first-in, first-out method. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. An obsolescence reserve is estimated based on the amount of inventory on hand, its age, and its condition. Estimates are compared to the actual results of the physical inventory counts as they are taken and adjust the shrink estimates accordingly.

Inventory for American Freight is comprised of finished goods and is valued at the lower of cost or market, with cost determined by the first-in, first-out method. The Company writes down inventory, the impact of which is reflected in cost of sales in the consolidated statements of operations, if the cost of specific inventory items on hand exceeds the amount the Company expects to be realized from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience. Inventory includes the purchase price of the inventory plus costs of freight for moving merchandise from vendors to distribution centers as well as from distribution centers to stores. A provision for estimated shrinkage is maintained based on the actual historical results of physical inventories. Estimates are compared to the actual results of the physical inventory counts as they are taken and adjust the shrink estimates accordingly.

Inventory for the Buddy's segment is recorded at cost, including shipping and handling fees. Upon purchase, merchandise is not initially depreciated until it is leased or three months after the purchase date. Non-leased merchandise is depreciated on a straight-line basis over a period of 24 months. Leased merchandise is depreciated over the lease term of the rental agreement and recorded in rental cost of revenue. On a weekly basis, all damaged, lost, stolen, or unsalable merchandise identified is written off. Maintenance and repairs of lease merchandise are charged to operations as incurred.

Receivables and Allowance for Doubtful Accounts. Notes and accounts receivable are due from the Company's franchisees and are collateralized by the underlying franchise. The debtors' ability to repay the receivables is dependent upon both the performance of the franchisee's industry as a whole and the individual franchise. The adequacy of the allowance for doubtful accounts is assessed on a quarterly basis and adjusted as deemed necessary. Management believes the recorded allowance is adequate based upon its consideration of the estimated value of the franchises, which collateralize the receivables. Any adverse change in the individual franchisees' areas could affect the Company's estimate of the allowance.

Goodwill and Non-amortizing Intangible Assets. Goodwill and non-amortizing intangible assets, including the segments' tradenames, are not amortized, but rather tested for impairment at least annually. In addition, goodwill and non-amortizing intangible assets will be tested on an interim basis if an event or circumstance indicates that it is more likely than not that an impairment loss has been incurred. The Company performs a qualitative and/or quantitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value, including goodwill. If the Company determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company then estimates the fair value. The Company uses either a market multiple method or a discounted cash flow method to estimate the fair value of its reporting units and recognizes goodwill impairment for any excess of the carrying amount of a reporting unit's goodwill over its estimated fair value. The Company evaluates the segments' tradenames for impairment by comparing the fair value, based on an income approach using the relief-from-royalty method, to the carrying value. If the carrying value of the asset exceeds its estimated fair value, an impairment loss is recognized in an amount equal to that excess. The Company's reporting units are determined in accordance with the provisions of ASC 350, "Intangibles – Goodwill and Other." The Company performs its annual impairment testing of goodwill and non-amortizing intangible assets on the last day of the first month of the Company's third quarter. Refer to "Note 7 – Goodwill and Intangible Assets" for additional information on these balances.

Intangible Assets and Asset Impairment. Components of intangible assets consist of customer contracts, franchise and dealer agreements, and proprietary content. Amortization of intangible assets is calculated using the straight-line method over the estimated useful lives of the assets. Amortization of intangible assets is generally two to ten years. Purchased intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. Recognition and measurement of a potential impairment is performed for these assets at the lowest level where cash flows are individually identifiable. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

Property, Plant, and Equipment. Property, plant, and equipment are stated at cost less accumulated depreciation and amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, generally seven years for land and land improvements, twenty to thirty years for buildings, and seven, fifteen, or thirty-nine years for building improvements. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the assets. Furniture, fixtures, and equipment are amortized five to ten years, which includes machinery (amortized for seven years) and computer equipment (amortized three to five years). Certain allowable costs of software acquired, developed, or obtained for internal use are capitalized and typically amortized over the estimated useful life of the software. Software also includes the Company's Sylvan segment's educational materials, which is amortized over two to five years.

Insurance Programs. The Company maintains its own insurance arrangements with third-party insurance companies for exposures incurred for a number of risks including worker's compensation and general liability claims. The liability represents an estimate of the discounted cost of claims incurred and is recorded in other current and long-term liabilities. The Company may use restricted cash as collateral for these programs which is recorded in "Other non-current assets."

Employee Compensation and Benefits. The Company records the cost of its employee compensation and benefits as compensation expense in selling, general and administrative expenses within its Consolidated Statements of Operations. For the years ended December 31, 2022, December 25, 2021 and December 26, 2020, total employee compensation and expense was $606.7 million, $494.9 million, and $376.5 million, respectively. Accrued compensation and benefits is recorded within accounts payable and accrued expenses within the Consolidated Balance Sheets and totaled $38.7 million and $63.4 million as of December 31, 2022 and December 25, 2021.

Stock-Based Compensation. The Company records the cost of its employee stock-based compensation as compensation expense in its consolidated statements of operations. Compensation costs related to stock options are based on the grant-date fair value of awards using the Black-Scholes-Merton option pricing model and considering forfeitures. Compensation costs related to restricted stock units are based on the grant-date fair value and are amortized on a straight-line basis over the vesting period. The Company recognizes compensation costs for an award that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award. Compensation costs related to market-based restricted stock units are based on the grant-date fair value of the awards using a Monte Carlo simulation valuation model to calculate grant date fair value. Compensation expense is recognized over the requisite service period using the proportionate amount of the award's fair value that has been earned through service to date.

Revenue Recognition. The following is a description of the principal activities from which the Company generates its revenues. For more detailed information regarding reportable segments, refer to "Note 8 - Revenue."

- Product revenues: These include sales of merchandise at the stores and online. Revenue is measured based on the amount of fixed consideration that the Company expects to receive, reduced by estimates for variable consideration such as returns. Revenue also excludes any amounts collected from customers and remitted or payable to governmental authorities. In arrangements where the Company has multiple performance obligations, the transaction price is allocated to each performance obligation using the relative stand-alone selling price. The Company satisfies its performance obligations at the point of sale for retail store transactions and upon delivery for online transactions. The Company recognizes revenue for retail store and online transactions when it transfers control of the goods to the customer. Merchandise sales also include payments received for the exercise of the early purchase option offered through rental-purchase agreements or merchandise sold through point of sale transactions. Revenue for merchandise sales associated with rental purchase agreements is recognized when payment is received, and ownership of the merchandise passes to the customer.

- Service and other revenues: These may include the following:
  - Royalties and advertising fees;
  - Financing revenue;
  - Warranty and damage revenue;
  - Interest income;
  - Services and extended-service plans; and
  - Other miscellaneous income.

  Commissions earned on services and financing revenue are presented net of related costs because the Company is acting as an agent in arranging the services for the customer and does not control the services being rendered. Financing revenue includes revenue received from third party financing companies. The Company recognizes revenue on the commissions on extended-service plans when it transfers control of the related goods to the customer. The Company recognizes franchise fee revenue for the sales of individual territories on a straight-line basis over the initial contract term and renewal periods when the obligations of the Company to prepare the franchisee for operation are substantially complete, not to exceed the estimated amount of cash to be received. Royalties and advertising fees are recognized as franchisees generate sales.

- Rental revenue: The Company provides merchandise, consisting of consumer electronics, computers, residential furniture, appliances, and household accessories to its customers pursuant to rental-purchase agreements which provide for weekly, semi-monthly or monthly non-refundable rental payments. The average rental term is twelve to eighteen months and the Company maintains ownership of the lease merchandise until all payment obligations are satisfied under sales and lease ownership agreements. Customers have the option to purchase the leased goods at any point in the lease term. Customers can terminate the agreement at the end of any rental term without penalty. Therefore, rental transactions are accounted for as operating leases and rental revenue is recognized over the rental term. Cash received prior to the beginning of the lease term is recorded as deferred revenue. Revenue related to various reinstatement or late fees are recognized when paid by the customer. The Company offers additional product plans along with rental agreements that provide customers with liability protection against significant damage or loss of a product, and club membership benefits, including various discount programs, product services and replacement benefits in the event merchandise is damaged or lost. Customers renew product plans in conjunction with their rental term renewals and can cancel the plans at any time. Revenue for product plans is recognized over the term of the plan.

Leases. The Company's lease portfolio primarily consists of leases for its retail store locations, office space and distribution centers, as well as in the operation of certain of our dealer-owned stores. The Company also leases tractors and trucks used in its Badcock segment, local delivery trucks used in its American Freight segment, and leases certain office equipment under finance leases. The finance lease right of use assets are included in property, plant, and equipment ("PP&E") and the finance lease liabilities are included in current and non-current installments of long-term obligations. The Company determines if an arrangement is a lease at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Operating leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets, and the Company recognizes rent expense for these leases on a straight-line basis over the lease term. For leases with an

initial term in excess of 12 months, lease right-of-use assets and lease liabilities are recognized based on the present value of the future lease payments over the committed lease term at the lease commencement date. The Company's leases do not provide an implicit rate; therefore, the Company uses its incremental borrowing rate and the information available at the lease commencement date in determining the present value of future lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow, on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. Most leases include one or more options to renew and the exercise of renewal options is at the Company's sole discretion. The Company does not include renewal options in its determination of the lease term unless the renewals are deemed to be reasonably certain at lease commencement. The Company uses the long-lived assets impairment guidance in ASC 360-10, "Property, Plant, and Equipment - Overall," to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company subleases some of its real estate leases. The lessor and sublease portfolio primarily consists of stores within our Badcock segment that have been leased to dealers. For leases where the Company is a lessor, rent income and related operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

For operating leases, lease costs are recorded within selling, general, and administrative expenses ("SG&A") within the consolidated statements of operations as follows: (1) rental expense related to leases for Company-owned stores, and (2) rental expense for leased properties that are subsequently subleased to dealers, offset by rental income from sublease agreements with dealers. For finance leases where the Company is the lessee, lease cost includes the amortization of the right-of-use ("ROU") asset, which is amortized on a straight-line basis and recorded to "SG&A" and interest expense on the finance lease liabilities is recorded to "Interest expense, net." Finance lease ROU assets are amortized over the shorter of their estimated useful lives or the terms of the respective leases. The Company's subleases and leases for which the Company is a lessor are all classified as operating leases, for which the Company accounts for the lease and non-lease components as one lease component, as discussed above.

The Company has lease agreements with lease and non-lease components, which the Company elects to combine as one lease component for all classes of underlying assets. Non-lease components include variable costs based on actual costs incurred by the lessor related to the payment of real estate taxes, common area maintenance, and insurance. These variable payments are expensed as incurred as variable lease costs.

Fair Value of Financial Instruments. As required, financial assets and liabilities are classified in the fair value hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The carrying value of Cash and cash equivalents, restricted cash, accounts receivable and accounts payable as reported in the accompanying Consolidated Balance Sheets approximate fair value due to their short-term maturities. The carrying amount of Long-term debt approximates fair value because the interest rate paid has a variable component. The fair value for the Company's Investment in equity securities for which it does not have the ability to exercise significant influence is based on quoted prices in active markets.

Deferred Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities, which are recorded within "Other non-current assets" and "Other non-current liabilities" within the Consolidated Balance Sheets, are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In accordance with accounting standards, the Company assesses the likelihood that its deferred tax assets will be realized. Deferred tax assets are reduced by a valuation allowance when, after considering all available positive and negative evidence, it is determined that it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. The Company will analyze its position in subsequent reporting periods, considering all available positive and negative evidence, in determining the expected realization of its deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has elected to classify interest charged on a tax settlement in interest expense, and accrued penalties, if any, in selling, general, and administrative expenses.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. The Company records unrecognized tax benefit liabilities for known or anticipated tax issues based on an analysis of whether, and the extent to which, additional taxes will be due.

Repurchases of Common Stock. The Company repurchases shares of its common stock through open market or private transactions. During the year ended December 31, 2022, all purchases of common stock under the Company's stock repurchase program were made at prices that exceeded the par value of the repurchased common stock, and the portions of the purchase prices that exceeded par value were charged to additional paid-in capital to the extent that an excess was present. Once additional paid-in capital is fully depleted, remaining excess of cost over par value is charged to retained earnings. Refer to "Note 11 - Stockholders' Equity" for additional information regarding share repurchases.

Reclassifications. Certain prior year amounts have been reclassified to conform to the current year presentation.

Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, "*Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"*, which changes how companies will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The standard replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost (which generally will result in the earlier recognition of allowances for losses) and requires companies to record allowances for available-for-sale debt securities, rather than reduce the carrying amount. In addition, companies will have to disclose significantly more information, including information used to track credit quality by year of origination, for most financing receivables. The ASU should be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the standard is effective. The ASU is effective for the Company for the 2023 fiscal year. The Company is in the process of adopting this standard and anticipates recording a cumulative effective adjustment between $11.0 million and $16.0 million to retained earnings as of January 1, 2023 on its Consolidated Financial Statements Results for reporting periods beginning after January 1, 2023 will be presented under the new guidance issued in ASU 2016-13. Prior period amounts will not be adjusted and will continue to be reported under the previous accounting standards.

In January 2017, the FASB issued ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*" This standard eliminates Step 2 from the goodwill impairment test. Instead, an entity should compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company early adopted the ASU in the year ended December 31, 2022. Refer to "Note 7 – Goodwill and Intangible Assets" for the calculation of the Company's impairment test after the adoption of ASU 2017-04.

The London Interbank Offered Rate ("LIBOR") is scheduled to be discontinued on June 30, 2023. In an effort to address the various challenges created by such discontinuance, the FASB issued an amendment to existing guidance, ASU No. 2020-04, "*Reference Rate Reform*." The amended guidance is designed to provide relief from the accounting analysis and impacts that may otherwise be required for modifications to agreements (e.g., loans, debt securities, derivatives, borrowings) necessitated by the reference rate reform. It also provides optional expedients to enable companies to continue to apply hedge accounting to certain hedging relationships impacted by the reference rate reform. As further described in "Note 10 – Long-Term Obligations", the Company entered into an amendment to a debt agreement which changed the reference rate from LIBOR to Secured Overnight Financing Rate ("SOFR"). The adoption of ASU 2020-04 did not result in a material impact to the Company's financial results or disclosures.

(2) Acquisitions

The Company continually looks to diversify and grow its portfolio of brands through acquisitions. On December 27, 2020, the Company completed its acquisition of FFO Home (the "FFO Home Acquisition"), on March 10, 2021, the Company completed its acquisition of Pet Supplies Plus (the "Pet Supplies Plus Acquisition"), on September 27, 2021, the Company completed its acquisition of Sylvan (the "Sylvan Acquisition"), and on November 22, 2021, the Company completed its acquisition of Badcock (the "Badcock Acquisition" and, together with the FFO Home Acquisition, Pet Supplies Plus Acquisition, and Sylvan Acquisition, the "Acquisitions"). On February 22, 2022, the Company's Pet Supplies Plus segment completed its acquisition of Wag N' Wash. For a complete description of the Company's accounting policy regarding acquisitions, refer to "Note 1 – Organization and Significant Accounting Policies".

Badcock Acquisition

On November 22, 2021, the Company completed the Badcock Acquisition. The fair value of the consideration transferred at the acquisition date was $548.8 million.

The following table summarizes the final allocation of the fair values of the identifiable assets acquired and liabilities assumed in the Badcock Acquisition on November 22, 2021.

(In thousands)	November 22, 2021
Cash and cash equivalents	$ 23,413
Inventories	130,045
Accounts receivable	411,268
Other current assets	5,023
Property, plant, and equipment	238,865
Operating lease right-of-use assets	55,626
Other non-current assets	2,506
Total assets	866,746
Current operating lease liabilities	12,070
Accounts payable and accrued expenses	71,436
Other current liabilities	18,942
Current installments of long-term obligations	5,261
Long-term obligations, excluding current installments	7,247
Non-current operating lease liabilities	39,599
Other long-term liabilities	27,849
Total liabilities	182,404
Bargain purchase gain	(135,557)
Consideration transferred	$ 548,785

Operating lease right-of-use assets of $55.6 million and operating lease liabilities of $51.7 million, consist of leases for retail store locations, warehouses and office equipment.

Property, plant and equipment consists of fixtures and equipment of $93.0 million, buildings and building improvements of $98.0 million, land and land improvements of $33.4 million, leasehold improvements of $23.7 million, and construction in progress of $1.4 million.

During the year ended December 31, 2022, the preliminary estimates of the fair value of identifiable assets acquired and liabilities assumed were finalized, which resulted in a $3.5 million increase to the bargain purchase gain for a cumulative bargain purchase gain of $135.6 million. The adjustment is classified as “Bargain purchase gain” on the Consolidated Statements of Operations. The Company believes the seller in the Badcock Acquisition was willing to accept a bargain purchase price in return for the Company’s ability to act more quickly, partially due to the Company’s access to capital to complete the transaction, and with greater certainty than any other prospective acquirer. Additionally, the Company believes the seller was motivated to complete the transaction as part of an overall repositioning of its business. Upon completion of this reassessment, the Company concluded that recording a bargain purchase gain with respect to the Badcock Acquisition was appropriate and required under GAAP. The tax impact related to the bargain purchase gain was non-taxable and impacted the Company’s effective tax rate for the period.

Sylvan Acquisition

On September 27, 2021, the Company completed the Sylvan Acquisition. The fair value of the consideration transferred at the acquisition date was $82.9 million.

The table below summarizes the fair values of the identifiable assets acquired and liabilities assumed in the Sylvan Acquisition on September 27, 2021.

(In thousands)	September 27, 2021
Cash and cash equivalents	$ 4,364
Other current assets	3,592
Property, plant, and equipment	26,324
Goodwill	19,406
Tradenames	24,987
Operating lease right-of-use assets	2,874
Other intangible assets	19,412
Other non-current assets	185
Total assets	101,144
Current operating lease liabilities	891
Accounts payable and accrued expenses	6,072
Non-current operating lease liabilities	1,984
Other long-term liabilities	9,320
Total liabilities	18,267
Consideration transferred	$ 82,877

Other intangible assets consists of the franchise agreements of $18.3 million and proprietary content of $1.1 million.

Property, plant and equipment consists of fixtures and equipment of $0.3 million, leasehold improvements of $0.7 million, and software and electronic content of $25.3 million.

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill recognized is attributable to operational synergies in the expected franchise models and growth opportunities. None of the acquired goodwill is deductible for tax purposes.

Pet Supplies Plus Acquisition

On March 10, 2021, the Company completed the Pet Supplies Plus Acquisition. The fair value of the consideration transferred at the date of acquisition was $451.3 million.

The table below summarizes the fair values of the identifiable assets acquired and liabilities assumed in the Pet Supplies Plus Acquisition on March 10, 2021.

(In thousands)	March 10, 2021
Cash and cash equivalents	$ 2,131
Other current assets	39,844
Inventories	118,600
Property, plant, and equipment	75,616
Goodwill	335,995
Operating lease right-of-use assets	151,243
Tradenames	104,400
Other intangible assets	101,400
Other non-current assets	6,393
Total assets	935,622
Current operating lease liabilities	25,405
Accounts payable and accrued expenses	82,237
Other current liabilities	1,606
Current installments of long-term obligations	3,507
Long-term obligations, excluding current installments	247,458
Non-current operating lease liabilities	114,292
Other long-term liabilities	9,761
Total liabilities	484,266
Consideration transferred	$ 451,356

Other intangible assets consists of franchise agreements of $67.1 million and customer relationships of $34.3 million.

Operating lease right-of-use assets and lease liabilities consist of leases for retail store locations, warehouses and office equipment. Operating lease right-of-use assets incorporates a favorable adjustment of $12.4 million, net for favorable and unfavorable Pet Supplies Plus real estate leases (as compared to prevailing market rates) which will be amortized over the remaining lease terms.

Property, plant, and equipment consists of fixtures and equipment of $37.0 million, leasehold improvements of $33.5 million, construction in progress of $3.5 million and financing leases of $1.7 million.

Other non-current assets includes $0.4 million of restricted cash.

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The goodwill recognized is attributable to operational synergies in the expected franchise models and growth opportunities. All of the acquired goodwill is deductible for tax purposes.

Wag N' Wash Acquisition

On February 22, 2022, Pet Supplies Plus completed its acquisition of Wag N' Wash, an emerging natural pet food, dog wash, and grooming franchise, for an all cash purchase price of $0.9 million, and five of the Wag N' Wash stores were subsequently sold to a franchisee for $0.6 million. The components of the purchase price allocation are not presented herein due to the immateriality of the transaction to the Company overall.

Furniture Factory Outlet Acquisition

On December 27, 2020, the Company completed the FFO Home Acquisition, a regional retailer of furniture and mattresses, for an all cash purchase price of $13.8 million.

(In thousands)	December 27, 2020
Cash and cash equivalents	$ 6
Other current assets	96
Inventories	6,450
Property, plant, and equipment	3,280
Goodwill	2,947
Operating lease right-of-use assets	26,571
Total assets	39,350
Current operating lease liabilities	2,587
Other current liabilities	299
Non-current operating lease liabilities	22,624
Total liabilities	25,510
Consideration transferred	$ 13,840

Operating lease right-of-use assets and lease liabilities consist of leases for retail store locations. Operating lease right-of-use assets incorporates a favorable adjustment of $1.4 million, net for favorable and unfavorable FFO Home leases (as compared to prevailing market rates) which will be amortized over the remaining lease terms.

The property, plant, and equipment consists of leasehold improvements of $2.5 million and fixtures and equipment of $0.8 million.

Pro forma financial information

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the Acquisitions as if they had occurred on December 29, 2019.

	(Unaudited)	
(In thousands)	Year Ended 12/25/2021	Year Ended 12/26/2020
Revenue	$ 4,282,329	$ 3,849,583
Net income (loss) from continuing operations	184,574	$ 92,954
Basic net income per share - continuing operations	4.59	$ 2.69
Diluted net income per share - continuing operations	4.51	$ 2.66

These unaudited pro forma results include adjustments such as inventory step-up, amortization of acquired intangible assets, depreciation of acquired property, plant, and equipment and interest expense on debt financing in connection with the Acquisitions. Material, nonrecurring pro forma adjustments directly attributable to the Acquisitions include the following. Acquired inventory step-up to its fair value of $7.1 million was removed from net income for the year ended December 25, 2021 and recognized as an incremental product cost in the year ended December 26, 2020, and acquisition related costs of $11.3 million were removed from net income for the year ended December 25, 2021 and recognized as an expense in the year ended December 26, 2020.

The unaudited consolidated pro forma financial information was prepared in accordance with accounting standards and is not necessarily indicative of the results of operations that would have occurred if the Acquisitions had been completed on the dates indicated, nor is it indicative of the future operating results of the Company.

The unaudited pro forma results do not reflect events that either have occurred or may occur after these Acquisitions, including, but not limited to, the anticipated realization of operating synergies in subsequent periods. They also do not give

effect to certain charges that the Company expects to incur in connection with these Acquisitions, including, but not limited to, additional professional fees and employee integration.

(3) Divestitures

Liberty Tax Divestiture

On July 2, 2021, the Company completed the sale of its Liberty Tax business (the "Liberty Transaction") to NextPoint and received total consideration of approximately $255.3 million, consisting of approximately $181.2 million in cash and approximately $74.1 million in proportionate voting shares of NextPoint recorded as an investment in equity securities in "Investment in equity securities" on the Consolidated Balance Sheets. As a result of the Liberty Transaction, the financial position and results of operations of the Liberty Tax business are presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for the years ended December 25, 2021, and December 26, 2020.

The following is a Consolidated Statement of Operations for the Liberty Tax business. The amounts are included in "Income (loss) from discontinued operations, net of tax" in the Company's Consolidated Statements of Operations.

	Year Ended	
(In thousands)	**12/25/2021**	**12/26/2020**
Revenue	$ 107,486	$ 122,777
Selling, general, and administrative expenses	66,042	99,166
Income from operations	41,444	23,611
Other expense:		
Gain on sale of discontinued operations	188,091	—
Other	165	107
Interest expense, net	(3)	(4,977)
Income before income taxes	229,697	18,741
Income tax expense	57,875	2,531
Net Income	171,822	16,210
Less: Net (income) attributable to non-controlling interest	—	(11,791)
Net income attributable to discontinued operations	$ 171,822	$ 4,419

The Company applied the "Intraperiod Tax Allocation" rules under ASC 740 "Income Taxes", which requires the allocation of an entity's total income tax provision among continuing operations and, in the Company's case, discontinued operations.

The following is the operating and investing activities for the Liberty Tax business. These amounts are included in the Company's Consolidated Statements of Cash Flows.

	Year Ended	
(In thousands)	**12/25/2021**	**12/26/2020**
Cash flows provided by operating activities from discontinued operations	$ 39,334	$ 52,185
Cash flows provided by investing activities from discontinued operations	173,633	6,259

Assets Held for Sale

As of December 31, 2022, Badcock was negotiating sale transactions for certain non-operating properties that it expects to sell within one year. The net book value of the properties of $8.5 million is classified as "Current assets held for sale" on the Consolidated Balance Sheets.

Sale-Leaseback Transactions

In the year ended December 31, 2022, Badcock sold a number of its retail locations, distribution centers, and its corporate headquarters for a total of $260.6 million, resulting in a net gain of $59.8 million, comprised of $65.3 million of gains and $5.5 million of losses. Contemporaneously with these sales, the Company entered into lease agreements pursuant to which the Company leased back the retail locations, distribution centers, and corporate headquarters, all of which are being accounted for as operating leases. The net gain has been recognized as "Gain on sale-leaseback transactions" on the Consolidated Statements of Operations for the year ended December 31, 2022.

(4) Accounts and Notes Receivable

Current and non-current receivables as of December 31, 2022 and December 25, 2021 are presented in the Consolidated Balance Sheets as follows:

(In thousands)	12/31/2022	12/25/2021
Accounts receivable	$ 96,804	$ 47,763
Franchisee accounts receivable	46,778	38,324
Notes receivable	2,211	1,681
Interest receivable	—	54
Income tax receivable	28,325	32,448
Allowance for doubtful accounts	(3,956)	(1,572)
Current receivables, net	170,162	118,698
Notes receivable, non-current	11,867	12,183
Allowance for doubtful accounts, non-current	(132)	(428)
Non-current receivables, net	11,735	11,755
Total receivables	$ 181,897	$ 130,453

Notes receivable are due from the Company's franchisees and are collateralized by the underlying franchise. The debtors' ability to repay the notes is dependent upon both the performance of the franchisee's industry as a whole and the individual franchise.

Allowance for Doubtful Accounts

The adequacy of the allowance for doubtful accounts is assessed on a quarterly basis and adjusted as deemed necessary. Activity in the allowance for doubtful accounts for the years ended December 31, 2022 and December 25, 2021 was as follows:

(In thousands)	12/31/2022	12/25/2021
Balance at beginning of year	$ 2,000	$ 283
Provision for doubtful accounts	2,419	1,720
Write-offs, net of recoveries	(331)	(3)
Balance at end of year	$ 4,088	$ 2,000

Analysis of Past Due Receivables

The breakdown of accounts and notes receivable past due at December 31, 2022 and December 25, 2021 was as follows:

	12/31/2022			
(In thousands)	**Past due**	**Current**	**Interest receivable**	**Total receivables**
Accounts receivable	$ 10,303	$ 133,279	$ —	$ 143,582
Notes and interest receivable	133	13,945	—	14,078
Total accounts, notes, and interest receivable	$ 10,436	$ 147,224	$ —	$ 157,660

	12/25/2021			
(In thousands)	**Past due**	**Current**	**Interest receivable**	**Total receivables**
Accounts receivable	$ 7,966	$ 78,121	$ —	$ 86,087
Notes and interest receivable	452	13,412	54	13,918
Total accounts, notes, and interest receivable	$ 8,418	$ 91,533	$ 54	$ 100,005

(5) Securitized Accounts Receivable

In order to monetize its customer credit receivables portfolio, Badcock sells beneficial interests in customer revolving lines of credit pursuant to securitization transactions. On December 20, 2021, Badcock securitized its existing consumer credit receivables portfolio for a purchase price of $400.0 million in cash. The Company securitized an additional $382.1 million of its customer credit receivables portfolio in the year ended December 31, 2022. As tranches of customer credit receivables are securitized, proceeds received are recorded as “Cash” and an equivalent amount is recorded as “Debt secured by accounts receivable, net” on the Consolidated Balance Sheets, which includes the face amount of current and non-current receivables, net of the unamortized discount. The securitizations do not qualify as a sale under ASC 860 - “Transfers and Servicing,” even though the underlying receivables are deemed to be legally sold. The accounts receivable, which have been securitized, are recorded as “Current securitized accounts receivable, net” and “Non-current securitized accounts receivable, net” on the Company’s Consolidated Balance Sheets. The accounts include the current and non-current portions, net of allowance for bad debt and an unamortized purchase discount recorded in purchase accounting related to the Badcock Acquisition.

The Company records the income earned on the customer revolving lines of credit as interest income in “Service and other revenues” with a corresponding amount recorded in “Interest expense, net” on the Consolidated Statements of Operations as a result of the securitization. Amortization of the secured debt discount is also recorded in “Interest expense, net” on the Consolidated Statements of Operations. In connection with the securitization of the receivables, Badcock has entered into a receivables servicing agreement with lenders pursuant to which Badcock will provide certain customary servicing and account management services. During the year ended December 31, 2022, Badcock earned $10.2 million pursuant to this agreement, recorded in “Service and other revenues” on the Consolidated Statements of Operations.

The debt secured by accounts receivable is non-recourse to the Company. Lenders must rely on payments received from the Company’s customers to service the secured debt, unless the Company has breached its representations or warranties in the loan agreements. The lenders assume the credit risk of the customer and their only recourse, upon default by the customer, is against the customer.

Badcock may periodically repay portions of the debt secured by accounts receivable early. The non-current portion of secured debt matures within two years of the Company's Consolidated Balance Sheet date.

The components of securitized accounts receivable and debt secured by accounts receivables at December 31, 2022 and December 25, 2021 were as follows:

(In thousands)	12/31/2022	12/25/2021
Current securitized accounts receivable	$ 374,179	$ 476,071
Unamortized purchase price discount	(24,171)	(106,504)
Allowance for doubtful securitized accounts, current	(57,095)	—
Current securitized accounts receivable, net	292,913	369,567
Non-current securitized accounts receivable	50,494	60,869
Unamortized purchase price discount	(3,262)	(13,617)
Allowance for doubtful securitized accounts, non-current	(7,705)	—
Non-current securitized accounts receivable, net	39,527	47,252
Total securitized assets, net	$ 332,440	$ 416,819
Current installments of debt secured by accounts receivable	$ 374,879	$ 421,935
Unamortized debt discount	(34,858)	(119,689)
Current debt secured by accounts receivable, net	340,021	302,246
Non-current installments of debt secured by accounts receivable	119,240	111,671
Unamortized debt discount	(11,792)	(6,415)
Non-current debt secured by accounts receivable, net	107,448	105,256
Total debt secured by accounts receivable, net	$ 447,469	$ 407,502

When securitized receivables are delinquent for approximately one year, the estimated uncollectible amount from the customer is written off and the corresponding securitized accounts receivable is reduced. Due to their non-recourse nature, the Company will record a gain on extinguishment for any debt secured by uncollectible accounts receivable in the future when the debt meets the extinguishment requirements in accordance with ASC 470, “Debt”. Activity in the allowance for doubtful accounts for the years ended December 31, 2022 and December 25, 2021 was as follows:

(In thousands)	12/31/2022	12/25/2021
Balance at beginning of year	$ —	$ —
Provision for doubtful accounts	139,300	—
Write-offs, net of recoveries	(74,500)	—
Balance at end of year	$ 64,800	$ —

The components of interest income and interest expense generated from securitized receivables for the years ended December 31, 2022 and December 25, 2021 were as follows:

(In thousands)	12/31/2022	12/25/2021
Interest income from securitization:		
Interest income[1]	$ 101,172	$ 8,712
Interest income from amortization of original purchase discount	$ 92,688	$ 16,796
Total interest income from securitization	$ 193,860	$ 25,508
Interest expense, debt secured by accounts receivables:		
Amortization of debt discount from sale of securitized accounts receivable	$ (103,207)	$ (4,413)
Interest expense	$ (124,755)	$ (3,089)
Total interest expense, debt secured by accounts receivables:	$ (227,962)	$ (7,502)

[1] Includes interest income from Badcock owned receivables (refer to “Note 4 – Accounts and Notes Receivable”) and securitized receivables.

(6) Property, Plant, and Equipment, Net

Property, plant, and equipment at December 31, 2022, and December 25, 2021 was as follows:

(In thousands)	12/31/2022	12/25/2021
Land and land improvements	$ 998	$ 36,306
Buildings and building improvements	749	176,188
Leasehold improvements	123,728	115,539
Furniture, fixtures, and equipment	127,610	117,973
Software	114,852	97,427
Construction in progress	14,700	4,388
Finance lease asset	9,269	6,148
Property, plant, and equipment, gross	391,906	553,969
Less accumulated depreciation and amortization	168,188	104,083
Property, plant, and equipment, net	$ 223,718	$ 449,886

Total depreciation and amortization expense on property, plant, and equipment was $64.8 million, $56.0 million, and $47.6 million for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively.

(7) Goodwill and Intangible Assets

The Company performs impairment tests for goodwill as of the end of July of each fiscal year and between annual impairment tests if an event occurs or circumstances change that would more likely than not reduce the fair values of the Company's reporting units below their carrying values. As part of the annual impairment test as of July 2022, the Company updated its long-term forecasts based on the operating results in 2022 and the current macro-economic environment. This resulted in the American Freight reporting unit fair value being lower than the carrying value resulting in a $70.0 million non-cash pre-tax goodwill impairment charge, which was recorded in "Goodwill impairment" in the accompanying consolidated statements of operations. No other reporting units had accumulated goodwill impairment losses recorded.

The estimated fair value of each of our reporting units was calculated using a weighted-average of values determined from an income approach and a market approach. The income approach involves estimating the fair value of each reporting unit by discounting its estimated future cash flows using a discount rate that would be consistent with a market participant's assumption. The market approach bases the fair value measurement on information obtained from observed stock prices of public companies and recent merger and acquisition transaction data of comparable entities. In order to estimate the fair value of goodwill, management must make certain estimates and assumptions that affect the total fair value of the reporting unit including, among other things, an assessment of market conditions, projected cash flows, discount rates and growth rates. Management's estimates of projected cash flows related to the reporting unit include, but are not limited to, future earnings of the reporting unit, assumptions about the use or disposition of assets included in the reporting unit, estimated remaining lives of those assets, and future expenditures necessary to maintain the assets' existing service potential. The assumptions in the fair value measurement reflect the current market environment, industry-specific factors and company-specific factors.

Changes in the carrying amount of goodwill for the years ended December 31, 2022 and December 25, 2021 were as follows:

(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Total
Balance as of December 26, 2020	$ 1,277	$ —	$ —	$ 367,882	$ 79,099	$ —	$ 448,258
Acquisitions	—	335,875	—	3,293	—	19,456	358,624
Disposals and purchase accounting adjustments	—	—	—	(346)	—	—	(346)
Balance as of December 25, 2021	$ 1,277	$ 335,875	$ —	$ 370,829	$ 79,099	$ 19,456	$ 806,536
Acquisitions	—	2,174	—	—	—	—	2,174
Goodwill impairment	—	—	—	(70,000)	—	—	(70,000)
Disposals and purchase accounting adjustments	—	(1,258)	—	—	—	(50)	(1,308)
Balance as of December 31, 2022	$ 1,277	$ 336,791	$ —	$ 300,829	$ 79,099	$ 19,406	$ 737,402

Components of intangible assets as of December 31, 2022 and December 25, 2021, were as follows:

(In thousands)	12/31/2022						
Tradenames	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Total
Gross carrying amount	$ 12,000	$ 104,416	$ —	$ 70,200	$ 11,100	$ 24,987	$ 222,703
Accumulated Amortization	—	—	—	—	—	—	—
Net carrying amount	$ 12,000	$ 104,416	$ —	$ 70,200	$ 11,100	$ 24,987	$ 222,703

	12/31/2022						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Total
Customer contracts							
Gross carrying amount	—	34,300	—	—	8,184	—	42,484
Accumulated Amortization	—	(4,143)	—	—	(4,735)	—	(8,878)
Net carrying amount	—	30,157	—	—	3,449	—	33,606
Franchise and dealer agreements							
Gross carrying amount	—	67,240	—	—	10,500	18,265	96,005
Accumulated Amortization	—	(8,057)	—	—	(3,646)	(2,645)	(14,348)
Net carrying amount	—	59,183	—	—	6,854	15,620	81,657
Other intangible assets							
Gross carrying amount	—	110	—	44	566	1,593	2,313
Accumulated Amortization	—	—	—	(14)	(460)	(303)	(777)
Net carrying amount	—	110	—	30	106	1,290	1,536
Total intangible assets	$ —	$ 89,450	$ —	$ 30	$ 10,409	$ 16,910	$ 116,799

(In thousands)	12/25/2021						
Tradenames	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Total
Gross carrying amount	$ 12,000	$ 104,400	$ —	$ 70,200	$ 11,100	$ 24,987	$ 222,687
Accumulated amortization	—	—	—	—	—	—	—
Net carrying amount	$ 12,000	$ 104,400	$ —	$ 70,200	$ 11,100	$ 24,987	$ 222,687

	12/25/2021						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Total
Customer contracts							
Gross carrying amount	—	34,300	—	—	8,114	—	42,414
Accumulated amortization	—	(1,856)	—	—	(3,359)	—	(5,215)
Net carrying amount	—	32,444	—	—	4,755	—	37,199
Franchise and dealer agreements							
Gross carrying amount	—	67,100	—	—	10,500	18,265	95,865
Accumulated amortization	—	(3,576)	—	—	(2,596)	(399)	(6,571)
Net carrying amount	—	63,524	—	—	7,904	17,866	89,294
Other intangible assets							
Gross carrying amount	—	—	—	44	566	1,226	1,836
Accumulated amortization	—	—	—	(3)	(319)	(56)	(378)
Net carrying amount	—	—	—	41	247	1,170	1,458
Total intangible assets	$ —	$ 95,968	$ —	$ 41	$ 12,906	$ 19,036	$ 127,951

The Company's tradenames have an indefinite life and their annual impairment test was performed as of July 2022. No impairment has been recorded for any of the reporting units. The Company also reviews amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company did not record impairment expense related to the amortizable intangible assets during the years ended December 31, 2022, December 25, 2021, or December 26, 2020.

For the years ended December 31, 2022, December 25, 2021, and December 26, 2020, amortization expense was $11.8 million, $8.7 million, and $4.6 million, respectively.

Annual amortization expense for the next five years is estimated to be as follows:

(In thousands)	Estimate for Fiscal Year
2023	$ 10,833
2024	10,646
2025	9,975
2026	9,232
2027	9,043
Thereafter	67,070
Total estimated amortization expense	$ 116,799

(8) Revenue

For details regarding the principal activities from which the Company generates its revenue, refer to "Note 1 - Organization and Significant Accounting Policies". For more detailed information regarding reportable segments, refer to "Note 16 – Segments."

The following represents the disaggregated revenue by reportable segments for the years ended December 31, 2022, December 25, 2021, and December 26, 2020.

	Fiscal Year Ended 12/31/2022						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Consolidated
Retail sales	$1,204,168	$ 659,606	$ 628,170	$ 762,488	$ 2,737	$ 54	$3,257,223
Wholesale sales	1,298	559,651	—	14,119	—	—	575,068
Total product revenue	1,205,466	1,219,257	628,170	776,607	2,737	54	3,832,291
Royalties and advertising fees	620	38,952	—	2,226	18,771	36,912	97,481
Financing revenue	—	—	1,289	36,955	—	—	38,244
Warranty and damage revenue	—	—	52,437	41,516	6,098	—	100,051
Interest income from amortization of original purchase discount	—	—	92,688	—	—	—	92,688
Interest income	—	305	101,172	771	—	—	102,248
Other revenues	738	30,210	43,301	25,409	221	5,370	105,249
Total service and other revenue	1,358	69,467	290,887	106,877	25,090	42,282	535,961
Rental revenue, net	—	—	—	—	29,580	—	29,580
Total rental revenue	—	—	—	—	29,580	—	29,580
Total revenue	$1,206,824	$1,288,724	$ 919,057	$ 883,484	$ 57,407	$ 42,336	$4,397,832

	Fiscal Year Ended 12/25/2021						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus[1]	Badcock[2]	American Freight	Buddy's	Sylvan[3]	Consolidated
Retail sales	$ 1,172,462	$ 517,508	$ 67,353	$ 894,905	$ 3,913	$ 8	$ 2,656,149
Wholesale sales	—	355,377	—	945	—	—	356,322
Total product revenue	1,172,462	872,885	67,353	895,850	3,913	8	3,012,471
Royalties and advertising fees	263	20,161	—	1,287	14,474	8,306	44,491
Financing revenue	—	—	—	41,623	—	—	41,623
Warranty and damage revenue	—	—	5,389	34,786	6,667	—	46,842
Interest income from amortization of original purchase discount	—	—	16,796	—	—	—	16,796
Interest income	—	228	8,712	986	—	—	9,926
Other revenues	—	24,165	3,807	14,360	5,725	1,368	49,425
Total service and other revenue	263	44,554	34,704	93,042	26,866	9,674	209,103
Rental revenue, net	—	—	—	—	33,630	—	33,630
Total rental revenue	—	—	—	—	33,630	—	33,630
Total revenue	$ 1,172,725	$ 917,439	$ 102,057	$ 988,892	$ 64,409	$ 9,682	$ 3,255,204

[1] Reflects the results from the March 10, 2021 acquisition date for the Pet Supplies Plus Acquisition.

[2] Reflects the results from the November 22, 2021 acquisition date for the Badcock Acquisition.

[3] Reflects the results from the September 27, 2021 acquisition date for the Sylvan Acquisition.

	Fiscal Year Ended 12/26/2020						
(In thousands)	Vitamin Shoppe	Pet Supplies Plus	Badcock	American Freight	Buddy's	Sylvan	Consolidated
Retail sales	$1,035,964	$ —	$ —	$ 857,955	$ 5,743	$ —	$1,899,662
Total product revenue	1,035,964	—	—	857,955	5,743	—	1,899,662
Royalties and advertising fees	—	—	—	—	10,092	—	10,092
Financing revenue	—	—	—	15,977	—	—	15,977
Warranty and damage revenue	—	—	—	16,799	12,668	—	29,467
Interest income	—	—	—	1,288	—	—	1,288
Other revenues	—	—	—	4,412	4,562	—	8,974
Total service and other revenue	—	—	—	38,476	27,322	—	65,798
Rental revenue, net	—	—	—	—	64,267	—	64,267
Total rental revenue	—	—	—	—	64,267	—	64,267
Total revenue	$1,035,964	$ —	$ —	$ 896,431	$ 97,332	$ —	$2,029,727

Contract Balances

The following table provides information about receivables and contract liabilities (deferred revenue) from contracts with customers as of December 31, 2022 and December 25, 2021:

(In thousands)	12/31/2022	12/25/2021
Accounts receivable	$ 143,582	$ 86,087
Notes receivable	14,078	13,864
Customer deposits	$ 20,816	$ 37,626
Gift cards and loyalty programs	9,565	7,604
Deferred franchise fee revenue	22,175	16,984
Other deferred revenue	10,688	8,400
Total deferred revenue	$ 63,244	$ 70,614

Deferred revenue consists of (1) amounts received for merchandise of which customers have not yet taken possession, (2) gift card or store credits outstanding, and (3) loyalty reward program credits which are primarily recognized within one year following the revenue deferral. Deferred franchise fee revenue is recognized over the term of the agreement, which is between five and twenty years. The amount of revenue recognized in the period that was included in the contract liability balance at the beginning of the period is immaterial to the Condensed Consolidated Financial Statements.

(9) Leases

Refer to “Leases” under “Note 1 - Organization and Significant Accounting Policies” for a discussion of our accounting policies. The finance lease right of use assets and lease liabilities are included in PP&E, current installments of long-term debt and long-term debt respectively. These leases are immaterial to the Condensed Consolidated Financial Statements.

Company as Lessee

The components of lease costs for leases that were recognized in the accompanying Consolidated Statements of Operations for the years ended December 31, 2022 and December 25, 2021 were as follows:

(In thousands)	12/31/2022	12/25/2021
Operating lease cost	$ 244,565	$ 212,837
Short-term operating lease costs	2,186	2,261
Variable operating lease costs	41,467	35,367
Sublease income	(8,857)	(1,753)
Total operating lease cost	279,361	248,712

As of December 31, 2022, maturities of lease liabilities were as follows:

Fiscal Year	Operating leases (In thousands)
2023	$ 227,700
2024	197,095
2025	154,809
2026	123,037
2027	91,038
Thereafter	258,120
Total undiscounted lease payments	1,051,799
Less interest	151,806
Present value of lease liabilities	$ 899,993

The following represents other information pertaining to the Company's lease arrangements for the years ended December 31, 2022 and December 25, 2021:

	Operating	
(In thousands)	December 31, 2022	December 25, 2021
Right-of-use assets obtained in exchange for lease obligations[(1)]	$ 155,857	$ 153,538
Cash paid for amounts included in the measurement of lease liabilities	215,528	191,827
Weighted average remaining lease terms (years)	7.05	4.9
Weighted average discount rates	8.31 %	9.03 %

(1) As of December 31, 2022, the majority of the lease liabilities arising from right-of-use assets were a result of Badcock's sale-leaseback transactions. For details regarding the sale-leaseback transaction, refer to "Note 3 – Divestitures". As of December 25, 2021, the majority of the lease liabilities arising from right-of-use assets were a result of the Pet Supplies Plus Acquisition.

Company as Lessor

Total rental income for the years ended December 31, 2022 and December 25, 2021 were $9.9 million and $0.9 million. Total rental income includes sublease income of $8.0 million and $0.7 million recognized during fiscal 2022 and fiscal 2021, respectively.

The Company subleases some of its Badcock segment's leased locations to certain dealers for operation as Badcock stores. The terms of these leases generally match those of the lease the Company has with the lessor. The following table illustrates the Company's maturity analysis of lease payments to be received for non-cancelable subleases as of December 31, 2022:

	Operating Leases
Fiscal Year (in thousands)	Subleases
2023	$ 7,068
2024	5,241
2025	4,141
2026	3,076
2027	1,606
Thereafter	537
Total future minimum receipts	$ 21,669

Our Vitamin Shoppe, Pet Supplies Plus, and American Freight segments have subleases, but the lease payments on those locations are immaterial to the Condensed Consolidated Financial Statements.

(10) Long-Term Obligations

Long-term obligations as of December 31, 2022 and December 25, 2021 were as follows:

(In thousands)	12/31/2022	12/25/2021
Term loans, net of debt issuance costs		
First lien term loan, due March 10, 2026	$ 779,777	$ 790,057
Second lien term loan, due September 10, 2026	289,435	287,188
Badcock first lien term loan, due November 22, 2023	—	201,530
Badcock second lien term loan, due November 22, 2023	—	146,616
Total term loans, net of debt issuance costs	1,069,212	1,425,391
ABL Revolver	295,000	20,000
Other long-term obligations	6,147	10,537
Finance lease liabilities	11,055	6,465
Total long-term obligations	1,381,414	1,462,393
Less current installments	6,935	183,924
Total long-term obligations, excluding current installments	$ 1,374,479	$ 1,278,469

First Lien Credit Agreement and Term Loan

On March 10, 2021 (the "PSP Closing Date"), the Company entered into a First Lien Credit Agreement (the "First Lien Credit Agreement") with various lenders (the "First Lien Lenders") that provides for a $1,000.0 million senior secured term loan (the "First Lien Term Loan").

The Company's obligations under the First Lien Credit Agreement are guaranteed by the Company and each of the Company's other direct and indirect subsidiaries (other than certain excluded subsidiaries) pursuant to a First Lien Guarantee Agreement (the "First Lien Guarantee Agreement") and are required to be guaranteed by each of the Company's direct and indirect subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the PSP Closing Date. The obligations of the Company under the First Lien Credit Agreement are secured on a first priority basis by substantially all of the assets and are secured on a second priority basis by credit card receivables, accounts receivable, deposit accounts, securities accounts, commodity accounts, inventory and goods (other than equipment) of the Company, and in each case are required to be secured by such assets of the Company (other than certain excluded subsidiaries) that may be formed or acquired after the PSP Closing Date.

The proceeds of the First Lien Term Loan, together with the proceeds of the Second Lien Term Loan (as defined below) and certain cash on hand of the Company, were used to consummate the Pet Supplies Plus Acquisition and to pay fees and expenses for certain related transactions, including the entry into the ABL Agreement (as defined below). A portion of the First Lien Term Loan and Second Lien Term Loan were also used to repay existing lenders.

The First Lien Term Loan will mature on March 10, 2026 and bears interest at a variable rate with a LIBOR floor of 0.75%. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter. The Company is required to repay the First Lien Term Loan in equal quarterly installments of $2.5 million on the last day of each calendar quarter, commencing on June 30, 2021 subject to certain early payment requirements based on certain events. On July 2, 2021, the Company repaid $182.1 million of principal of the First Lien Term Loan using cash proceeds from the sale of the Liberty Tax business. The payment also satisfied the requirements for the quarterly principal payments so no additional principal payments are due until the First Lien Term Loan maturity date. The early repayment resulted in additional interest expense of $6.1 million for the write-off of deferred financing costs. On February 2, 2023, the Company entered into the Third Amendment to the First Lien Credit Agreement, which amends the First Lien Credit Agreement dated as of March 10, 2021 to provide for an incremental term loan facility in the principal amount of $300.0 million.

The First Lien Credit Agreement, the First Lien Term Loan and the First Lien Guarantee Agreement collectively include customary affirmative, negative, and financial covenants binding on the Company, including delivery of financial statements and other reports. The negative covenants limit the ability of the Company to, among other things, incur debt, incur liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. The financial covenants set forth in the First

Lien Credit Agreement include a maximum total leverage ratio (net of certain cash) and a minimum fixed charge coverage ratio to be tested at the end of each fiscal quarter commencing with the first full fiscal quarter ending after the PSP Closing Date. In addition, the First Lien Credit Agreement includes customary events of default, the occurrence of which may require the Company to pay an additional 2.00% interest on the First Lien Term Loan and/or may result in, among other consequences, acceleration of the payment obligations with respect to the First Lien Term Loan, calling on the guarantees, or exercise of remedies with respect to the collateral.

Second Lien Credit Agreement and Second Lien Term Loan

On the PSP Closing Date, the Company entered into a Second Lien Credit Agreement (the "Second Lien Credit Agreement") with various lenders (the "Second Lien Lenders", and together with the First Lien Lenders, the "Term Loan Lenders") which provides for a $300.0 million senior secured term loan (the "Second Lien Term Loan", and together with the First Lien Term Loan, the "Term Loans"), made by the Second Lien Lenders to the Company.

The Company's obligations under the Second Lien Credit Agreement are guaranteed by the loan parties pursuant to a Second Lien Guarantee Agreement (the "Second Lien Guarantee Agreement") and are required to be guaranteed by each of the Company's direct and indirect subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the Closing Date. The obligations of the Company under the Second Lien Credit Agreement are secured on a second priority basis by the Term Priority Collateral and are secured on a third priority basis by the ABL Priority Collateral (the "ABLE Priority Collateral") pursuant to a Second Lien Collateral Agreement (the "Second Lien Collateral Agreement") and are required to be secured by such assets of each of the Company's direct and indirect subsidiaries (other than certain excluded subsidiaries) that may be formed or acquired after the PSP Closing Date.

The Second Lien Term Loan will mature on September 10, 2026 and bears interest at a variable rate with a 1.00% LIBOR floor. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter.

The Second Lien Term Loan is not subject to scheduled amortization. Solely to the extent the First Lien Term Loan and related obligations have been repaid in full, the Company is required to prepay the Second Lien Term Loan with 50% of consolidated excess cash flow on an annual basis, subject to certain exceptions and to leverage-based step-downs to 25% and 0%, and with 100% of the net cash proceeds of certain other customary events, including certain asset sales (but excluding sales of ABL Priority Collateral), including customary reinvestment rights and leverage-based step-downs to 50% and 0%, in each case, subject to certain exceptions.

Third Amended and Restated Loan and Security Agreement (ABL)

On June 3, 2022, the Company entered into the Second Amendment (the "Second ABL Amendment") to the Third Amended and Restated Loan and Security Agreement (as amended, the "FRG ABL Revolver Agreement"). The Second ABL Amendment amended the FRG ABL Revolver Agreement to, among other things, increase the commitments under the revolving credit facility (the "ABL Revolver") to $250.0 million, change the reference rate from LIBOR to SOFR, amend certain negative covenants regarding investments for a time period specified in the Second ABL Agreement, and limits the maximum principal amount of loans outstanding under the FRG ABL Revolver Agreement to $200.0 million for a time period specified in the Second ABL Agreement.

On August 22, 2022, the Company entered into the Third Amendment (the "Third ABL Amendment") to the FRG ABL Revolver Agreement. The Third ABL Amendment amends the FRG ABL Revolver Agreement to, among other things, increase the commitments under the ABL Revolver to $400.0 million, amend the terms of the borrowing base and provide for the inclusion of certain types of inventory to the borrowing base, and make certain other changes to reflect the increase in the revolving credit facility commitments and the addition of Badcock as a borrower to the parties under the ABL Loan Revolver.

The ABL Revolver matures on March 10, 2026, and borrowings under the ABL Revolver will bear interest at an interest rate per annum equal to the Term SOFR Rate plus 0.10%, with a 0.00% floor. Interest is payable on either the last day of the interest period or the last business day of the calendar quarter.

The Company is subject to an agreement which requires the Company to repay the excess amount of borrowings under the ABL Revolver if: (i) the aggregate outstanding principal amount of all borrowings by the Company under the ABL Revolver at any time exceeds the aggregate borrowing cap specified therein, or (ii) the aggregate outstanding principal amount of all borrowings of certain of the Company's subsidiaries exceeds their borrowing caps.

The FRG ABL Revolver Agreement and the Third Amended and Restated Pledge Agreement, dated as of March 10, 2021, among the Company, the other pledgors from time to time party thereto and JPMorgan Chase Bank, N.A., include customary affirmative and negative covenants that are binding on the Company, including the delivery of financial statements, borrowing base certificates and other reports. Certain of the negative covenants included therein limit the ability of the Company, among other things, to incur debt and liens, make investments, sell assets, pay dividends and enter into transactions with affiliates. In addition, the FRG ABL Revolver Agreement includes customary events of default, the occurrence of which may require the Company to pay an additional 2.0% interest on the borrowings under the ABL Revolver.

Compliance with Debt Covenants

The Company's revolving credit and long-term debt agreements impose restrictive covenants on it, including requirements to meet certain ratios. As of December 31, 2022, the Company was in compliance with all financial covenants under these agreements and, based on a continuation of current operating results, the Company expects to continue to be in compliance for the next twelve months.

Aggregate maturities of long-term debt at December 31, 2022 were as follows:

(In thousands)	Estimate for fiscal year
2023	$ 7,327
2024	4,605
2025	297,939
2026	1,071,210
2027	1,255
Thereafter	—
Total	$ 1,382,336

During the year ended December 31, 2022, the Badcock First and Second Lien Term Loans were fully repaid using cash proceeds from the sales of certain parcels of land on which Badcock operates its distribution centers and corporate headquarters as discussed in "Note 3 - Divestitures" and from the securitization of its existing consumer credit receivables portfolio as discussed in "Note 5 - Securitized Accounts Receivable."

(11) Stockholders' Equity

Stockholders' Equity Activity

On January 11, 2021, the Company entered into an Underwriting Agreement with B. Riley Securities, Inc., as representative of the underwriters named therein (the "Underwriters"), to issue and sell an aggregate of 2,976,191 shares of the Company's 7.50% Series A Cumulative Perpetual Preferred Stock, par value $0.01 per share and liquidation preference of $25.00 per share (the "Series A Preferred Stock"), in a public offering at a price to the public of $25.20 per share. The Company also granted the Underwriters an option (the "Option") to purchase up to 446,428 additional shares of Series A Preferred Stock during the 30 days following the date of the Underwriting Agreement. On January 14, 2021, the Underwriters partially exercised the Option for 314,934 shares. The offering closed on January 14, 2021, and the net proceeds to the Company were approximately $79.5 million, after deducting underwriting discounts, an advisory fee and offering expenses totaling approximately $3.2 million.

Non-controlling interest

The Company is the sole managing member of New Holdco and, as a result, consolidates the financial results of New Holdco. Prior to April 1, 2020, the Company reported a non-controlling interest representing the economic interest in New Holdco held by the Buddy's Members. Changes in the Company's ownership interest in New Holdco while it retained a controlling interest in New Holdco were accounted for as equity transactions. On March 26, 2020, the Company redeemed 3,937,726 New Holdco units and 787,545 shares of preferred stock for common stock. On April 1, 2020, the Company redeemed the remaining 5,495,606 New Holdco units and 1,099,121 shares of preferred stock for common stock and the Company became the sole owner of New Holdco.

The exchange of New Holdco units for common stock resulted in an increase in the tax basis of the net assets of New Holdco and a liability to be recognized pursuant to the Tax Receivable Agreement ("TRA"). The difference of $10.0 million in the adjustment of the deferred tax balances and the tax receivable agreement liability was recorded as an adjustment to additional paid-in-capital. Refer to "Note 13 – Income Taxes" for further discussion of the TRA.

Share Repurchases

On May 18, 2022, the Company's Board approved a stock repurchase program under which the Company may repurchase up to $500.0 million of its outstanding shares of common stock over the next three years. The repurchase program authorizes shares to be repurchased from time to time in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The actual timing, number and value of shares, if any, repurchased under the program will be determined by management in its discretion and will depend on a number of factors, including, among others, the availability of stock, general market and business conditions, the trading price of the Company's common stock and applicable legal requirements. This plan supersedes the Company's previous stock repurchase programs. During the year ended December 31, 2022, the Company repurchased 5,920,744 shares of its common stock through open market and repurchase agreement transactions totaling an aggregate of $172.5 million. No stock repurchases were made during the year ended December 25, 2021.

Net Income (Loss) per Share

Diluted net income (loss) per share is computed using the weighted-average number of common stock and, if dilutive, the potential common stock outstanding during the period. Potential common stock consists of the incremental common stock issuable upon the exercise of stock options and vesting of restricted stock units. The dilutive effect of outstanding stock options and restricted stock units is reflected in diluted earnings per share by application of the treasury stock method.

The computation of basic and diluted net income per share for the years ended December 31, 2022, December 25, 2021, and December 26, 2020 is as follows:

	12/31/2022	12/25/2021	12/26/2020
(In thousands, except for share and per share amounts)	Common stock	Common stock	Common stock
Net income (loss) from continuing operations attributable to Franchise Group	$ (68,573)	$ 191,966	$ 20,645
Less: Preferred dividend declared	8,514	8,514	755
Adjusted net income (loss) from continuing operations attributable to Franchise Group available to Common Stockholders	(77,087)	183,452	19,890
Net income (loss) from discontinued operations attributable to Franchise Group	—	171,822	4,419
Adjusted net income (loss) available to Common Stockholders	$ (77,087)	$ 355,274	$ 24,309
Weighted-average common shares outstanding	39,309,855	40,199,681	34,531,362
Net dilutive effect of stock options and restricted stock	—	764,501	440,573
Weighted-average dilutive shares outstanding	39,309,855	40,964,182	34,971,935
Basic net income (loss) per share:			
Continuing operations	$ (1.96)	$ 4.56	$ 0.57
Discontinued operations	—	4.27	0.13
Basic net income (loss) per share	$ (1.96)	$ 8.83	$ 0.70
Diluted net income (loss) per share:			
Continuing operations	$ (1.96)	$ 4.48	$ 0.57
Discontinued operations	—	4.19	0.13
Diluted net income (loss) per share	$ (1.96)	$ 8.67	$ 0.70

(12) Stock Compensation Plan

2019 Omnibus Incentive Plan

In December 2019, the Company's stockholders approved the Company's 2019 Omnibus Incentive Plan (the "2019 Plan"). The 2019 Plan provides for a variety of awards, including stock options, stock appreciation rights, performance units, performance shares, shares of the Company's common stock, par value $0.01 per share, restricted stock, restricted stock units, incentive awards, dividend equivalent units and other stock-based awards. Awards under the 2019 Plan may be granted to the Company's eligible employees, directors, or consultants or advisors. The 2019 Plan provides that an aggregate maximum of 5,000,000 shares of common stock are reserved for issuance under the 2019 Plan, subject to adjustment for certain corporate events. At December 31, 2022 and December 25, 2021, 2,439,194 and 3,004,259 shares of common stock remained available for grant, respectively.

Restricted Stock Units

The Company has awarded service-based restricted stock units ("RSUs") to its non-employee directors, officers and certain employees. The Company recognizes expense based on the estimated fair value of the RSUs granted over the vesting period on a straight-line basis. The fair value of RSUs is determined using the Company's closing stock price on the date of the grant. At December 31, 2022, unrecognized compensation cost related to RSUs was $5.1 million. These costs are expected to be recognized through fiscal 2023.

The following table summarizes the status of service-based RSU activity during the years ended December 31, 2022, December 25, 2021, and December 26, 2020:

	Number of RSUs	Weighted-Average Fair Value at Grant Date
Balance at December 28, 2019	205,206	$ 13.11
Granted	192,809	24.83
Vested	(85,911)	12.67
Forfeited	(15,957)	19.69
Balance at December 26, 2020	296,147	$ 20.51
Granted	124,350	35.95
Vested	(148,447)	20.11
Forfeited	(2,342)	12.22
Balance at December 25, 2021	269,708	$ 27.92
Granted	118,359	42.15
Vested	(114,765)	29.26
Forfeited	—	—
Balance at December 31, 2022	273,302	$ 36.39

Performance Restricted Stock Units

The Company has awarded performance restricted stock units ("PRSUs") to its officers and certain employees. The Company recognizes expense based on the estimated fair value of the PRSUs granted over the vesting period on a straight-line basis. The fair value of PRSUs is determined using the Company's closing stock price on the date of the grant. As the achievement of outstanding awards issued in fiscal years 2021 and 2022 was not probable at December 31, 2022, there were no unrecognized compensation costs related to these PRSUs.

The following table summarizes the status of PRSU activity during the years ended December 31, 2022, December 25, 2021, and December 26, 2020:

	Number of PRSUs	Weighted-Average Fair Value at Grant Date
Balance at December 28, 2019	465,833	$ 14.40
Granted	154,904	24.84
Vested	—	—
Forfeited	(2,000)	14.40
Balance at December 26, 2020	618,737	$ 17.00
Granted	107,023	35.66
Vested	(19,500)	14.40
Forfeited	—	—
Balance at December 25, 2021	706,260	$ 19.90
Granted	102,930	42.25
Adjusted for performance results achieved[(1)]	222,166	14.38
Vested	(666,499)	14.38
Forfeited	—	—
Balance at December 31, 2022	364,857	$ 32.92

(1) Represents an adjustment for performance results achieved related to outstanding 2019 PRSU shares that vested and were issued in November 2022 at 150% achievement.

Market-Based Restricted Stock Units

The Company has awarded market-based restricted stock units ("MPRSUs") to its officers and certain employees. The Company recognizes expense based on the estimated fair value of the MPRSUs granted over the vesting period on a straight-line basis. The fair value of MPRSUs is determined using a Monte Carlo simulation valuation model to calculate grant date fair value. Compensation expense is recognized over the requisite service period using the proportionate amount of the award's fair value that has been earned through service to date. At December 31, 2022, unrecognized compensation cost related to MPRSUs was $9.8 million. These costs are expected to be recognized through fiscal 2024.

The following table summarizes the status of MPRSU activity during the years ended December 31, 2022 and December 25, 2021:

	Number of MPRSUs	Weighted-Average Fair Value at Grant Date
Balance at December 26, 2020	—	$ —
Granted	826,926	20.13
Vested	—	—
Forfeited	—	—
Balance at December 25, 2021	826,926	$ 20.13
Granted	70,000	39.67
Vested	—	—
Forfeited	(56,000)	20.26
Balance at December 31, 2022	840,926	$ 21.77

Stock Options

The Company has awarded stock options to its non-employee directors and officers. Since fiscal 2020, no stock options have been granted and all outstanding stock options were fully vested with no remaining unrecognized compensation cost. All outstanding stock options will expire in fiscal years 2023 and 2024.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2022.

	Options outstanding and exercisable		
Range of Exercise Prices	Number of options outstanding and exercisable	Weighted-average exercise price	Weighted-average remaining contractual life (in years)
0.00 - 10.89	200,000	$ 8.81	0.9
10.90 - 12.01	54,564	11.97	0.9
	254,564	$ 9.49	

Stock Compensation Expense

The Company recorded $15.1 million, $13.4 million, and $8.9 million of expense related to stock awards from continuing operations for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, respectively.

Long-Term Incentive Plans

The Company has long-term incentive plans at various operating companies which are recorded as liabilities. Upon vesting, the awards granted under these plans may be settled in cash or shares of the Company's stock at the Company's discretion. The total aggregate liability for these plans as of December 31, 2022 is $8.3 million, recorded in "Accounts payable and accrued expenses" on the Consolidated Balance Sheets. During the year ended December 31, 2022, total expense recognized related to these plans was $8.0 million.

(13) Income Taxes

Tax Receivable Agreement

The Company previously had a non-controlling interest as a result of its acquisition of Buddy's on July 10, 2019. On April 1, 2020, the Company redeemed all of the non-controlling interest units. On July 10, 2019, the Company entered into a tax receivable agreement (the "TRA") with the then-existing non-controlling interest holders, which comprised the Buddy's Members that provides for the payment by the Company to the non-controlling interest holders of 40% of the cash savings, if any, in federal, state and local taxes that the Company realizes or is deemed to realize as a result of any increases in tax basis of the assets of New Holdco resulting from future redemptions or exchanges of New Holdco units.

During the year ended December 26, 2020, the Company acquired an aggregate of 9,433,332 New Holdco units, which resulted in an increase in the tax basis of its investment in New Holdco subject to the provisions of the TRA. Prior to December 31, 2022, the Company recognized a total liability in the amount of $17.3 million for the payments due to the redeeming members under the Tax Receivable Agreement ("TRA Payments"), representing 40% of the cash savings it expects to realize from the tax basis increases related to the redemption of New Holdco units. TRA Payments will be made when such TRA related deductions actually reduce the Company's income tax liability. Payments of $1.9 million were made to the Buddy's Members pursuant to the TRA during the year ended December 31, 2022, which reduced the total liability to $15.4 million.

Pursuant to the Company's election under Section 754 of the Internal Revenue Code (the "Code"), the Company has obtained an increase in its share of the tax basis in the net assets of New Holdco when the New Holdco units were redeemed or exchanged by the non-controlling interest holders and other qualifying transactions. The Company has treated the redemptions and exchanges of New Holdco units by the non-controlling interest holders as direct purchases of New Holdco units for U.S. federal income tax purposes. This increase in tax basis will reduce the amounts that it would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act

The Coronavirus Aid, Relief, and Economic Security, or CARES Act (the "Act") was enacted on March 27, 2020. The Act retroactively changed the eligibility of certain assets for expense treatment in the year placed in service, back to 2018, and permitted any net operating loss for the tax years 2018, 2019 and 2020 to be carried back for 5 years. The Company recorded a total income tax benefit of $52.3 million during the year ended December 26, 2020 associated with the income tax components contained in the Act. As of December 31, 2022, the Company has completed its analysis of the tax effects of the Act but continues to monitor developments by federal and state rule making authorities regarding implementation of the Act. The Company will adjust, if needed, as new laws or guidance becomes available.

Global intangible low-taxed income (GILTI)

The Tax Cuts and Jobs Act subjects a U.S. shareholder to tax on GILTI earned by certain foreign subsidiaries. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company elected to account for GILTI in the year the tax is incurred as a period cost.

Components of income tax expense for the fiscal years ended December 31, 2022, December 25, 2021, and December 26, 2020 were as follows:

(In thousands)	12/31/2022	12/25/2021	12/26/2020
Current:			
Federal	$ 52,046	$ —	$ (62,897)
State	12,238	1,362	615
Current tax expense	64,284	1,362	(62,282)
Deferred:			
Federal	(61,372)	(37,816)	3,931
State	(11,757)	2,916	(2,150)
Deferred tax expense (benefit)	(73,129)	(34,900)	1,781
Total income tax expense (benefit)	$ (8,845)	$ (33,538)	$ (60,501)

For the years ended December 31, 2022, December 25, 2021, and December 26, 2020, income before taxes consisted of the following:

(In thousands)	12/31/2022	12/25/2021	12/26/2020
Income (loss) before income taxes	$ (77,418)	$ 158,428	$ (49,557)

Income tax benefit differed from the amounts computed by applying the U.S. federal income tax rate of 21% to pre-tax income from continuing operations as a result of the following for years ended December 31, 2022 and December 25, 2021 are as follows:

(In thousands)	12/31/2022	12/25/2021
Computed “expected” income tax benefit	$ (16,258)	$ 33,270
Increase (decrease) in income taxes resulting from:		
State income taxes, net of federal benefit	(2,788)	5,304
Bargain purchase gain	(738)	(27,729)
162(m) limitation	2,555	2,019
Nondeductible expenses	127	197
Stock compensation expense	(349)	(900)
Transaction costs	(179)	858
Subpart F Income	43	—
Impairment of goodwill	14,700	—
Return to provision	2,385	—
Change in uncertain tax position	(1,768)	(66)
Decrease in valuation allowance	(6,796)	(45,180)
Tax rate change	1,049	(1,311)
Other	(828)	—
Total income tax expense (benefit)	$ (8,845)	$ (33,538)

The tax effect of temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2022 and December 25, 2021 are as follows:

(In thousands)	12/31/2022	12/25/2021
Deferred tax assets:		
Federal and state net operating loss carryforward	$ 11,068	$ 16,865
Section 743 adjustment	36,006	38,604
Interest expense carryforward	1,098	1,485
State bonus depreciation	4,587	5,069
Equity compensation	6,488	3,806
Inventory	9,349	4,528
Deferred revenue	6,807	4,176
Accrued expenses and reserves	4,932	9,976
Allowances	19,446	795
Lease liability (ASC 842)	235,743	185,064
Other	21,238	3,463
Total deferred tax assets (before valuation allowance)	356,762	273,831
Valuation allowance	(1,417)	(8,213)
Total deferred tax assets (after valuation allowance)	355,345	265,618
Deferred tax liabilities		
Property, plant, and equipment (U.S.)	(31,165)	(78,895)
Goodwill, intangible assets, and assets held for sale (U.S.)	(48,142)	(33,786)
Right-of-use assets (ASC 842)	(230,501)	(181,227)
Prepaid expenses	(7,010)	(4,968)
Total deferred tax liabilities	(316,818)	(298,876)
Net deferred tax asset (liability)	$ 38,527	$ (33,258)

In assessing the realizability of the gross deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company decreased its valuation allowance by $6.8 million.

As of December 31, 2022, the Company has gross U.S. federal net operating losses of $39.9 million, state net operating losses of $42.8 million, a portion of which will begin to expire in 2024. A portion of the Company's net operating loss carry forwards is subjected to an annual limitation under Section 382, which may restrict the Company's ability to use them to offset its taxable income in future periods.

The Company adopted the accounting and disclosure requirements for uncertain tax positions, which require a two-step approach to evaluate tax positions. This approach involves recognizing any tax positions that are more likely than not to occur and then measuring those positions to determine the amounts to be recognized in the financial statements. The Company decreased reserves for uncertain tax positions by $1.5 million due to statute expiration and $0.4 million due to audit protection as of December 31, 2022. The Company increased reserves for an additional year of interest on prior tax positions. It is reasonably possible that $1.1 million of uncertain tax positions may be recognized in the coming year as a result of a lapse of the statute of limitations.

A reconciliation of the beginning and ending balance of the gross liability for uncertain tax positions for the fiscal years ended December 31, 2022 and December 25, 2021, is as follows:

(In thousands)	12/31/2022	12/25/2021
Liability for uncertain tax positions, beginning of year	$ 4,957	$ 357
Decreases related to prior year positions	(1,938)	(219)
Increases related to prior year positions	170	4,819
Liability for uncertain tax positions, end of year	$ 3,189	$ 4,957

As of December 31, 2022, the Company's earliest open tax year for U.S. federal income tax purposes was its fiscal year ended December 28, 2019.

(14) Related Party Transactions

The Company considers directors and their affiliated companies, as well as named executive officers and members of their immediate families, to be related parties.

Messrs. Kahn and Laurence

Brian Kahn and Vintage Capital Management, LLC and its affiliates ("Vintage"), in aggregate, held approximately 40.2% of the aggregate voting power of the Company through their ownership of common stock as of December 31, 2022. Mr. Kahn and Andrew Laurence are principals of Vintage. Mr. Kahn is a member of the Board, President and Chief Executive Officer of the Company. Mr. Laurence is an Executive Vice President of the Company and served as a member of the Company's Board until May 2021.

Buddy's Franchises. Mr. Kahn's brother-in-law owns eight Buddy's franchises. All transactions between the Company's Buddy's segment and Mr. Kahn's brother-in-law are conducted on a basis consistent with other franchisees.

Tax Receivable Agreement

In connection with the Company's acquisition of Buddy's, the Company entered into a TRA with the Buddy's Members that provides for the payment to the Buddy's Members of 40% of the amount of any tax benefits that the Company actually realizes as a result of increases in the tax basis of the net assets of New Holdco resulting from any redemptions or exchanges of New Holdco units. Amounts due under the TRA to the Buddy's Members as of December 31, 2022, were $15.4 million which is recorded in "Other non-current liabilities" in the accompanying Consolidated Balance Sheets. Payments made to Buddy's Members pursuant to the Tax Receivable Agreement totaled $1.9 million during the year ended December 31, 2022, of which entities under the control of Vintage and Mr. Kahn received $1.7 million.

(15) Commitments and Contingencies

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations.

The Company is party to claims and lawsuits that are considered to be ordinary, routine litigation incidental to the business, including claims and lawsuits concerning the fees charged to customers for various products and services, relationships with franchisees, intellectual property disputes, employment matters, and contract disputes. Although the Company cannot provide assurance that it will ultimately prevail in each instance, it believes the amount, if any, it will be required to pay in the discharge of liabilities or settlements in these claims will not have a material adverse impact on its consolidated results of operations, financial position, or cash flows.

Guarantees

The Company remains secondarily liable under various real estate leases that were assigned to franchisees who acquired Pet Supplies Plus or Vitamin Shoppe stores from the Company. In the event of the failure of an acquirer to pay lease payments, the Company could be obligated to pay the remaining lease payments which extend through 2033 and aggregated $30.2 million as of December 31, 2022. In certain cases, the Company could attempt to recover from the franchisees' personal assets should the Company be required to pay remaining lease obligations.

The Company also remains secondarily liable under loan agreements entered into by certain franchisees who acquired American Freight or Buddy's stores from the Company. In the event of the failure of these franchisees to make the loan payments, the Company could be obligated to pay the default amounts. No amounts were outstanding under these agreements, and, therefore, the Company has no potential guarantee liability as of December 31, 2022.

If the Company is required to make payments under these guarantees, the Company could seek to recover those amounts from the franchisees or in some cases their affiliates. The Company believes that payment under these guarantees is remote as of December 31, 2022.

(16) Segments

The Company's operations are conducted in six reporting business segments: Vitamin Shoppe, Pet Supplies Plus, Badcock, American Freight, Buddy's and Sylvan. The Company defines its segments as those operations which results its Chief Operating Decision Maker ("CODM") regularly reviews to analyze performance and allocate resources. The Company measures the results of our segments using, among other measures, each segment's net revenues and operating income (loss).

Total revenues by segment are as follows:

	Year Ended		
(In thousands)	**12/31/2022**	**12/25/2021**	**12/26/2020**
Total revenue:			
Vitamin Shoppe	$ 1,206,824	$ 1,172,725	$ 1,035,964
Pet Supplies Plus	1,288,724	917,439	—
Badcock	919,057	102,057	—
American Freight	883,484	988,892	896,431
Buddy's	57,407	64,409	97,332
Sylvan	42,336	9,682	—
Consolidated total revenue	$ 4,397,832	$ 3,255,204	$ 2,029,727

Operating income (loss) by segment are as follows:

	Year Ended		
(In thousands)	**12/31/2022**	**12/25/2021**	**12/26/2020**
Operating income (loss):			
Vitamin Shoppe	$ 106,789	$ 104,004	$ 5,371
Pet Supplies Plus	81,228	41,654	—
Badcock	129,104	22,674	—
American Freight	(79,524)	66,541	40,348
Buddy's	12,520	16,685	20,364
Sylvan	5,328	(712)	—
Corporate	(34,238)	$ (24,495)	(13,572)
Operating income (loss):	$ 221,207	$ 226,351	$ 52,511

Total assets by segment are as follows:

(In thousands)	12/31/2022	12/25/2021
Total assets:		
Vitamin Shoppe	$ 625,543	$ 596,964
Pet Supplies Plus	977,234	957,849
Badcock	789,727	1,062,310
American Freight	904,378	959,282
Buddy’s	135,192	146,033
Sylvan	90,361	103,850
Corporate	107,977	86,883
Consolidated total assets	$ 3,630,412	$ 3,913,171

(17) Subsequent Events

On February 2, 2023, the Company entered into the Third Amendment to the First Lien Credit Agreement, which amends the First Lien Credit Agreement dated as of March 10, 2021 to provide for an incremental term loan facility in the principal amount of $300.0 million and change the reference rate under the First Lien Credit Agreement from LIBOR to SOFR. The net proceeds will be used to repay certain amounts outstanding under the Company’s ABL Credit Agreement.

On February 24, 2023, the Company's Board of Directors declared quarterly dividends of $0.625 per share of common stock and $0.46875 per share of Series A Preferred Stock. The dividends will be paid in cash on or about April 13, 2023 to holders of record of the Company's common stock and Series A Preferred Stock on the close of business on March 31, 2023.

On February 28, 2023, the Company's Pet Supplies Plus segment acquired 20 stores through bankruptcy proceedings of a third party for approximately $3.7 million.

EXHIBIT C

Franchise Agreement

FRANCHISE AGREEMENT

between

AMERICAN FREIGHT FRANCHISOR, LLC

and

_____

(Name of Franchisee)

For an **AMERICAN FREIGHT RETAIL BUSINESS**

Effective Date:

_____

(To be completed by us)

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FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made on this _____ day of _____, 20___, by and between American Freight Franchisor, LLC, a Delaware limited liability company having its principal place of business at 109 Innovation Court, Suite J, Delaware, Ohio 43015 ("**we**," "**us**" or "**our**") and _____ ("**you,**" or "**your**").

RECITALS

A. We and our affiliates own a distinctive System (defined below) for the operation of retail businesses that sell home furnishings, mattresses and appliances.

B. We have the right to use and sublicense others to use the System and the AMERICAN FREIGHT® trademark and other trademarks, trade names, and commercial symbols (the "**Trademarks**" as defined below) in connection with the operation of AMERICAN FREIGHT retail businesses (the "**American Freight Retail Businesses**") within the United States.

C. You desire to obtain the right and we agree to grant you the right to develop and operate an American Freight Retail Business using the System and the Trademarks, subject to the terms and conditions of this Agreement.

AGREEMENT

In consideration of the foregoing and the mutual covenants and consideration below, you and we agree as follows:

1. DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the following meanings:

(a) "**American Freight Retail Businesses**" means AMERICAN FREIGHT retail businesses developed and operated using the System and the Trademarks.

(b) **Approved Products and Services**" means the range, types and brands of household goods, including home furnishings, mattresses and appliances, associated with the AMERICAN FREIGHT brand which are specified in the Operations Manual as Core Products and Services or Optional Products and Services, or otherwise approved by us for sale in an American Freight Retail Business.

(c) "**Authorized Location**" means the location where you are authorized to operate your Retail Business (defined below) and which is set forth in Exhibit A.

(d) "**Competitive Business**" means any business that sells or offers rent-to-own home furnishings, mattresses or appliances through any channel, including, without limitation, business conducted by means of retail outlets, internet or direct marketing.

(e) "**Confidential Information**" means all proprietary information, knowledge, know-how, drawings, technology, marketing plans, strategic plans, business techniques, methods of operation, procedures, supplies, computer systems and programs, the website, domain names and other online communications access and identification codes, data and statistics with respect to the System provided by us or our affiliates in the ordinary course of business, in any form including the Operations Manual and the

System Standards regardless of whether such are labeled confidential, proprietary or trade secret. Confidential Information does not include information which is already in the public domain.

(f) "**Core Products and Services**" means the products and services that you are required to offer for sale in your Retail Business as further described in Section 9.

(g) "**General Manager**" means the individual who personally devotes his or her full time and attention and devotes his or her best efforts to the on-premises general management of the day-to-day operations of your Retail Business, as further described in Section 7(a).

(h) "**Gross Sales**" means all revenue that you receive or you otherwise derive from operating your 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 you actually provide the products or services in exchange for the revenue. If you receive any proceeds from any business interruption insurance applicable to loss of revenue at your Retail Business, there will be added to Gross Sales an amount equal to the imputed gross revenue that the insurer used to calculate those proceeds. 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. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Sales calculation.

(i) "**Owner**" means any person who directly or indirectly owns an interest in the franchise for your Retail Business, including the Principal Owner.

(j) "**Operations Manual**" means any confidential operating manuals and other written materials (including materials provided online or through other electronic media) covering the proper operating and marketing techniques of American Freight Retail Businesses and the standards and specifications for implementing the System.

(k) "**Optional Products and Services**" means the products and services you may, at your option, offer for sale in your Retail Business, as further described in Section 9.

(l) "**Principal Owner**" means any individual who directly or indirectly owns a 51% or greater interest in you if you are a corporation, limited liability company or a similar entity other than a partnership entity. If you are a partnership entity, then each general partner is a Principal Owner, regardless of the percentage ownership interest. If you are one or more individuals, each individual is a Principal Owner. You must have at least one Principal Owner. Your Principal Owner(s) is identified on the Ownership and Management Addendum attached to this Agreement at Exhibit B. As used in this Agreement, any reference to Principal Owner includes all Principal Owners.

(m) "**System**" means the then-current distinctive system, including the Trademarks, System Standards, Operations Manual and other confidential information, developed and owned by or licensed to us for the development, construction and operation of AMERICAN FREIGHT retail outlets which offer new and out-of-carton consumer goods, consisting of home furnishings, mattresses and appliances.

(n) "**System Standards**" means the then-current standards, requirements and specifications for the development, construction and operation of American Freight Retail Businesses, including standards related to design, construction, signage, fixtures, equipment, use of the Trademarks, business techniques, methods of operation, procedures, products, service, marketing, advertising, sales promotion programs, communications, credit policies, personnel, training, purchasing and other standards, requirements and specifications contained in the Operations Manual.

(o) "**Trademarks**" means certain trade names, service marks, trademarks, logos, emblems and indicia of origin as are now designated and may be designated and changed in the future by us in writing for use in connection with the System, including the trademark "AMERICAN FREIGHT" and other commercial symbols. Trademarks also means the trade dress, which includes the designs, color schemes and image we authorize you to use in the operation of American Freight Retail Businesses from time to time.

(p) "**Territory**" means the geographic area specified on Exhibit A. The Territory assigned to you may border and/or overlap with the customer base of a territory assigned to another System franchisee, as further described in Section 2.

(q) "**Website**" means an interactive electronic document, series of symbols or otherwise that is contained in a network of computers linked by communications software. The term Website includes, but is not limited to, Internet and World Wide Web home pages.

2. GRANT OF LICENSE

(a) *Grant and Acceptance.* Upon the terms and conditions set forth in this Agreement, we hereby grant to you the right and license to establish and operate one American Freight Retail Business (1) within the Site Selection Area, but only during the period from the Effective Date until we designate the Territory under Section 2(b) if you have not yet located an Authorized Location as of the Effective Date; or (2) at the Authorized Location, during the period beginning once you locate an Authorized Location and we designate the Territory (or on the Effective Date, if you have located an accepted Site as of the Effective Date) and continuing for the remainder of the Term (your "**Retail Business**"). You hereby accept said license and undertake the obligation to operate your Retail Business faithfully, honestly and diligently, using the System in compliance with the System Standards.

(b) *Your Rights.* During the term of this Agreement and provided that you are in compliance with the terms and conditions of this Agreement, we will not (i) modify the Territory without your written permission, or (ii) establish either a company-owned or franchised American Freight Retail Business location within the Territory under the Trademarks, except as may be permitted under Sections 2(e) or 2(f).

(c) *Restrictions on Your Rights.* The license granted herein is limited to the right to operate your Retail Business at the Authorized Location and you may not:

(i) sell products or services identified by the Trademarks through any other channels or methods of distribution (including the Internet or any other form of electronic commerce) or to any other person or entity for resale or further distribution;

(ii) subfranchise, sublicense, assign or transfer the rights under this Agreement, except as specifically provided in Section 13; or

(iii) use your Retail Business' premises or any part of your Retail Business' premises for any purpose other than your Retail Business established pursuant to this Agreement.

(d) *Our Retention of Rights.* You acknowledge and agree that we and our affiliates retain all rights not expressly granted to you under this Agreement and that we or our affiliates may, among other things, on any terms and conditions we deem advisable:

(i) establish and operate, and grant rights to others to establish and operate American Freight Retail Businesses at any location outside the Territory regardless of the proximity of such American Freight Retail Businesses to the Territory;

(ii) establish and operate, and grant rights to others to establish and operate, on any terms and conditions we deem appropriate, retail businesses, including Competitive Businesses, or any other similar or dissimilar businesses that are not primarily identified by the American Freight Trademarks at any locations, whether within or outside the Territory;

(iii) solicit and sell products or services to customers and prospective customers residing within the Territory, including without limitation, by any other methods of distribution, including but not limited to, point-of-sale lease and purchase programs directly to manufacturers and retailers; or by catalog, direct advertising over the Internet, or other electronic means;

(iv) merge with, acquire, establish or become associated with any businesses or locations of any kind under other systems and/or other marks, which businesses and locations may offer or sell items, products and services that are the same as or similar to the Approved Products and Services offered at or from your Retail Business and which may be located anywhere within or outside the Territory. Except as provided in Sections 2(e) and 2(f) below, we may not grant a Competitive Business the right to use the Trademarks at a location in the Territory; and

(v) engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Territory.

(e) *Conversion of Non-System Store.* If we or any of our affiliates acquires any store operating under different trademarks that sells the same, similar or different products and services as those offered and sold by American Freight Retail Businesses (each a "**Non-System Store**") within the Territory and we and/or our affiliates desire to convert such Non-System Store to an American Freight Retail Business operating under the Trademarks, we shall deliver to you a written notice of such intent to convert (each, a "**Conversion Notice**"). Provided that you are in compliance with all of the provisions of this Agreement and no default, or event which with the giving of notice or passage of time or both would become a default, exists under this Agreement or any other agreement between you and us, you shall have the option, exercisable within 30 days after receipt of such Conversion Notice, to purchase the Non-System Store and convert it to an American Freight Retail Business operating under the Trademarks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate such purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to this Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert. If we or our affiliate purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you shall be the cash equivalent of the consideration paid by us or our affiliate for the Non-System Store (or, if we or our affiliate purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our or our affiliate's proportionate per store cost, as determined by us or our affiliate in our or its sole discretion). In addition to the purchase price payable under this Section 2(e), you shall reimburse us or our affiliate for the costs and expenses incurred by us or our affiliate in connection with the acquisition of the Non-System Store (prorated if the Non-System Store was acquired as part of a multiple store purchase). You acknowledge that the value of the Non-System Store may diminish during the 180-day period after our or our affiliate's acquisition of the Non-System Store. If we or our affiliate did not purchase the Non-System Store during the 180 days prior

to delivery of the Conversion Notice, the purchase price, which shall be paid in cash, will be the fair market value of the Non-System Store. If the parties cannot agree on fair market value within a reasonable time, such fair market value shall be determined by two independent appraisers, one of whom shall be chosen by us or our affiliate and the other of whom shall be chosen by you. If such appraisers cannot agree on such fair market value, they shall jointly choose a third independent appraiser whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us or our affiliate. If you do not elect to purchase and convert the Non-System Store, we may convert and operate, or license a third party to convert and operate, the Non-System Store as an American Freight Retail Business operating under the Trademarks, without incurring any liability to you.

(f) *Business Entity Franchisee.* If you are a business entity or association including, but not limited to, a corporation, limited liability company or general or limited partnership (collectively, an "**Entity**"), you agree and represent that:

(i) You have the authority to execute, deliver and perform your obligations under this Agreement and all related agreements, and you are duly organized or formed and are validly existing in good standing under the laws of the state of your formation;

(ii) Your organizational documents (including, but not limited to, your bylaws, operating agreement or partnership agreement, as applicable) will recite that this Agreement restricts the issuance and transfer of any equity interests in you, and all certificates and other documents that represent equity interests in you will bear a legend referring to this Agreement's restrictions;

(iii) Exhibit B to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Subject to our rights and your obligations under Section 13, you and your owners agree to update and deliver to us revised Exhibits B to reflect any permitted changes in the information that Exhibit B now contains; and

(iv) Your development and operation of American Freight Retail Businesses will be the only business you operate (although your owners may have other, non-competitive business interests).

3. TERM AND RENEWAL

(a) *Term.* The initial term of this Agreement is 10 years (the "**Term**"), commencing on the Effective Date. You agree to operate your American Freight Retail Business in compliance with this Agreement for the entire Term unless this Agreement is properly terminated under Section 14.

(b) *Renewal.* You will have the right to renew this Agreement, at the expiration of the Term, for one additional term of 10 years, commencing immediately upon the expiration of this Agreement, provided that:

(i) you provide us with written notice of your intent to renew at least 12 months, but no more than 18 months, prior to the expiration of the Term;

(ii) you are not in default of this Agreement and have substantially complied with all the provisions of this Agreement and any other agreement between us and you;

(iii) you have satisfied, prior to renewal, all monetary obligations owed by you to us, our affiliates or your suppliers or creditors, whether pursuant to this Agreement or otherwise;

(iv) you are able to maintain possession of the premises or obtain possession of mutually agreeable alternate premises for your Retail Business for the duration of the renewal term and have agreed, in writing, to make such capital expenditures necessary to refurbish, replace and modernize your Retail Business so that it will conform to our then-current standards for American Freight Retail Businesses;

(v) you pay us a renewal fee equal to fifty percent (50%) of the then-current initial franchise fee;

(vi) you execute our then-current form of Franchise Agreement, which may contain terms and conditions substantially different from those set forth in this Agreement;

(vii) you comply with our then-current qualification, accreditation and training requirements, undertaking any training, assessments or examinations (including training for all communications systems including the Computer System) and comply with all of our other requirements applying to new System franchisees; and

(viii) you and your Principal Owners and Personal Guarantors execute a general release of claims in the form we prescribe.

4. OUR OBLIGATIONS

(a) Subject to your continuing compliance with the terms of this Agreement, we will:

(i) grant you access to the Operations Manual;

(ii) provide the initial training program in accordance with Section 8(b);

(iii) provide site selection and build-out assistance in accordance with Section 6(a) or 6(d);

(iv) provide pre-grand opening advice and procedural assistance, upon your request, at a time and location of our choice, at least 30 days before opening;

(v) specify a list of products that are Approved Products and Services and approved supplies in accordance with Section 9(b);

(vi) establish and administer the Marketing Fund in accordance with Section 12(b); and

(vii) conduct from time to time such general advertising, marketing or promotion of the System as we consider appropriate.

(b) *Solicited Assistance.* We may make available to you, from time to time retail, management, technology, accounting and administrative services. These services will be provided on a fee for service or usage basis. You agree to pay us the designated price for any such optional services you select. You must execute any agreements we require in connection with optional services we provide.

(c) *Visits.* We or our representative, may make periodic visits to your Retail Business for the purposes of providing consultation, assistance, and guidance to you in all aspects of the operation and management of your Retail Business. We, or our representatives, who visit your Retail Business may prepare, for the benefit of both us and you, written reports with respect to such visits outlining any suggested changes or improvements in the operations of your Retail Business and detailing any defaults in such operations which become evident as a result of any such visit. Failure by you to implement the improvements and suggested changes detailed in such a report will be considered a default under Section 14(b)(i).

5. FEES, REPORTING AND AUDIT RIGHTS

(a) *Initial Franchise Fee.* In consideration for the grant of license under this Agreement, you must pay to us an initial franchise fee (the "**Initial Franchise Fee**") as set forth on Exhibit A. The Initial Franchise Fee is due and payable in lump sum upon execution of this Agreement and is fully earned and non-refundable upon receipt.

(b) *Royalty Fee.* In addition to the Initial Franchise Fee and in consideration of the rights granted to you, you must pay to us a royalty fee (the "**Royalty Fee")** in the amount of 5% of Gross Sales of your Retail Business. Royalty Fees must be paid weekly in accordance with the provisions of ~~Sections~~Section 5(e) ~~and 5(f)~~ below.

(c) *Marketing Fee.* You must pay ~~to~~ us a ~~monthly~~weekly marketing fund contribution equal to ~~the greater of~~ $~~7,100 or five percent~~ (1,638.46. Should fiscal monthly sales exceed $142,000, the last weekly payment of the month shall include additional marketing fees not to exceed 5%~~)~~ of the Gross Sales of the Retail Business (the "**Marketing Fee**"), payable in accordance with the provisions of ~~Sections~~Section 5(e) ~~and 5(f)~~ below.

(d) *Technology Fee.* You must pay us a technology fee which is currently $~~1,500~~346.15 per ~~month~~week which shall include all necessary software to run the Retail Business (the "**Technology Fee**"). This Technology Fee may increase if our costs increase. Technology Fees must be paid in accordance with the provisions of ~~Sections~~Section 5(e) ~~and 5(f)~~ below.

(e) *Computations and Remittances of Weekly Fees.* You must pay the Royalty Fee, Marketing Fee, Technology Fee and any other recurring payment to us weekly as follows:

~~(i) For fees based on Gross Sales,~~ each ~~Sunday~~Monday, we ~~shall~~will compute your Gross Sales for the period beginning at midnight on the preceding Sunday and ending at midnight on the Saturday after such preceding Sunday.

~~(ii)~~ On ~~Before 12:00 p.m. local time in Delaware, Ohio on~~ the next business day after we make the computation ~~in Section 5(d)(i) above~~of your weekly Gross Sales, we ~~shall~~will notify you of the ~~amount of~~total Gross Sales computed by us.

~~(iii)~~ On the next business day after you are notified of the computation of your weekly Gross Sales, we will withdraw from your account all amounts due and payable to us or our affiliates for ~~After 2:00 p.m. local time in Delaware, Ohio on the next business day after you are notified of the amount of our computation, we will withdraw pursuant to Section 5(e), from an account maintained by you and which permits direct withdrawals by us, all Royalty Fees due under this Agreement based on the agreements between you and us and/or our affiliates. You must maintain a sufficient amount of funds in such account to allow permitted withdrawals by us.~~

~~(f) *Computations and Remittances of Monthly Fees*. You must pay the Marketing Fee to us monthly as follows:~~

~~(i) For fees based on Gross Sales, each month, we shall compute your Gross Sales for the prior fiscal calendar month at midnight on the 23th day of the month for such preceding month.~~

~~(ii) Before 12:00 p.m. local time in Delaware, Ohio on the 24th day of the month, we shall notify you of the amount of Gross Sales computed by us.~~

~~(iii) After 2:00 p.m. local time in Delaware, Ohio on 25th day of the month, we will withdraw pursuant to Section 5(f), from an account maintained by you and which permits direct withdrawals by us,~~ all Marketing Fees~~,~~ and Technology Fees~~,~~ and any other recurring payments due under ~~this~~the Franchise Agreement, whether calculated as a flat fee or based on the Gross Sales computed by ~~Franchisor~~us and based on the agreements between you and us and/or our affiliates. You must maintain a sufficient amount of funds in such account to allow permitted withdrawals by us. If you are required to pay additional Marketing Fees due to your fiscal monthly sales exceeding $142,000, such additional Marketing Fees shall be withdrawn from your account in the same manner as your weekly Marketing Fees. Your Marketing Fees will not exceed 5% of the Gross Sales of your Retail Business.

(f) ~~(g)~~ *Estimate of Fees Owed*. If we are unable to calculate any fees or other amounts due to us and our affiliates, as provided in ~~this~~ Section 5(e~~) or (f~~), whether as a result of your failure to make the necessary information available to us, communications failures, force majeure or otherwise, we may estimate the amount of fees due and may make a corresponding withdrawal from your account. If we overestimate the amount of fees due from you, then you shall receive a credit for the overestimated amount against future fees when such amount has been determined. If we have underestimated the amount of fees due from you, then we shall be authorized to withdraw the amount of the underpayment from your account immediately upon such determination.

If you give a cash refund or credit to any customer, which refund or credit is for an amount previously included in Gross Sales upon which we have withdrawn Royalty Fees and Marketing Fee (if Marketing Fees are based on a percentage of Gross Sales) from your account, you shall promptly enter the amount of such refund or credit into the Computer System. We will deduct the amount of each such refund or credit from our first computation of Gross Sales which occurs after you enter the amount of such refund or credit into the Computer System.

If any amount of Gross Sales upon which we have withdrawn fees from your account is subsequently uncollected by you, you shall promptly enter such uncollected amount into the Computer System. We shall deduct each such uncollected amount from our first computation of Gross Sales that occurs after you have entered such uncollected amount into the Computer System. If any amount entered into the Computer System by you as uncollected is subsequently collected by you, you shall promptly enter such amount into the Computer System, and we shall add such amount to our first computation of Gross Sales which occurs after you have entered such amount into the Computer System.

If any dispute arises as to the amount of any payment or fee withdrawn by us from your account, our books and records shall be treated as conclusive evidence of the correct amount, except to the extent that either we or you can show a clear error in our computation. The amounts set forth in our books and records with respect to each withdrawal shall be final and binding, unless either we or you notify the other in writing of any objection to the amount of such withdrawal no later than 30 days after such withdrawal. You and we shall promptly make all reasonable efforts to resolve any such dispute within a reasonable time after such notification.

(g) ~~(h)~~ *Electronic Transfer of Funds.* You must sign an electronic transfer of funds authorization, the current form of which is attached as Exhibit C, and such other documents as we designate from time to time, to authorize and direct your bank or financial institution to transfer either electronically or through some other method of payment designated by us to transfer electronically directly to our account or our affiliates' and to charge to your account all amounts due to us or our affiliates. Your authorizations must permit us and our affiliates to designate the amount to be transferred from your account. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed when due. You are responsible for any penalties, fines, fees or other similar expenses associated with the transfer of funds described in this Section.

(h) ~~(i)~~ *Interest Charges; Late Fees*. Any and all amounts that you owe to us or to our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fees, Technology Fees and Marketing Fee payments, you must pay to us a service charge of $100 for each delinquent report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we do not receive the payment on or before the date due; or (ii) there are insufficient funds in your account to collect the total payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty; it is only to compensate us for increased administrative and management costs due to late payment.

(i) ~~(j)~~ *No Subordination.* You may not subordinate to any other obligation your obligation to pay us the royalties or any other fee or charge payable to us, whether under this Agreement or otherwise.

(j) ~~(k)~~ *Books and Records.* You must maintain and preserve for the time period specified in the Operations Manual full, complete, and accurate books, records, and accounts in accordance with the standard accounting system prescribed by us in the Operations Manual or otherwise in writing. We have the right to require submission of any reports electronically via the Computer System and, as described in Section 9(n), we have the right at any time to retrieve and use any data and information from the Computer System that we deem necessary or desirable.

(k) ~~(l)~~ *Daily and Monthly Reporting Obligation.* Each day you must enter into the Computer System all transactions related to your Retail Business, including the amount of Gross Sales and gross receipts of your Retail Business and the amount of sales tax. You must submit to us, on or before the 10th day of each calendar month, a monthly report in the form we periodically prescribe. The monthly report will include, but will not be limited to, the following information for the previous month: (i) an accurate list of names, addresses and contact details of all your suppliers, (ii) a report of all customer information collected in connection with customer loyalty programs, if any; and (iii) a detailed profit and loss statement within 30 days of the end of each month.

(l) ~~(m)~~ *Additional Reports.* You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year, prepared in accordance with generally accepted accounting principles. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify that all reports are true and correct. You acknowledge and agree that we have the right to impose these requirements on you regardless of whether we impose the same requirement on our other System franchisees.

(~~k~~m) *Right to Inspect and Audit.* We or our authorized representatives have the right at all times during the business day to enter the premises where your books and records relative to your Retail Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any

understatement of your Gross Sales, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to two years thereafter. Any such further audits and examinations will be at your sole expense, including any professional fees, travel and room and board expenses we incur related thereto. Furthermore, if you intentionally understate or underreport Gross Sales at any time or a subsequent audit or evaluation conducted within the two-year period reveals any understatement of your Gross Sales by 2% or more, in addition to any other remedies provided in this Agreement, we have the right to terminate this Agreement immediately. In order to verify the information that you supply, we have the right to reconstruct your sales through the inventory extension method or any other reasonable method of analyzing and reconstructing sales. You agree to accept any such reconstruction of sales unless you provide evidence in a form satisfactory to us of your sales within 14 days of the date of our notice of understatement or variance.

6. PREMISES STANDARDS AND MAINTENANCE

(a) *Site Selection.* If you have not yet located a Site that we have accepted as of the Effective Date, then promptly after the Effective Date, you must deliver to us for our review a complete site report and other materials and information we request for a suitable site within the "**Site Selection Area**" identified on Exhibit A. It is your responsibility to locate, evaluate and select the site for your Retail Business. We may, but have no obligation to, physically visit your proposed sites.

The Retail Business must be located at a Site that we have accepted. We will use our reasonable efforts to review and either accept or reject a site you propose within thirty (30) days after receiving the complete site report and other materials and information we request. If we have not delivered to you written notice of our acceptance of a proposed site within thirty (30) days after receiving the complete site report, that site will be deemed rejected. We will not unreasonably withhold our acceptance of a site that meets our then current criteria. We have the absolute right to reject any site that does not meet our criteria. We must consent to the site in writing and, upon obtaining our consent, the location will become the Authorized Location and included on Exhibit A

Despite any assistance, information or recommendations that we provided or will provide (whether before or after the Effective Date) with respect to the Site, we have made and will make no representations or warranties of any kind, express or implied, of the suitability of the Site for a Retail Business or any other purpose. Our recommendation indicates only that we believe that the Site meets or has the potential to meet, or that we have waived, the general criteria of Site acceptability that we have established as of that time. Applying criteria that have appeared effective for other sites might not accurately reflect the potential for all sites, and, after we recommend or accept a Site, demographic and/or other factors included in or excluded from our site criteria could change, thereby altering a site's potential. The uncertainty and instability of these criteria are beyond our control, and we are not responsible if the Site fails to meet our or your expectations. Your acceptance of the rights under this Agreement is based on your own independent investigation of, or agreement in the future to investigate, the Site's suitability.

(b) *Opening.* You may not open your Retail Business for business until we have notified you in writing that you have satisfied your pre-opening obligations as set forth in Sections 6(c) and 6(d) and we have approved your opening date. Your Retail Business must be open and operating within 9 months of the Effective Date and within 90 days after the date the Authorized Location is designated unless we authorize in writing an extension of time. We are not responsible or liable for any pre-opening obligations, losses or expenses you might incur for your failure to comply with these obligations or your failure to open by a particular date. If we determine, in our sole discretion, that you in good faith have used, and are continuing to use, your best efforts to open and commence operations of your Retail Business, then upon your written request, and execution of the withdrawal authorization form required by us, we may permit

you to extend, for up to 12 months, the date by which you must open and commence operating your Retail Business. We are not obligated to extend the opening date. You must (i) make your written request for an extension no less than 90 days prior to the required opening date and (ii) have paid the entire Initial Franchise Fee. Only then will you be eligible for an extension which consists of monthly withdrawals by us from your account for the extension period (in accordance with Sections 5(e) and 5(f)) per the following schedule: $4,000 per month for each of the first 6 months of any extension and $6,000 per month for months 7-12 of any extension. The monthly extension fees due under this Section shall be drafted from the account specified in such withdrawal authorization form until your Retail Business opens. The monthly extension fees paid under this Section shall not be refunded under any circumstances and shall not be credited against any fee payable to us. Notwithstanding the foregoing, if we grant you any extension under this Section and we subsequently determine, in our sole reasonable discretion, that you are not using your best efforts to open and commence operations of your Retail Business within a reasonable period of time following the date of our grant of an extension, we may terminate the extension grant to you. The termination of any extension grant by us shall be deemed a default under Section 14(b)(ii)(C) of this Agreement.

(c) *Lease from third-party*. If a third-party will grant a lease or sublease for the premises of the Authorized Location, you must obtain our approval of the lease, and you and the landlord must execute a lease addendum in the form attached as Exhibit E.

(d) *Pre-Opening Build Out.* Subject to Section 6(e), you agree that, promptly after obtaining occupancy of the Authorized Location, you must meet the following build out requirements:

(i) you must construct, build out and equip your Retail Business in compliance with our current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, furnishings, accessory features and design and layout as set forth in the ~~Operations~~Pre-Opening Manual;

(ii) you must have prepared and submitted for our approval a site survey and basic architectural plans and specifications consistent with our general atmosphere, image and color scheme requirements as set forth in the ~~Operations~~Pre-Opening Manual;

(iii) you may not commence build out and construction of your Retail Business until you have received our written consent to your construction plans;

(iv) you must obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

(v) you must comply with all applicable legal requirements relating to the building, signs, equipment and premises, including but not limited to, compliance with the Americans with Disabilities Act;

(vi) you must use duly licensed and insured contractors for all construction, equipment installation and build out;

(vii) you must obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services; and

(viii) if you fail to complete the requirements of all of the provisions of this Section 6(d) within the required timeframe for opening your Retail Business (unless extended pursuant to Section 6(b)), you will be in default pursuant to Section 14(b)(i).

(e) *Future Alteration*. Any change to the building plans or any replacement, reconstruction, addition or modification in the building, interior or exterior décor or image, equipment or signage of your Retail Business to be made after our consent is granted for initial plans, whether at the request of you, us or a third party may be made only with our prior written consent. You may not commence such replacement, reconstruction, addition or modification until you have received our written consent to your revised plans. In addition to your obligations under Section 6(d), during the Term, but not more frequently than once every five (5) years during the Term and as a condition to you exercising your right to renew this Agreement, we may require you, at your sole cost and expense, to refurbish, remodel and improve the Retail Business to conform your building design, trade dress, color schemes, and presentation of Trademarks to our then current specified public image as set forth in the Operating Manual. Such remodeling may include extensive structural changes to the Retail Business and replacement or modification of furnishings, fixtures and equipment as well as such other changes as we may direct, and you shall undertake such a program promptly upon notice from us, and shall complete any such remodeling as expeditiously as possible, but in any event within ninety (90) days of commencing same (and no later than the commencement of the renewal Term), unless we expressly agrees to a longer period of time.

(f) *Maintenance*. The building, equipment, fixtures, furnishings, signage and trade dress (including the interior and exterior appearance) employed in the operation of your Retail Business must be maintained and refreshed in accordance with our requirements established periodically and any of our reasonable schedules prepared based upon our periodic evaluations of the premises. Within a period of 30 to 60 days (as we determine depending on the work needed) after the receipt of a report prepared following an evaluation, you must complete the items of maintenance we designate, including the repair of defective items and the replacement of irreparable or obsolete items of equipment and signage. If, however, any condition presents a threat to customers or public health or safety, you must complete the items of maintenance immediately, as further described in Section 9(k). If you fail to complete the require maintenance, we reserve the right to do so on your behalf and you must reimburse us for our costs and expenses.

(g) *Relocation*. You may not relocate your Retail Business without our prior written consent. Should it become necessary to relocate your Retail Business on account of condemnation, destruction or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within the Territory, is reasonably suited for an American Freight Retail Business, does not infringe on the rights of any other System franchisee, and is reasonably distant from other American Freight Retail Businesses provided that (i) your new Retail Business is open and operating within 120 days after your discontinuing operation of your Retail Business at the Authorized Location, all in accordance with our current standards at that time, and (ii) you reimburse us for our costs and expenses incurred in connection with the relocation (including legal fees and time spent by our employees).

(h) *Modernization or Replacement*. From time to time as we require, you must effect items of modernization or replacement of the building, premises, trade dress, trade fixtures, flooring, equipment and grounds as may be necessary for your Retail Business to conform to the standards for similarly situated new American Freight Retail Businesses. Furthermore, in addition to performing general, continued maintenance and refreshing of the premises when necessary in accordance with Section 6(f), you must affect any required expenditures for equipment or leasehold improvements necessary to prepare new product offerings. You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of American Freight Retail Businesses

and to avoid deterioration in connection with the operation of your Retail Business. If you fail to make any improvement or comply with our standards, we may, in addition to our other rights in this Agreement, effect such improvement or maintenance on your behalf and you must reimburse us for the costs we incur.

7. PERSONNEL AND SUPERVISION STANDARDS

(a) *Supervision of the Business*. You may operate your Retail Business with a General Manager who is not the Principal Owner only with our express written permission. Your Retail Business must at all times be under the direct supervision of the General Manager who is identified on Exhibit B. Any individual who will serve as your General Manager must satisfy any requirements or qualification we establish for general managers under the System and attend and complete any training program we require for general managers. You also must submit an updated Exhibit B. During any absence of your General Manager, your Retail Business must be under the direct, on-premises supervision of a fully-trained manager who meets our qualifications for supervision of your Retail Business.

(b) *Training*. Prior to commencement of your Retail Business at least two individuals, including your General Manager and such other individuals we designate, must attend and successfully complete our training program at a place we designate (in our sole discretion, all or any portion of the training may be completed virtually). You are responsible for all room, board and travel expenses you incur during training. You understand that you may not open or operate your Retail Business until and unless you successfully complete the initial training program. Failure by you, your General Manager or any other individual designated under this Section to complete the training program to our satisfaction will constitute a default under Section 14(b).

(c) *Ongoing Training*. We may provide and require your Principal Owner, General Manager and your other employees as we designate to attend ongoing training not to exceed 10 days per year. If you designate a new General Manager after the initial training program, the General Manager must complete training to our satisfaction, and we will provide training to the new General Manger to the extent we can reasonably accommodate them in our regularly scheduled training course. You are responsible for all room, board and travel expenses during ongoing training. In addition, in the event that you are given notice of default as set forth in Section 14(a) and the default relates, in whole or in part, to your failure to meet any operational standards, we may require as a condition of curing the default that your General Manager and such other employees as we deem appropriate, at your expense, again attend and successfully complete our training program at a place we designate.

(d) *Hiring and Staffing*. You must at all times maintain a sufficient number of trained employees to properly and efficiently service your customers. You must conduct background checks on any prospective employees. You must hire and supervise efficient, competent, and courteous persons as your employees for the operation of your Retail Business and set and pay their wages, commissions and incentives with no liability on us. No employee of yours will be deemed to be an employee of ours for any purpose whatsoever. However, we reserve the right to prohibit you from employing individuals with criminal histories which, if such history became known to the public, could compromise or negatively impact the image of our brand. We do not share or codetermine the terms and conditions of employment of your employees nor do we affect matters relating to the employment relationship between you and your employees, such as employee selection, promotion, termination, hours worked, rates of pay, other benefits, work assigned, discipline, adjustment of grievances and complaints, and working conditions. Employees at your Retail Business are your employees and will be under your control in implementing and maintaining operational standards at your Retail Business. As the franchisor of American Freight Retail Businesses, we do not engage in any employer-type activities for which you are responsible such as employee selection, promotion, termination, hours worked, rates of pay, work assigned, discipline and working conditions.

(e) *Attendance at Meetings*. Your Principal Owner, General Manager and such other employees as we designate must, at your expense, attend all conferences, conventions, seminars or meetings that we hold for System franchisees to set forth new methods and programs for operation, training, management, sales or marketing. If your Principal Owner and General Manager are unable to attend any such meeting, you must notify us prior to the meeting and have a substitute person from your business, acceptable to us, attend and represent you at such meeting.

8. YOUR OTHER OBLIGATIONS; NON-COMPETE COVENANTS; SECURITY INTEREST

(a) *Payment of Debts*. You agree to pay promptly when due (i) all payments, obligations, assessments and taxes due and payable to us and our affiliates, to vendors, suppliers, lessors, federal, state or local governments, or creditors in connection with your Retail Business; (ii) all liens and encumbrances of every kind and character created or placed upon or against any of the property used in connection with your Retail Business; and (iii) all accounts and other indebtedness of every kind incurred by you in the conduct of your Retail Business. You agree to comply with the payment terms of any invoice issued by us to you or as may be set forth in the Operations Manual. In the event you default in making any such payment, we are authorized, but not required, to pay the same on your behalf, and you agree promptly to reimburse us on demand for any such payment.

(b) *Taxes and Indebtedness*. You must promptly pay when due all taxes levied or assessed, including unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by you in the operation of your Retail Business. You must pay us or our affiliates within 10 days after demand: (i) all sales taxes, corporate taxes, trademark license taxes and any like taxes imposed on, required to be collected by or paid by us or our affiliates on account of products or services we or our affiliates furnish to you or arrange to furnish to you, or on account of our or our affiliates' collection of any fee related to this Agreement (including products and services you purchase in connection with your Retail Business); (ii) all franchise or like taxes, whether based on gross receipts, gross sales, royalty fees, contributions to the Marketing Fund, technology fees, or otherwise imposed on, required to be collected by or paid by us or our affiliates; and (iii) all other amounts we or our affiliates pay or must pay for you for any reason.

(c) *Indemnification by You*. Nothing in this Agreement authorizes you to make any contract, agreement, warranty or representation on our behalf or to incur any debt or other obligation in our name, and we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission of yours in your operation of your Retail Business or for any claim or judgment arising against you or us from your operation of your Retail Business. You waive all claims against us for damages to property or injuries to persons arising out of the operation of your Retail Business. You must fully protect, defend, indemnify and hold us, our affiliates and the officers, directors, employees, agents, attorneys and shareholders of ours and our affiliates (the "**Indemnitees**") harmless from and against any and all causes of action, claims, proceedings, losses, costs, expenses, liabilities, litigation, damages or other expenses (including settlement costs and attorneys' fees) of any nature whatsoever arising in any manner, directly or indirectly, out of or in connection with or incidental to the operation of your Retail Business (regardless of cause or any concurrent or contributing fault or negligence of us or our affiliates), your conduct under this Agreement, any breach by you, your failure to comply with the terms and conditions of this Agreement, or your noncompliance or alleged noncompliance with any law, ordinance, rule or regulation, including any allegation that we or another Indemnitee is a joint employer or otherwise responsible for your acts or omissions relating to your employees. You agree that with respect to any threatened or actual litigation, proceeding or dispute which could directly or indirectly affect any of the Indemnitees, the Indemnitees will have the right to: (i) choose counsel; (ii) direct, manage and/or control the handling of the matter; and (iii) settle on behalf of the

Indemnitees, and/or you, any claim against the Indemnitees in their sole discretion. Indemnitees' exercise of these rights does not affect your obligation to indemnify and hold us harmless in accordance with this Section. All vouchers, canceled checks, receipts, receipted bills or other evidence of payments for any such losses, liabilities, costs, damages, charges or expenses of whatsoever nature incurred by any Indemnitee will be taken as evidence of your obligation under this Agreement. This Section will survive the expiration or termination of this Agreement and applies to such claims even if they exceed the limits of your insurance coverage.

(d) *Insurance Coverage.* You must purchase and maintain in full force and effect, at your expense, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must be issued by a reputable insurance company licensed to do business in the state in which the Retail Business is located and have a Policyholders Rating of "A" or better, as assigned by Alfred M. Best and Company, Inc., or comparable rating service and must include, at a minimum, the coverages we specify in the Operations Manual or otherwise in writing.

(e) *Alternate Insurance Coverage*. If you can purchase insurance policies at better terms than that offered by any company we specify pursuant to Section 8(d), carrying at a minimum the same coverages and under the same terms and conditions as we specify pursuant to Section 8(d), then we may, at our sole option, authorize you to purchase such alternative insurance policies. If we authorize you to purchase such alternative insurance policies, you must purchase and maintain in full force and effect, at your expense, insurance that insures both you and us, our affiliates and any other persons we designate by name. The insurance policies must include, at a minimum, the coverages specified by us pursuant to Section 8(d) and contained in the Operations Manual or otherwise prescribed in writing.

(f) *Insurance Commencement, Proof and Changes.* The required insurance coverage must commence as of the date the building lease begins, you commence construction of your Retail Business or on the date you publicly disclose or identify the site as the site of your Retail Business, whichever occurs earlier. You must deliver to us at commencement of coverage and annually or at our request a proper certificate evidencing the existence of such insurance coverage and your compliance with the provisions of this Section. The insurance certificate must show our status as an additional insured and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the System, standards of liability and higher damage awards. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge the cost of same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice.

(g) *Necessity of Covenants*. You acknowledge and agree that (a) you and the other individuals and entities required to comply with Sections 8(h) and 8(i) have received an advantage through the specialized training provided under this Agreement, the knowledge of the day-to-day operations of an American Freight Retail Business and access to our standards, the Operations Manual, the System, the Confidential Information and our trade secrets, (b) are not designed to deprive you of a means of livelihood and will not do so and (c) the covenants and restrictions in Sections 8(h) and 8(i): (i) are reasonable, appropriate and necessary to protect our standards, the System, the Confidential Information, our trade secrets, other System franchisees, the goodwill of the System, relationships with our prospective and existing customers, and our legitimate interests and (ii) do not cause undue hardship on you or any of the other individuals and entities required by Sections 8(h) and 8(i) to comply with the covenants and restrictions. Unless otherwise specified, the term "you" as used in Sections 8(h) and 8(i) includes, collectively and individually, all Principal Owners, guarantors, officers, directors, members, managers, partners, as the case may be, and holders of any ownership interest in you.

(h) *In Term Non-compete Covenants*. You covenant that during the Term you will not, either directly or indirectly, for yourself or through, on behalf of or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Business other than one authorized by any other agreement between us and you.

(i) *Post Term Non-compete Covenants*. You covenant that you will not, for a period of two years after the expiration or termination of this Agreement, regardless of the cause of termination, or within two years of the sale of your Retail Business or any interest in you, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, own, manage, operate, maintain, engage in, consult with or have any interest in a Competitive Business: (A) at the Authorized Location; (B) in the Territory; (C) within a ~~15~~20 mile radius of the Territory; or (D) within a ~~15~~20 mile radius of the location of any American Freight Retail Business, whether franchised or owned by us or our affiliates.

(j) *Non-compete; Additional Terms.* You agree that the length of time in Section 8(i) will be tolled for any period during which you are in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. Further, neither the in-term non-compete in Section 8(h) nor the post-term non-compete in Section 8(i) shall apply to any 5% or less ownership interest in a publicly traded company that operates a similar business. You understand and acknowledge that we have the right, in our sole discretion, to reduce the scope of any obligation imposed on you by Sections 8(h) and/or 8(i), and that such modified provision shall be effective upon your receipt of written notice thereof from us.

(k) *Grant of Security Interest.* For valuable consideration, receipt of which is hereby acknowledged, you hereby grant to us a security interest in all of your right in your leasehold interest for your Retail Business and in all of your assets, whether now owned or hereafter acquired, used in connection with your Retail Business, including, without limitation, all goods, equipment (other than leasehold improvements which constitute fixtures), accounts, merchandise, inventory, investment property, general intangibles (including general intangibles that are classified otherwise under Revised Article 9 of the UCC), documents, instruments, chattel paper, balances, and books and records, and all products and proceeds of the foregoing and any other property, and any and all additions and accessions thereto, all substitutions and replacements therefore and all products and proceeds thereof or proceeds of insurance thereon, as security for the payment of all obligations owed by you to us or any of our affiliates including, without limitation, all obligations under this Agreement, all amounts due to us or our affiliates by virtue of the franchise relationship created under this Agreement, all purchases of the Approved Products and Services from us or our affiliates, the purchase price of any products and goods, and any and all other fees and amounts owed by you to us or our affiliates under this Agreement. You acknowledge that this Agreement shall constitute a security agreement under the UCC for purposes of establishing the respective rights of us and you in the above-described personal property and the enforcement of such security interest against you. You hereby authorize us simultaneously with the execution of this Agreement to file one or more financing statements pursuant to the UCC. We agree not to record any such financing statement until a mutually acceptable location for your Retail Business has been agreed upon by you and us. Upon the occurrence of any of the events described in Section 14 of this Agreement, we shall have the rights and remedies of a secured party under the UCC.

9. PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

(a) *Products and Services.* You may offer and sell only Approved Products and Services in connection with the Trademarks and your Retail Business and must offer for sale the complete range of Core Products and Services as set forth in the Operations Manual and such Optional Products and Services as will enable you to efficiently and profitably operate your Retail Business. You must maintain in stock

an inventory of Approved Products and Services sufficient to meet customer demand and as set forth in the Operations Manual. You may not offer, sell or supply any products or services which are not Approved Products and Services (including products or services that we have withdrawn as described in Section 9(d)) without our prior written consent. You must also conform to all quality and customer service standards we prescribe in writing. You must offer home delivery and installation of all Approved Products and Services as prescribed by us, by either using your own delivery vehicles or an authorized third-party delivery/installation service to conduct such delivery and installation services. All delivery and installation providers, whether employed by you or retained as third parties, must meet all standards and specifications as set forth in the Operations Manual.

(b) *Vendors and Suppliers*. We will furnish you with lists of approved supplies and approved suppliers (including lists of Approved Products and Services). You must only use Approved Products and Services, equipment, fixtures, furnishings, signs, advertising materials, trademarked items, novelties and other items in your Retail Business as set forth in the approved supplies/services and approved suppliers lists, as we may amend from time to time. We reserve the right to approve and change the manufacturer or supplier for approved supplies/services. You acknowledge and agree that certain approved supplies/services may only be available (due to the availability or our restrictions on who you must purchase from) from one source or select suppliers designated by us, and we and/or our affiliates may be the only source. You will pay the then-current price in effect for approved supplies/services you purchase from us or our affiliates. All products, equipment, supplies, services and other items used in the operation of your Retail Business that are not included in approved supplies/services or approved suppliers lists must conform to the specifications and standards we establish from time to time. We reserve the right to establish a distribution center, or designate a distributor(s) for the System, for Approved Products and Services and require System franchisees to purchase Approved Products and Services from our distribution center, or a distributor(s) designated by us (no matter if there are alternate suppliers/distributors for the Approved Products and Services that are available to you). We and/or our affiliates may derive revenue based on your purchases and leases, including, without limitation, from charging you (at prices exceeding our and their costs) for services and products we or our affiliates sell you and from promotional allowances, volume discounts, and other amounts paid to us and our affiliates by suppliers that we designate, approve, or recommend. We and our affiliates may use all amounts received from suppliers, whether or not based on your and other franchisees' prospective or actual dealings with them, without restriction for any purposes we and our affiliates deem appropriate. We are not required to give you an accounting of any amounts we or our affiliates receive from supplier or manufacturers, other than certain required disclosures (if applicable) included in the AMERICAN FREIGHT Franchise Disclosure Document provided to you in connection with your execution of this Agreement, or to share the benefit of such amounts with you or other System franchisees.

(c) *NO WARRANTY*. ALTHOUGH APPROVED BY US, WE MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, SERVICES, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED PRODUCTS AND SERVICES. WE, HOWEVER, WILL PASS THROUGH ANY APPLICABLE MANUFACTURER WARRANTIES ON PRODUCTS AND EQUIPMENT THAT YOU PURCHASE FROM US, SUBJECT TO ALL WARRANTY TERMS AND CONDITIONS IMPOSED BY THE MANUFACTURER.

(d) *Withdrawal of Products.* We may at any time require you to withdraw from supply in your Retail Business any Approved Products and Services or any other product or service which in our reasonable opinion (i) does not conform or no longer conforms with the standards, quality controls and specifications for products or services to be supplied in an American Freight Retail Business; (ii) does not conform or no longer conforms with the range of products or services to be supplied in an American Freight

Retail Business; or (iii) is, or may be, a health or safety risk. You must immediately withdraw any products from sale when we require under this Section.

(e) *Alternate Suppliers.* The Approved Products and Services may have a single source supplier designated by us or other suppliers designated by us and you may not be able to use alternate suppliers. If we permit any items to be submitted for approval as Approved Products and Services or permit any Approved Product and Service to be a source from a supplier other than our designated single-source supplier or other select suppliers designated by us, you may propose the item and/or a supplier not on our approved list for our prior written approval. We may require you to submit sufficient information, specifications and samples concerning the item or supplier for us to determine whether the item or supplier meets our criteria. If we do not notify you within 30 days of receipt of your request, whether any proposed item or supplier is approved, the proposed item or supplier is deemed disapproved. We may from time to time prescribe procedures for the submission of requests for approved supplies or suppliers and obligations which approved suppliers must assume. Regardless of whether we approve your request, you must reimburse us for all costs and expenses that we incur in reviewing the alternative item or supplier, including our time spent on the review of the alternative supply or supplier. Our determination of approved suppliers, brands, manufacturers, distributors or supplies/services will be based on a variety of criteria which may include quality, design, price, insurance, distribution methods, supplier considerations and compatibility with the System.

(f) *Pricing of Products and Services*. We reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum, or other pricing requirements with respect to the prices you may charge for Approved Products and Services.

(g) *Operations Manual*. To help protect our reputation and goodwill and to maintain uniform operating standards under the Trademarks and System, you must conduct your Retail Business in accordance with the required standards and procedures contained in the Operations Manual. You acknowledge that we are providing you with access to the Operations Manual during the Term and that the Operations Manual is at all times our sole property. You must at all times treat and maintain the Manuals and the information contained therein and any other proprietary information created for or approved for use in the operation of your Retail Business as secret and confidential. We may from time to time revise the contents of the Operations Manual and you expressly agree to comply with each new or changed standard. You must at all times insure that your copy of the Operations Manual is kept current and up to date. In the event of any dispute as to the contents of the Operations Manual, the terms of the master copy of the Operations Manual we maintain will be controlling. You acknowledge and agree that in the future the Operations Manual and other system communications may only be available on the Internet, our intranet system or other online or computer data transfer communications.

(h) *Operating Procedures*. The Operations Manual contains both requirements and recommendations for the operation of an American Freight Retail Business. You must adopt and use the required standards, procedures, techniques and systems described in the Operations Manual. We will revise the Operations Manual and their standards, procedures, techniques and systems periodically to meet changing conditions of operation in the best interest of all businesses operating under the Trademarks. Any required standards exist to protect our interest in the System and the Trademarks and not for the purpose of establishing any control, or the duty to take control, over those matters that clearly are reserved to you.

(i) *Customer Experience Programs*. As required by us, we may establish, or contract with third-parties to provide, customer service, shopper experience, or other service programs designed to audit, survey, or evaluate business operations for American Freight Retail Businesses ("**Customer Experience Programs**"). You must participate in all Customer Experience Programs we designate for the System and pay any fees associated with your Retail Business. We have the right to specify all aspects of Customer

Experience Programs, the required level of participation for System franchisees, and the provider of the Customer Experience Programs (which may be us or an affiliate of ours).

(j) *Evaluations*. We or our authorized representative have the right to enter the Authorized Location at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain whether you are observing the provisions of this Agreement, to inspect and evaluate your premises used for your Retail Business, and to test, sample, inspect and evaluate your products and services provided to customers. If we determine that any condition at the premises of your Retail Business presents a threat to customers or public health or safety, we may take whatever measures we deem necessary, including requiring you to immediately close your Retail Business until the situation is remedied to our satisfaction. Our inspections and evaluations may include Customer Experience Programs. If you fail any inspection or evaluation, you must pay the costs and expenses of subsequent "mystery shopper" visits. Further, failure of an inspection or evaluation is a default under Section 14.

(k) *Continuous Operation of Business*. Subject to any contrary requirements of local law, your Retail Business must be opened to the public and operated during the core hours designated in the Operations Manual. You acknowledge and agree that if your Retail Business is closed for a period of two consecutive days or five or more days in any 12-month period without our prior written consent, such closure constitutes your voluntary abandonment of the franchise and business and we have the right, in addition to other remedies provided in this Agreement to terminate this Agreement.

(l) *Compliance with Law*. You must at all times conduct your Retail Business in compliance with all applicable laws, regulations, codes and ordinances and secure and maintain in force all required licenses, permits and certificates. You must promptly notify us of any claim or litigation or proceeding in which you are involved that arises from the operation of your Retail Business.

(m) *Computer System*. To ensure the efficient management and operation of your Retail Business, and the transmission of data to and from us, your Retail Business must have, use and maintain, (i) such register, workstation and kiosk computers, monitors and printers, credit card terminals and other computer related accessories or peripheral equipment as we specify in the Operations Manual or otherwise in writing, and (ii) computer and communication software, used to record, analyze and report sales, inventory and tax information, as we specify in the Operations Manual or otherwise in (collectively, the "**Computer System**"). You must obtain from us our software package ("**Software Package**") that includes a license for all necessary software to run your Retail Business and includes one license for Office 365 for your business-related e-mail. In addition to the Software Package, we reserve the right to designate a single source from whom you must purchase other portions of the Computer System and we may be the designated single source for such other portions of the Computer System or a designated supplier for certain aspects of the Computer System. You may not use any unapproved hardware or software or component of the Computer System that has not been obtained from the source(s) we designate. You agree to the following:

(i) Your Computer System must have the capacity to electronically exchange information, messages and other data with other computers, by such means (including the Internet and the Intranet), and using such protocols (e.g. TCP/IP), required in the Operations Manual or otherwise in writing. You must maintain at all times, access to the Intranet in the manner specified by us in the Operations Manual or otherwise in writing. If required by us, you must execute such agreements or acknowledge such policies as we may prepare for use of the Intranet, and you agree at all times to comply. You must maintain (i) an email account for our direct correspondence with the General Manager; and (ii) a separate email account for your Retail Business;

(ii) You will provide us with full access to the Computer System and to all data associated with the operation of your Retail Business. We will have the right, at any time, to retrieve data and information relating to the operations of your Retail Business from your Computer System through direct access, by internet connection, modem or other requested means and use it for any reasonable business purpose both during and after the Term. We may specify in the Operations Manual or otherwise in writing the information that you must collect and maintain on the Computer System installed at your Retail Business, and you must provide to us reports as we may request from the data collected and maintained, which must be in the form and format we designate;

(iii) You must keep your Computer System in good maintenance and repair and, at your expense, must promptly install such additions, changes, modifications, substitutions and/or replacements to the Computer System, telephone and power lines and other computer related facilities, as we direct. Subject to the requirements in this Agreement, you will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your Computer System; (b) the manner in which your Computer System interfaces with our computer systems and the computer systems of third parties; and (c) any and all consequences that may arise if your Computer System is not properly operated, maintained or upgraded;

(iv) We may develop or authorize others to develop software programs for use in the System, which you may be required to purchase and/or license and use in connection with your Retail Business and for which you may be required to execute a license, sublicense or maintenance agreement with us or the approved vendor. All right, title and interest in software programs will remain with the licensor of the software programs;

(v) If required by us, you must: (i) contract with us or any service providers designated by us to provide infrastructure, platforms and/or computing services and resources to be used in connection with or as part of the Computer System (e.g. web hosting services, cloud computing services) as required by us in the Operations Manual or otherwise; or (ii) obtain such services and resources under any contracts or arrangements we establish to obtain such services and resources for the System. You acknowledge that we will have no liability to you in connection with any Computer System problems, including any problems caused by any approved supplier or service provider providing products or services related to the Computer System; and

(vi) You may not use or download any software programs on your computer unless it has been authorized by us in writing. In the event that you use or download any unauthorized software programs, you are liable for all damages and problems caused by the unauthorized software program in addition to our other remedies provided under this Agreement.

(n) *Participation in an Internet Website or Other Online Communications.* You specifically acknowledge and agree that any Website shall be deemed advertising and marketing materials under this Agreement and will be subject to (among other things) our approval under the provisions of Section 12(c) below. In connection with any Website, you agree to the following:

(i) We will have the right, but not the obligation, to establish and maintain a Website, which may, without limitation, promote the Trademarks, any or all of the Approved Products and Services offered under the System, American Freight Retail Businesses, the franchising of American Freight Retail Businesses and/or the System

("**System Website**"). We will have the sole right to control all aspects of the System Website, including, without limitation, its design, content, functionality, links to the Websites of third parties, legal notices, and policies and terms of usage. We also have the right to require you to fulfill any e-commerce order placed on the System Website. We will also have the right to discontinue operation of the System Website;

(ii) You shall not establish a separate Website that displays or uses the Trademarks, or any marks confusingly similar thereto, or that refers to this Agreement, your Retail Business, the Approved Products and Services offered under the System, us, American Freight Retail Businesses or the System. If you register any domain name in violation of this Section, in addition to all other rights and remedies of ours under this Agreement, we will have the right to require you to transfer any such registration(s) to us or our designee, at your expense;

(iii) We will have the right, but not the obligation, to designate 1 or more webpage(s) to describe you and/or your Retail Business ("**Webpage(s)**"), with such WebPage(s) to be located within the System Website. You shall comply with our policies with respect to the creation, maintenance and content of any such WebPage(s); and we will have the right to refuse to post and/or discontinue posting any content and/or the operation of any WebPage(s). We may charge you a fee in connection with WebPage(s) used in connection with your Retail Business; and

(iv) We will have the right to modify our policies and requirements regarding Websites as we may determine is necessary or appropriate.

Additionally, we may establish and require you, at your expense, to participate in a or multiple intranet/extranet systems or other online communication systems providing private and secure communications between us, you, System franchisees, and other persons and entities as determined by us, in our sole discretion (each, an "**Intranet System**"). We have the right to determine the content and use of any Intranet Systems and will establish the rules under which System franchisees may participate. We retain all rights relating to Intranet Systems and may alter or terminate any Intranet System without prior notice to you. Your general conduct on Intranet Systems and specifically your use of the Trademarks or any advertising on Intranet Systems is subject to the provisions of this Agreement. You acknowledge and agree that certain information obtained through your participation in Intranet Systems may be considered Confidential Information, including access codes and identification codes. Your right to participate in, and have access to, Intranet Systems will terminate when this Agreement expires or terminates.

(o) *Social Media*. You must comply with the System Standards developed by us for the System, in the manner directed by us in the Operations Manual or otherwise, with regard to our authorization to use, and use of, blogs, common social networks (including "Facebook" and "Myspace"), professional networks (including "LinkedIn"), live blogging tools (including "Twitter"), virtual worlds, file , audio and video sharing sites and other similar social networking media or tools ("**Social Media**") that in any way references the Trademarks or involves the System or your Retail Business.

(p) *Collection of Information; Privacy*. We may, from time to time, specify in the Operations Manual or otherwise in writing the information that you must collect and maintain on the Computer System installed at your Retail Business, and you must provide to us such reports as we may reasonably request from the data so collected and maintained. All data pertaining to or derived from your Retail Business (including without limitation data pertaining to or otherwise about your Retail Business' customers) is and will be our exclusive property, and we hereby grant a royalty-free non-exclusive license to you to use said data during the Term. You must abide by all applicable laws pertaining to the privacy of consumer,

employee, and transactional information ("**Privacy Laws**"). You must comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you must: (A) comply with the requirements of applicable law; (B) immediately give us written notice of said conflict; (C) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You must not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent.

(q) *Customer Relations*. You shall take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; and meet such minimum standards as we may establish from time to time in the Operations Manual. You and your employees shall handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from the name and goodwill of us and the System. You must: (i) comply with our customer complaint resolution; and (ii) reimbursing us promptly if we elect to resolve a customer complaint (through a credit or other means) because you fail to do so as or when we require. As part of your obligation to preserve good customer relations, you must comply with customer service policies and procedures (the "**Customer Service Policies**") as detailed in the Operations Manual or otherwise. You acknowledge and agree that the Customer Service Policies may obligate you to provide services and support to customers that have purchased Approved Products and Services through an American Freight Retail Business and moved into the Territory. You acknowledge and agree that the Customer Service Policies may require you to incur additional or extra operational expenses, but the reputation and goodwill of the System necessitates the Customer Service Policies. We reserve the right to change or revise the Customer Service Policies.

10. TRADEMARKS

(a) *Ownership of Trademarks*. You acknowledge that you have no ownership interest whatsoever in the Trademarks and that your rights to use the Trademarks is limited to the conduct of your Retail Business pursuant to and in compliance with this Agreement. Any unauthorized use of the Trademarks by you, your affiliates or any related entities constitutes an infringement of our and our affiliates' rights in and to the Trademarks. You agree that all usage of the Trademarks by you and any goodwill established thereby will inure to our and our affiliates' exclusive benefit. You acknowledge that this Agreement does not confer any goodwill or other interest in the Trademarks upon you. Without limiting anything in this Section 10, you agree that you: (i) will not represent that you have acquired any ownership interest in any of the Trademarks; (ii) will not contest, or assist any other party to contest, our rights in the Trademarks; and (iii) will not otherwise take any actions in derogation of our use of or rights to the Trademarks.

(b) *Use of Trademarks.* You may not use, or permit the use of, any trademarks, trade names or service marks in connection with your Retail Business except the Trademarks or as we otherwise direct in writing. You must use the Trademarks only in connection with such products and services as we specify in writing and only in the form and manner we prescribe in writing.

(c) *Business Identification.* You must use the name "AMERICAN FREIGHT" as the trade name of your Retail Business and no other words may be used to identify your Retail Business without our prior written consent. You may not use any Trademarks as part of any corporate or business entity name or with any prefix, suffix or other modifying words, terms, designs or symbols, or in any modified form without our written consent. You must post a sign in the form and location we designate at the Authorized Location putting your customers on notice that your Retail Business is independently owned and operated by you as our franchisee.

(d) *Identification of Trademarks.* You may use the Trademarks on various materials, such as business cards, receipts, stationary, purchase orders, invoices and checks, provided they: (i) accurately depict the Trademarks on the materials; (ii) include a statement on the materials, in immediate proximity to the Trademark, indicating that you independently own and operate your Retail Business; and (iii) do not use the Trademarks in connection with any other trademarks, trade names or service marks except when we specifically approve it in writing prior to the use.

(e) *Infringements.* In the event any person or entity improperly uses or infringes the Trademarks or challenges your use or our use or ownership of the Trademarks, we will control all litigation and we have the right to decide as to whether suit will be instituted, prosecuted or settled, the terms of settlement and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware. You must promptly inform us of any claim arising out of your use of any Trademark and must, without compensation, cooperate with us in any action we undertake. We or our affiliate will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Trademarks in violation of this Agreement, in which case you must reimburse us for our fees and expenses.

(f) *Modifications.* You may not make any modifications or substitutions to the Trademarks unless directed by us in writing. We reserve the right to change the Trademarks at any time. Upon our notice to you, you must, at your expense, cease using the former Trademarks and commence using the changed Trademarks. In the limited circumstance that we require you to change the Trademarks in response to a third party claim that its rights to use the Trademarks are superior to our rights, you must make the change at your expense, except that we will reimburse you for any new signage that we determine is necessary, provided that you have cooperated with any action we undertook with regard to the third party claim. We will not reimburse you for any other costs, alleged losses or expenses associated with any Trademark change. All provisions of this Agreement applicable to the Trademarks apply to any additional trademarks, service marks and commercial symbols we hereafter authorize you to use pursuant to this Agreement.

11. CONFIDENTIAL INFORMATION, INNOVATIONS, COPYRIGHTS

(a) *Confidential Information.* You acknowledge that the Confidential Information is disclosed to you by us and that the Confidential Information is proprietary, confidential and our trade secret. You agree that you will maintain the confidentiality of the Confidential Information both during and after the term of this Agreement, disclosing the Confidential Information to your employees only to the extent necessary for compliance with this Agreement. You agree that you will not use Confidential Information in any business other than your Retail Business or in any manner not specifically approved in writing by us.

(b) *Innovations.* You must not implement any change to the System without our prior written consent. Without limiting any other provisions in this Agreement, we have the exclusive (i) right of ownership and use, and (ii) authority to license all ideas, plans, innovation, enhancement, improvements, invention, concepts, formulas, ideas, methods and techniques relating to the development or operation (including marketing, advertising and promotions) of an American Freight Retail Business or any similar business conceived, suggested or developed by you, any Principal Owner or your employees during the term of this Agreement (collectively, "**Innovations**"). You will disclose to us any Innovations. We will have all right, title and interest in any Innovations, and you will have no (1) right, title or interest in any and all Innovations or (2) right to copyright, register and/or protect any Innovations in your name. We and our affiliates own and have the right to authorize other American Freight Retail Businesses to use any Innovations without any compensation to you, any Principal Owner or your employees. If we, at our sole discretion and expense, elect to file a copyright, domain name registration or similar protection or

registration relating to any such Innovations, you will execute such documents and provide us with such information as we may reasonably request in order to perfect such a filing. We will not be obligated to approve or accept any request to implement any Innovation. We may from time to time revoke our approval of any particular change or amendment to the System. Upon receipt of written notice of such revocation, you must modify your activities in the manner described by us. Nothing in this Section modifies your obligation to comply with System Standards and the Operations Manual.

(c) *Copyrights.* You hereby acknowledge and agree that the ownership of all printed, audio and visual material and any other material whatsoever (including all Confidential Information) being part of your Retail Business, American Freight Retail Businesses or the System (the "**work**") belongs to us or our affiliates and any copyright in respect to the work belongs to us. In addition, You acknowledge that you have no right to manufacture any component of the work or duplicate the work and agree to purchase all components of (or rights of access to) the work exclusively from us. You have no right to claim any proprietary interest in any of the work. You must immediately notify us of any known infringement to the work or to our copyright interest therein. We have the right to control any litigation related to our copyrights or the work. You agree to assist us, as directed by us, in any claim or action against the infringer.

(d) *Modification of System-Exercise of Judgment*. You recognize and agree that from time to time hereafter we may change or modify the System as then-presently described in the Operations Manual and the Trademarks. You will accept and use for the purposes of this Agreement any such changes in the System as if they were part of this Agreement as of the Effective Date. You will make such expenditures as such changes or modifications in the System may reasonably require. You shall not change, modify, or alter the System in any way without our prior written consent. We have the right to operate, develop, and change the System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise its rights based on information readily available to us and our judgment of what is in its and/or the System's best interests at the time its decision is made, without regard to either whether we could have made other reasonable or even arguably preferable alternative decisions or whether its decision promotes its financial or other individual interest.

12. MARKETING

(a) *Marketing Fund*. You must pay us the Marketing Fee set forth in Section 5(c). All Marketing Fees will be placed in a Marketing Fund that we own and manage (the "**Marketing Fund**"). The Marketing Fund is not a trust or escrow account and we have no fiduciary obligation to System franchisees with respect to the Marketing Fund. We have the right to determine the expenditures of the amounts collected and the methods of marketing, advertising, media employed and contents, terms and conditions of marketing campaigns and promotional programs. We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining an electronic commerce Website and/or related strategies; administering regional and multi-regional marketing and advertising programs including, but not limited to, purchasing trade journal, direct mail, and other media advertising and using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities (including Social Media). Because of the methods used, we are not required to spend a prorated amount on each store or in each advertising market. We have the right to make disbursements from the Marketing Fund for expenses incurred in connection with the cost of formulating, developing and implementing marketing, advertising and promotional campaigns. The

disbursements may include payments to us for the expense of administering the Marketing Fund, including accounting expenses and salaries and benefits paid to our employees engaged in the advertising functions.

(b) *Local Marketing Expenditures*. You must use your best efforts to promote and advertise your Retail Business and participate in any local marketing and promotional programs we establish from time to time. In addition to the Marketing Fee, we ~~may, in our sole discretion, from time to time, require~~recommend you ~~to~~ spend ~~no less than~~at least 2% of your Gross Sales ~~during the promotional period determined by us,~~ on approved local marketing ~~and promotion~~. Upon our request, you must provide us with ~~itemization and proof of your local marketing expenditures and an accounting of the monies that you have spent for approved local marketing. If you fail to make the required expenditure, we have the right to collect and contribute the deficiency to the Marketing Fund.~~copies of the marketing and promotional materials you use for local marketing purposes.

(c) *Approved Materials*. You must use only such advertising and marketing materials as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Further, any promotional activities you conduct at your Retail Business or on its premises are subject to our approval. We will not unreasonably withhold approval of any sales promotion materials and activities; provided that they are current, in good condition, in good taste, accurately depict the Marks and are used in a manner that we have prescribed. We will approve or decline proposed marketing materials within 14 days of receipt.

(d) *Marketing Cooperatives*. We have the right to designate local advertising markets ("**Marketing Cooperatives**") and, if designated, you must direct some or all (as designated by us) of your local marketing expenditures to the Marketing Cooperative in your designated local advertising market. Each American Freight Retail Business within a designated local advertising area will be a member of the applicable Marketing Cooperative and each American Freight Retail Business will have one vote on all matters requiring a vote. We reserve the right to designate the bylaws that govern the operation of Marketing Cooperatives, although the bylaws cannot modify the voting structure set forth in the prior sentence. We may also designate the amount that you must contribute to the Marketing Cooperative. Any dispute which arises in any Marketing Cooperative regarding the amount or usage of such local marketing expenditures will be resolved by us in our sole discretion.

(e) *Promotional Programs; Customer Loyalty Programs*. You must participate fully in any promotional programs that we specify from time to time. You must also participate fully in any customer loyalty programs we establish from time to time, including (i) purchasing from us any cards, application forms and other materials for use in connection with any customer loyalty program; and (ii) honoring any customer loyalty points or rewards a customer has accrued whether from your Retail Business or elsewhere. You acknowledge and agree that (i) we may vary the terms or withdraw from supply of the cards, application forms and other materials used in connection with a customer loyalty program; and (ii) when a customer redeems customer loyalty points at your Retail Business, you are not entitled to reimbursement for the costs of goods provided to the customer in exchange for the redemption.

(f) *Grand Opening Promotion.* You must conduct certain advertising and public relations activities in connection with the opening of your Retail Business, as we specify in writing. You must pay to us the sum of $10,000 for these grand opening activities.

13. TRANSFER OF FRANCHISE

(a) *Transfer by Us.* We have the right to sell, transfer, subcontract or assign, in whole or in part, our interest in and our rights and obligations under this Agreement.

(b) *Transfer by You - Definition.* In this Agreement, transfer means any sale (including installment sale), transfer, merger, conveyance, lease, give away, pledge, mortgage, assignment, bequest, gift, or other encumbrance, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings) of: (i) any interest in this Agreement, (ii) any interest in your Retail Business, (iii) any interest in the Authorized Location, (iv) the lease, or any interest in the lease, for the Authorized Location, (v) if you are a business entity, any ownership interests in you, (vi) substantially all of the assets of your Retail Business, or (vii) all or part of the daily operation of your Retail Business to a person or entity who shares in the losses or profits of the business in a manner other than as an employee.

(c) *No Transfer Without Our Consent.* We have entered into this Agreement with specific reliance upon your financial qualifications, experience, skills and managerial qualifications as being essential to the satisfactory operation of your Retail Business. Consequently, neither you nor any of your owners may undertake any transfer or permit any transfer to occur without first tendering to us the right of first refusal in accordance with Section 13(h) and, if we do not exercise such right, obtaining our prior written consent, and complying with the transfer conditions described in Section 13(f). You must notify us immediately of any proposed transfer and must submit promptly to us the application for consent to transfer. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void.

(d) *Insolvency.* In the event of your insolvency or the filing of any petition by or against you under any provisions of any bankruptcy or insolvency law, if your legal representative, successor, receiver or trustee desires to succeed to your interest in this Agreement or the business conducted hereunder, such person first must notify us, tender the right of first refusal provided for in Section 13(h), and if we do not exercise such right, must apply for and obtain our consent to the transfer and satisfy the transfer conditions described in Section 13(f). In addition, you or the assignee must pay the attorneys' fees and costs that we incur in any bankruptcy or insolvency proceeding pertaining to you.

(e) *No Publicity of Transfer.* You may not place in, on or upon the location of your Retail Business, within the Territory, or in any communication media or any form of advertising, any information relating to the sale of your Retail Business or the rights under this Agreement, without our prior written consent.

(f) *Conditions of Transfer*. Application for our consent to a transfer and tender of the right of first refusal must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents (including a copy of the proposed purchase or other transfer agreement) or other information that we require. Any agreement used in connection with a transfer will be subject to our prior written approval. We condition our consent to any proposed transfer upon the following:

(i) the assignee must meet all of our then-current requirements for new System franchisees, including, but not limited to, authorizing all background and credit checks, possessing sufficient net worth and sources of capital and being qualified to provide active supervision over the operation of your Retail Business;

(ii) the assignee must assume all of your obligations in connection with your Retail Business;

(iii) all of your ascertained and liquidated debts in connection with your Retail Business, including amounts owed to us or any of our affiliates or your suppliers must be paid in full;

(iv) you are not in default under any provision of this Agreement;

(v) the assignee executes our then-current form of franchise agreement and all other agreements, instruments and legal documents then customarily used by us with respect to new System franchisees for a new 10 year term, which agreement may vary materially from the agreements, legal instruments and documents currently in use by us, including the payment of higher fee and the payment of the then-current initial franchise fee;

(vi) if your Retail Business has not been modernized pursuant to Section 6(h) within 3 years of the proposed transfer, that the assignee must, at assignee's expense and in a manner satisfactory to us, modernize, refurbish, and/or renovate your Retail Business, and expend such funds as we require in doing so, to conform to the image and standards for similarly situated new American Freight Retail Businesses, including structural changes, remodeling, redecoration and modifications to existing improvements;

(vii) the assignee must complete the training program required of new System franchisees;

(viii) you have paid a transfer fee of $2,000;

(ix) in the case of an installment sale for which we have consented that you or any Principal Owner retain a security interest or other financial interest in this Agreement or the business operated thereunder, you or such Principal Owner, and the guarantors, are obligated to guarantee the performance under this Agreement until the final close of the installment sale or the termination of such interest, as the case may be;

(x) you, your Principal Owner and each guarantor must sign a general release of all claims arising out of or relating to this Agreement, your Retail Business, the Authorized Location or the parties' business relationship, in the form we designate, releasing us and our affiliates;

(xi) you, your Principal Owner and all guarantors, officers, directors and shareholders agree to comply with the post-term non-compete covenant set forth in Section 8(i); and

(xii) you and/or the assignee must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

(g) *Death, Disability or Incapacity*. If any individual who is a Principal Owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as a Principal Owner, such person or entity must apply for our consent under Section 13(c) and satisfy the transfer conditions as in any other case of a proposed transfer, all within 120 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, your Retail Business still must be operated in accordance with the terms and conditions of this Agreement. During any transition period, in addition to collecting any other fees due to us under this Agreement, we retain the right, at our sole option, to assume management and control of the day to day operations of your Retail Business. If we assume management and control responsibilities during such transition period, we will be reimbursed from the revenues of your Retail Business for our reasonable expenses in conducting such activities. If the assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, the proposed assignee must satisfy all conditions of transfer as set forth in this Section 13, provided, however, that no transfer fee will be payable to us and we will waive the right of first refusal set forth in Section 13(h).

(h) *Right of First Refusal*. We have the right, exercisable within 30 days after receipt of your notice of your intent to transfer and such documentation and information that we require, to send written notice to you that we intend to purchase the interest proposed to be transferred. We may assign our right of first refusal to a third party either before or after we exercise it. If the transfer is proposed to be made pursuant to a sale, we or our assignee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third-party. Closing on the purchase must occur within 60 days after the date of our notice to the seller electing to purchase the interest (or, if the parties cannot agree on the cash equivalent as provided in the following sentence, within 60 days after the appraisers' determination). If we cannot reasonably be expected to provide the same consideration as the third-party, we may substitute the reasonable equivalent in cash. If you and we cannot agree on the reasonable equivalent in cash within a reasonable time, the fair market value of the interest proposed to be transferred will be determined by two independent appraisers, one of whom will be chosen by us and the other of whom will be chosen by you. If such appraisers cannot agree on such fair market value, they will jointly choose a third independent appraiser, whose decision will be final and binding. Each party will bear the cost for its chosen appraiser, and the cost of the third appraiser, if applicable, will be shared equally between the parties. We may purchase the interest at the fair market value determined by the appraisers or may elect at that time to not exercise our rights. Any material change in the terms of the third party offer after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. In addition, unless otherwise agreed to in writing by us and you, the transaction documents, which we will prepare, will be those customary for this type of transaction and will include representations and warranties then customary for this type of transaction. If we and/or our designee decline to exercise the right of first refusal granted under this Section, that decision will not constitute our consent to the proposed transfer or waiver of any other provision of this Section 13 with respect to the proposed transfer.

14. DEFAULT AND TERMINATION

(a) *Defaults*. You are in default if we determine that you or any Principal Owner or guarantor has breached any of the terms of this Agreement or any other agreement between you and us or our affiliates, which without limiting the generality of the foregoing, includes: (i) making any false report to us; (ii) failing to pay when due any amounts required to be paid to us or any of our affiliates, any vendor or any other third party for expenses related to your Retail Business; (iii) conviction of you, a Principal Owner, or a guarantor of (or pleading no contest to) (A) any felony or (B) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your or our reputation or the goodwill of any of the Trademarks, your Retail Business or the System; (iv) filing of tax or other liens that may affect this Agreement, voluntary or involuntary bankruptcy by or against you or any Principal Owner or guarantor, insolvency, making an assignment for the benefit of creditors or any similar voluntary or involuntary arrangement for the disposition of assets for the benefit of creditors.

(b) *Termination by Us*. We have the right to terminate this Agreement in accordance with the following provisions:

(i) *Termination After Opportunity to Cure*. Except as otherwise provided in this Section 14:

(A) you will have 30 days from the date of our issuance of a written notice of default to cure any default under this Agreement, other than a failure to pay amounts due or submit required reports, in which case you will have 10 days to cure those defaults;

(B) your failure to cure a default within the 30-day or 10-day period will provide us with good cause to terminate this Agreement;

(C) the termination will be accomplished by mailing or delivering to you written notice of termination that will identify the grounds for the termination; and

(D) the termination will be effective immediately upon our issuance of the written notice of termination.

(ii) *Immediate Termination With No Opportunity to Cure*. In the event any of the following defaults occurs, you will have no right or opportunity to cure the default and this Agreement will terminate effective immediately on our issuance of written notice of termination:

(A) any material misrepresentation or omission in your franchise application or willful and material falsification of any report, statement or other written data furnished to us;

(B) your voluntary abandonment of this Agreement, the Authorized Location or the Territory;

(C) your failure to timely cure a default under your lease or the loss of your right of possession of the Authorized Location, your failure to open the Retail Business for business in accordance with this Agreement or failure to relocate in accordance with 6(h);

(D) any unauthorized use of the Confidential Information;

(E) insolvency of you, a Principal Owner or guarantor;

(F) you, a Principal Owner or a guarantor making an assignment or entering into any similar arrangement for the benefit of creditors;

(G) you, any Principal Owners or guarantors are convicted of (or pleading no contest to) (1) any misdemeanor that brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair your or our reputation or the goodwill of the Trademarks, your Retail Business or the System, or (2) any felony;

(H) you, any Principal Owner, guarantor or an affiliate of any of you are listed by the United States or the United Nations as being a terrorist, financier of terrorism, or otherwise restricted from doing business in or with the United States;

(I) you make any unauthorized transfer or assignment in violation of Section 13; or

(J) any default by you that is the third same or similar default within any 12-month consecutive period.

(iii) *Immediate Termination After No More than 24 Hours to Cure*. In the event that a default under this Agreement occurs that materially impairs the goodwill associated with any of the Trademarks (other than as provide in 15(b)(ii)(H) above), violates any health safety law or regulation, or if the operation of your Retail Business presents a health or safety hazard to your customers or to the public:

(A) you will have no more than 24 hours after we provide written notice of the default to cure the default; and

(B) this Agreement will terminate effective immediately on our issuance of written notice of termination.

(iv) *Effect of Other Laws*. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise supersede any provision of this Agreement that is less favorable to you.

(c) *Termination by You*. You may terminate this Agreement as a result of a breach by us of a material provision of this Agreement provided that: (i) you provide us with written notice of the breach that identifies the grounds for the breach; and (ii) we fail to cure the breach within 30 days after our receipt of the written notice. If we fail to cure the breach, the termination will be effective 60 days after our receipt of your written notice of breach. Your termination of this Agreement under this Section will not release or modify your post-term obligations under Section 15 of this Agreement.

15. POST-TERM OBLIGATIONS

The provisions of this Section 15 apply upon termination or expiration of this Agreement.

(a) *Reversion of Rights; Discontinuation of Trademark Use*. All of your rights to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct business under the Trademarks will revert to us without further act or deed of any party. All of your right, title and interest in, to and under this Agreement will become our property. Upon our demand, you must assign to us or our assignee your remaining interest in any lease then in effect for the Authorized Location (although we will not assume any past due obligations). You must immediately comply with the post-term non-compete obligations under Section 8(i), cease all use and display of the Trademarks and of any proprietary material (including the Operations Manual and any related written materials) and of all or any portion of promotional materials and flyers furnished or approved by us, assign all right, title and interest in the telephone numbers, website and e-mail addresses for your Retail Business and cancel or assign, at our option, any assumed name rights or equivalent registrations filed with authorities. You must pay all sums due to us, our affiliates or designees and all sums you owe to third parties that have been guaranteed by us or any of our affiliates. You must immediately return to us, at your expense, all copies of the Operations Manual and other written materials then in your possession or control or previously disseminated to your employees and continue to comply with the confidentiality provisions of Section 4(a). Upon our demand, you must promptly at your expense remove or obliterate all vehicle signage, trade dress, displays or other materials in your possession in the Territory or elsewhere that bear any of the Trademarks. If, however, you refuse to comply with the provisions of the preceding sentence within 30 days, we have the right to enter the Authorized Location and remove all signage, displays or other materials in your possession (including vehicles) or elsewhere that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and you must reimburse us for our costs incurred. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, you will remain liable for your obligations

pursuant to this Agreement or any other agreement between you and us or our affiliates that expressly or by their nature survive the expiration or termination of this Agreement.

(b) *Purchase Option.* Upon the expiration or termination of this Agreement for any reason, we will have the option to purchase from you some or all of your Business Assets. "Business Assets" mean all inventory, supplies, equipment and fixtures utilized by you in the operation of your Retail Business ("Location Assets"), excluding inventory, supplies, equipment and fixtures not customarily utilized in American Freight Retail Businesses operated by us and our affiliates and any factor or increment for any goodwill or "going concern." We may exercise our option by giving written notice to you at any time following expiration or termination up until 30 days after the later of: the effective date of expiration or termination; the date you cease operating your Retail Business; or our receipt of the schedules described in the following sentence. You and we shall arrange for a review to be made, at your expense, by an auditor appointed by us and an independent, licensed, certified public accountant appointed by you, of all Location Assets, and such auditor and such accountant shall jointly prepare a reasonably detailed schedule of all of such Location Assets upon the completion of such review. In connection with such purchase, we shall assume no liabilities of yours whatsoever, except for obligations expressly agreed to in writing by us.

(i) If we exercise our option to purchase the Business Assets, the purchase price for the Business Assets shall be their fair market value. If we and you are unable to agree upon the fair market value of any Business Asset(s) within 10 days after we notify you that we desire to exercise our option to purchase the Business Assets, such value shall be determined by two independent appraisers, one of whom shall be chosen by us and the other of whom shall be chosen by you. If such independent appraisers cannot agree upon such fair market value, they shall jointly choose a third appraiser, whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us. The purchase price for the Business Assets shall be paid by us in cash at the closing of the purchase and sale of the Business Assets, which purchase price shall be reduced by any amounts then owed by you to us and/or any of our affiliates under this Agreement or otherwise. The closing of the purchase of the Business Assets shall take place not later than 90 days after all appraisals have been finalized; provided, however, we shall have the unilateral right to accelerate the date of closing for such transaction.

(ii) If we exercise our option to purchase the Business Assets, you shall also assign to us or our designee your interest in any lease or sublease for the premises of your Retail Business, and we agree to assume your obligations thereunder, subject to any consents that may be required from your landlord under such lease or sublease. Such assignment and assumption shall be self-operative and shall be deemed to have been made simultaneously with the closing of the purchase of the Business Assets. No further assignment or agreement, written or otherwise, need be executed by you or us to effect such assignment. You hereby authorize the landlord or sub-landlord under such lease or sublease to accept and recognize us as a substitute tenant or sub-tenant in the event of any such assignment, without requiring any further action on the part of you or us. You shall indemnify us and hold us harmless from, against and in respect of any claim, liability, damage, loss, cost or expense, including reasonable attorney's fees and court costs, suffered or incurred by us which arises out of or relates to the assignment to us of your lease or your failure to have performed any of your obligations under such lease prior to our assumption of such obligations. Any amount required to be paid to us pursuant to such indemnification obligation shall be paid by you within 15 days after our demand therefor. Notwithstanding the foregoing, we or our designee may reassign such lease or sublease to you, and you shall upon such reassignment assume all of the duties and obligations

thereunder, upon 60 days' written notice to you, provided that neither we nor our designee shall be permitted to notify you of any such reassignment before the date which is 120 days after the date of the closing of the purchase and sale of the Business Assets.

(iii) If we exercise our option to purchase the Business Assets, you shall execute such documents and do such other acts or things as may be necessary in our opinion to consummate the purchase and sale of the Business Assets, including but not limited to, a general release in a form prescribed by us, of any and all claims against us, our affiliates and the officers, directors, shareholders, agents and employees of ours and our affiliates' in their corporate and individual capacities, including without limitation claims arising under federal, state and local laws, rules and regulations, the assignment by you of your interest in any lease or sublease, and the assumption by you of the obligations under such lease or sublease in the event of any reassignment by us to you. We shall also be entitled to all customary warranties and representations relating to the Business Assets purchased including, but not limited to, representations and warranties as to the accuracy of the information provided related to the Business Assets and your good title to the Business Assets (including, but not limited to, your ownership of the Business Assets free and clear of any liens and encumbrances).

(c) *Claims*. You and your Principal Owners and guarantors may not assert any claim or cause of action against us or our affiliates relating to this Agreement or your Retail Business after the shorter period of the applicable statute of limitations or one year following the effective date of termination of this Agreement; provided that where the one-year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action may be commenced or maintained unless commenced within the applicable statute of limitations.

16. DISPUTE RESOLUTION

(a) *Arbitration.* Except as qualified in Section 16(b), any dispute between you and us or any of our or your affiliates arising under, out of, in connection with or in relation to this Agreement or any other agreement between you and us, any System Standard, any lease or sublease for your Retail Business, the parties' relationship, your Retail Business or the scope or validity of this Agreement or any other agreement between you and us (including the validity and scope of the arbitration obligation under this Section 16(a), which you and we acknowledge is to be determined by an arbitrator and not by a court, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association. The arbitration proceedings must be conducted in accordance with the then-current commercial rules and procedures of the American Arbitration Association. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.).

(i) In connection with any arbitration proceeding, each party will submit or file any claim which would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

(ii) Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action or otherwise to join or consolidate any claim with any claim or any other proceeding involving third parties. If a court or arbitrator determines that this limitation on joinder of or class action certification of claims is unenforceable, then the agreement to arbitrate the dispute will be null and void and the parties must submit all claims to the jurisdiction of the courts.

(iii) The arbitration must take place in the city where our headquarters is located at the time of the dispute. The arbitrator has no authority or discretion to alter the terms of this provision.

(iv) The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least five years of experience in franchise law. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. The arbitrator will also have the right to make a determination as to any procedural matters as would a court of competent jurisdiction be permitted to make in the state in which our main office is located. The arbitrator will also decide any factual, procedural, or legal questions relating in any way to the dispute between the parties, including, but not limited to any decision as to whether forum and venue provisions are applicable and enforceable against the parties, subject matter, timeliness, scope, remedies, unconscionability, and any alleged fraud in the inducement.

(v) The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of such orders, injunctions, etc., by any court having jurisdiction. The arbitrator has the right to award or include in his or her award any relief which he or she deems proper including, but not limited to, money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief, and attorneys' fees and costs, provided that the arbitrator may not declare any Trademark generic or otherwise invalid or, except as expressly provided in Section 17(k) below, award any punitive or exemplary damages against either party (we and you hereby waiving to the fullest extent permitted by law, except as expressly provided in Section 17(k) below, any right to or claim for any punitive or exemplary damages against the other).

(vi) All other procedural matters will be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in which our main office is then located. Other than as may be required by law, the entire arbitration proceedings (including, but not limited to, any rulings, decisions or orders of the arbitrator) will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

(vii) The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

(viii) We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs.

(b) *Exceptions to Arbitration*. Notwithstanding Sections 16(a), the parties agree that the following claims will not be subject to arbitration:

(i) any action for equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to such party's tangible or intangible

property, brought at any time, including without limitation, prior to or during the pendency of any arbitration proceedings initiated hereunder;

(ii) any action in ejectment or for possession of any interest in real or personal property; or

(iii) any action which by applicable law cannot be arbitrated.

(c) *Costs and Attorneys' Fees*. The prevailing party in any action or proceeding arising under, out of, in connection with, or in relation to this Agreement will be entitled to recover its reasonable costs and expenses (including attorneys' fees, arbitrator's fees and expert witness fees, costs of investigation and proof of facts, court costs, and other arbitration or litigation expenses) incurred in connection with the claims on which it prevailed. For the purposes of this Agreement in general and this Section specifically, the "**Prevailing Party**" will be deemed to be that party which has obtained the greatest net judgment or award in terms of money or money equivalent. If money or money equivalent has not been awarded, then the Prevailing Party will be that party, as determined by the arbitrator, which has prevailed on a majority of the material issues decided. The "net judgment" is determined by subtracting the smallest award of money or money equivalent from the largest award. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator will award the above fees to the party that it deems has prevailed over the other party using reasonable business and arbitrator(s)'s judgment.

(d) *Survival*. The provisions of this Section are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

17. GENERAL PROVISIONS

(a) *Severability*. Should one or more clauses of this Agreement be held void or unenforceable for any reason by any court or tribunal of competent jurisdiction, such clause or clauses will be deemed to be separable in such jurisdiction and the remainder of this Agreement is valid and in full force and effect and the terms of this Agreement must be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding must, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

(b) *Waiver/Integration*. No waiver by either party of any breach by the other party, nor any delay or failure by either party to enforce any provision of this Agreement, will be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce the non-breaching party's rights with respect to that or any other or subsequent breach. Subject to our rights to modify the System, System Standards, Operations Manual, Trademarks and Approved Products and Services, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement, together with any addenda and exhibits hereto, constitutes the sole agreement between you and us with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to your Retail Business authorized hereunder. Nothing in this Agreement, however, is intended to disclaim the representations contained in the Franchise Disclosure Document we provided to you. You acknowledge and agree that you have not received any warranty or guarantee, express or implied, as to the potential volume, profits or success of your Retail Business. There are no

representations or warranties of any kind, express or implied, except as contained herein or in the Franchise Disclosure Document we provided to you in connection with this Agreement.

(c) *Notices.* All notices will be addressed to the parties at the addresses set forth below their signatures on the signature page hereto or to such other address as any party may notify the other parties of in a writing delivered in accordance with this Section. Any notice required or permitted to be given under this Agreement will be deemed given: (i) when delivered personally to the party to receive such notice, if a natural person, or to an officer of any party which is a corporation or limited liability company or to any member or partner as the case may be of any party which is a partnership; (ii) 5 days after mailing by express courier service, fully prepaid, addressed as herein provided, or upon actual receipt of such mailing, whichever will first occur; or (iii) upon receipt of confirmation from the addressee acknowledging receipt of such notice if by e-mail, facsimile or other electronic transmission service (provided that in the case of notice delivered in accordance with this clause (iii), a copy of the notice is also simultaneously sent in accordance with clause (ii) above).

(d) *Authority*. Any modification, consent, approval, authorization or waiver granted hereunder required to be effective by writing will only be valid if in writing executed by you or, if on behalf of us, in writing executed by our President or other duly authorized officers.

(e) *References*. If you are two or more persons, the persons are jointly and severally liable, and references to you in this Agreement includes all of the persons. Headings and captions contained herein are for convenience of reference and may not be taken into account in construing or interpreting this Agreement.

(f) *Guarantee*. All Principal Owners and any other person who owns, directly or indirectly, 10% or more of the franchisee entity must execute the form of undertaking and guarantee at the end of this Agreement. We may also require spouses of the guarantors to execute the form of undertaking and guarantee at the end of this Agreement. Any person or entity that at any time after the Effective Date becomes a Principal Owner or direct or indirect 10% owner also must execute the form of undertaking and guarantee at the end of this Agreement.

(g) *Successors/Assigns*. Subject to the terms of Section 13 hereof, this Agreement is binding upon and inures to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

(h) *Interpretation of Rights and Obligations*. The following provisions apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

(i) *Applicable Law and Waiver*. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1964 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other Federal Law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Delaware, without regard to its conflict of law rules; provided, however, (1) any Delaware law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section and (2) the laws of the state in which your Retail Business is located shall apply to the construction and enforcement of the obligations set forth in Sections 8(h) and 8(i) hereof, without regard to its conflict of law rules. You expressly waive any rights or protections you have or may have under any statute or law of any other state to the fullest extent permitted by law.

(ii) *Our Rights*. Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

(iii) *Our Reasonable Business Judgment*. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

(i) *Venue*. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 16, must be brought in the state or federal district court located in the county or district where our headquarters are located. Both parties hereto irrevocably submit themselves to, and consent to, the jurisdiction of said courts. The provisions of this Section 17(i) will survive the termination of this Agreement. You are aware of the business purposes and needs underlying the language of this Section 17(i), and with a complete understanding thereof, agree to be bound in the manner set forth.

(j) ***JURY WAIVER*. ALL PARTIES HEREBY WAIVE ANY AND ALL RIGHTS TO A TRIAL BY JURY IN CONNECTION WITH THE ENFORCEMENT OR INTERPRETATION BY JUDICIAL PROCESS OF ANY PROVISION OF THIS AGREEMENT, AND IN CONNECTION WITH ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION OR SIMILAR CAUSES OF ACTION OR ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES FOR BREACH OF THIS AGREEMENT.**

(k) ***WAIVER OF PUNITIVE DAMAGES*. YOU AND WE (AND OUR RESPECTIVE AFFILIATES, OWNERS AND GUARANTORS, AS APPLICABLE) AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF ANY DISPUTE BETWEEN US, EACH WILL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.**

(l) *Relationship of the Parties*. You and we are independent contractors. Neither party is the agent, legal representative, partner, subsidiary, joint venturer or employee of the other. Neither party may obligate the other or represent any right to do so. This Agreement does not reflect or create a fiduciary relationship or a relationship of special trust or confidence.

(m) *Force Majeure*. If a party's default under this Agreement (other than your obligations with respect to insurance and indemnification and to pay all fees and other amounts due us and our affiliates under this Agreement or any other agreement between you and us or our affiliates), is caused in whole or in part by a force majeure, such default and any right of the other party to terminate this Agreement for such default is suspended for as long as the default is reasonably caused by such force majeure. Any

suspension is effective only from the delivery of a notice of the force majeure to the other party stating the party's intention to invoke the force majeure. However, if such suspension continues for longer than six months and such default still exists, either party has the right to terminate this Agreement upon 30 days' notice to the other party. Events of force majeure are those that cannot be prevented, avoided or removed by the party invoking the force majeure despite the exercise of reasonable diligence, including acts of God, actions of the elements, lockouts, strikes, wars, riots, acts of terrorism, civil commotion, and acts of governmental authorities, (not including a governmental authority's delaying or refusing to grant building permits, licenses and other permissions and approvals), and except as specifically provided for elsewhere in this Agreement.

(n) *Adaptations and Variances*. Complete and detailed uniformity under many varying conditions may not always be possible, practical, or in the best interest of the System. Accordingly, we have the right to vary the Approved Products and Services and other standards, specifications, and requirements for any American Freight Retail Business or System franchisee based upon the customs or circumstances of a particular franchise or operating agreement, site or location, population density, business potential, trade area population, existing business practice, competitive circumstance or any other condition that we deem to be of importance to the operation of such business or the System. We are not required to grant to you a like or other variation as a result of any variation from standard inventory items, specifications or requirements granted to any other System franchisee. You acknowledge that you are aware that other System franchisees operate under a number of different forms of agreement that were entered into at different times and that, consequently, the obligations and rights of the parties to other agreements may differ materially in certain instances from your rights and obligations under this Agreement.

(o) *Compliance with Anti-terrorism Laws*. You and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests are subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 15(b)(ii)(H) above.

(p) *Success Depends on Franchisee and No Warranties*~~. You assume sole responsibility for the operation of your Retail Business and acknowledge that, while we may furnish advice and assistance to you from time to time during the Term, we have no legal or other obligation to do so except as specifically set forth in this Agreement. In addition, you acknowledge that we do not guarantee the success or profitability of your Retail Business in any manner whatsoever and shall not be liable therefor; in particular, you understand and acknowledge that the success and profitability of your Retail Business depend on many factors outside the control of either us or you (such as interest rates, unemployment rates, demographic trends and the general economic climate) and there are significant risks in any business venture, but principally depend on your efforts in the operation of your Retail Business and the primary factor in your success or failure in your Retail Business will be your own efforts. IN ADDITION, YOU ACKNOWLEDGE AND AGREE THAT WE AND OUR REPRESENTATIVES HAVE MADE NO REPRESENTATIONS OR WARRANTIES TO YOU OTHER THAN OR INCONSISTENT WITH THE MATTERS SET FORTH IN THIS AGREEMENT, AND THAT YOU HAVE UNDERTAKEN THIS VENTURE SOLELY IN RELIANCE UPON THE MATTERS SET FORTH HEREIN AND YOUR OWN INDEPENDENT INVESTIGATION OF THE MERITS OF THIS VENTURE.~~

(q) *Control During Crisis Situation*. If an event occurs at your Retail Business that has or reasonably may cause harm or injury to customers or employees (*i.e.*, slip and fall injuries, natural disasters, robberies, shootings, etc.) or may damage the Trademarks, the System, or our reputation (collectively, "**Crisis Situation**"), you must: (1) immediately contact appropriate emergency care providers to assist you in curing the harm or injury; and (2) immediately inform us by telephone of the Crisis Situation. You must refrain from making any internal or external announcements (*i.e.*, no communication with the news media) regarding the Crisis Situation (unless otherwise directed by us or public health officials).

To the extent we deem appropriate, in our sole and absolute discretion, we or our designee may control the manner in which the Crisis Situation is handled by the parties, including, without limitation, conducting all communication with the news media, providing care for injured persons and/or temporarily closing your Retail ~~Center~~Business. The parties acknowledge that, in directing the management of any Crisis Situation, we or our designee may engage the services of attorneys, experts, doctors, testing laboratories, public relations firms, and those other professionals as we deem appropriate. You and your employees must cooperate fully with us or our designee in our efforts and activities in this regard and will be bound by all further Crisis Situation procedures developed by us from time to time hereafter. The indemnification in Section 8(c) will include all losses and expenses that may result from the exercise by us or our designee of the management rights granted in this subsection (q).

(r) *Effective Date*. We will designate the "**Effective Date**" of this Agreement in the space provided on the cover page. If no Effective Date is designated on the cover page, the Effective Date is the date when we sign this Agreement.

(s) *Acknowledgements in Certain States*. THE FOLLOWING ACKNOWLEDGEMENTS APPLY TO ALL FRANCHISEES AND FRANCHISED BUSINESSES, EXCEPT THOSE THAT ARE SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.

DO NOT ANSWER OR RESPOND TO ANY OF THESE ACKNOWLEDGMENTS LISTED BELOW IF THE AMERICAN FREIGHT RETAIL BUSINESS IS TO BE OPERATED IN, OR IF YOU ARE A RESIDENT OF, CALIFORNIA OR MARYLAND.

(i) Understanding of Agreement and Disclosure Documents. You have read this Agreement and the FDD and have been given ample opportunity to consult with, and ask questions of, our representatives and your legal counsel and advisors regarding the documents.

(ii) Your Acknowledgements. You acknowledge and agree that: (i) you have conducted an independent investigation of the business contemplated by this Agreement, recognize that it involves business risks, and recognize that making a success of a venture is largely dependent on your own business abilities; (ii) no assurance or warranty, express or implied, has been given to you by us or any of our affiliates as to the potential success of any business contemplated by this Agreement or the profits that may be achieved; (iii) there are no promises, commitments, "side deals," options, rights of first refusal, or other rights or obligations in connection with this Agreement except as expressly provided for in this Agreement; and (iv) the terms and covenants in this Agreement are reasonable and necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Business, and to protect and preserve the goodwill of the Trademarks.

(iii) Financial Performance Representations. Except as may be stated in the FDD, neither we, nor any of our affiliates, nor any of our or our affiliates' officers, agents, employees, or representatives have made any representation to you, express or implied, as to the historical revenues,

earnings, or profitability of any Business or the anticipated revenues, earnings, or profitability of the business subject to the license or any other business operated by us, our licensees, our franchisees, or our affiliates. Any information you have acquired from other franchisees regarding their sales, profits or cash flows is not information obtained from us, and we make no representation about that information's accuracy.

(iv) Receipt of Disclosure Document. You received a FDD required by applicable state and/or federal laws, including a form of this Agreement, at least 14 calendar days (or such longer time period as required by applicable state law) before you executed this Agreement or any related agreements or paid any consideration to us

(t) ~~(s)~~ *No Waiver or Disclaimer of Reliance in Certain States*. The following provision applies only ~~to franchisees and franchised Retail Businesses that are subject to the state franchise disclosure laws of~~if your Retail Business is to be operated in, or you are a resident of, California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and/or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

(u) Entire Agreement. This Agreement states the entire agreement between you and us related to the subject matter of this Agreement and fully replaces all prior agreements, representations, or understandings between you and us, whether oral or written, related to the subject matter of this Agreement. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate effective as of the Effective Date.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____
Address for Notices:	**Address for Notices**:
_____	American Freight Franchisor, LLC
_____	109 Innovation Court, Suite J
_____	Delaware, Ohio 43015
Attn:_____	Attn: General Counsel
Phone:_____	Phone: (740) 363-2222
Fax:_____	Fax: (740) 363-8127
E-mail:_____	E-mail: legalnotices@americanfreight.us

EXHIBIT A
AUTHORIZED LOCATION, INITIAL FEE AND TERRITORY

A. **The Authorized Location is:**

_____

B. **If you have not yet located an Authorized Location as of the Effective Date. The Authorized Location will not be identified until you find, and we accept, the Authorized Location, as provided in Section 2(b), but you will look for the Authorized Location within the following Site Selection Area:**

_____
_____

C. **Initial Franchise Fee:** _____

D. **Territory**:_____
_____
_____

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

EXHIBIT B
OWNERSHIP AND MANAGEMENT

A. Owners.

You represent and warrant that the following is a complete and accurate list of all Owners of equity interests in you, including the full name and home address of each Owner, and fully describes the nature and extent of each Owners' equity interest. You, and each Owner as to his or her ownership interest in you, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his or her interest, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

NAME	HOME ADDRESS	EQUITY INTEREST

B. General Manager

The General Manager is: _____

Date: _____

You:

By: _____
Its: _____

Owners:

By: _____
Its: _____

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT C
ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Franchisee:_____
Location:_____
Date:_____

NEW	CHANGE

Attention: Bookkeeping Department

The undersigned hereby authorizes American Freight Franchisor, LLC or any affiliated entity (collectively, "American Freight"), to initiate: weekly ACH debit entries against the account of the undersigned with you in payment of amounts for Royalty Fees, Marketing Fees, Technology Fees or other amounts that become payable by the undersigned to American Freight or its affiliates; and monthly ACH debit entries against the account of the undersigned with you in payment of ~~Marketing Fees and Technology Fees~~any applicable extension fees. The dollar amount to be debited per payment will vary.

Subject to the provisions of this letter of authorization, you are hereby directed to honor any such ACH debit entry initiated by American Freight or its affiliates.

This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this letter of authorization.

Please honor ACH debit entries initiated in accordance with the terms of this letter of authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

Sincerely yours,

*** We also need a VOIDED Check ***
Account Name

_____
Bank Name

_____
Branch

_____
Street Address

_____
City State Zip Code

_____
Bank Telephone Number

_____
Bank's Account Number

_____
Customer's Account Number

_____
Street Address

_____
City State Zip Code

_____
Telephone Number

By_____

Its_____

Date_____

EXHIBIT D

PERSONAL GUARANTEE AND AGREEMENT TO BE BOUND
PERSONALLY BY THE TERMS AND CONDITIONS
OF THE FRANCHISE AGREEMENT (this "Personal Guarantee")

In consideration of the execution of the Franchise Agreement by and between American Freight Franchisor, LLC ("we," "us" or "our") and _____ ("Franchisee") dated _____ (the "Franchise Agreement") and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement (including any amendments or modifications of the Agreement), to be paid, kept and performed by Franchisee, including without limitation the arbitration and other dispute resolution provisions of the Franchise Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement (including any amendments or modifications of the Agreement), including but not limited to the non-compete provisions in Sections 8(h) and 8(i) of the Franchise Agreement, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation that any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Personal Guarantee, for the express purpose that none of the undersigned shall be deemed a "creditor" of Franchisee under any applicable bankruptcy law with respect to Franchisee's obligations to us; (ii) all rights to require us to proceed against Franchisee for any payment required under the Franchise Agreement, proceed against or exhaust any security from Franchisee, take any action to assist any of the undersigned in seeking reimbursement or subrogation in connection with this Personal Guarantee or pursue, enforce or exhaust any remedy, including any legal or equitable relief, against Franchisee; (iii) any benefit of, and any right to participate in, any security now or hereafter held by us; and (iv) acceptance and notice of acceptance by us of his, her or its undertakings under this Personal Guarantee, all presentments, demands and notices of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest, notices of dishonor, notices of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices and legal or equitable defenses to which he, she or it may be entitled.

We shall have no present or future duty or obligation to the undersigned under this Personal Guarantee, and each of the undersigned waives any right to claim or assert any such duty or obligation, to discover or disclose to the undersigned any information, financial or otherwise, concerning Franchisee, any other guarantor, or any collateral securing any obligations of Franchisee to us. The undersigned expressly acknowledge that the obligations hereunder survive the expiration or termination of the Franchise Agreement. This Personal Guarantee will continue in full force and effect for (and as to) any extension or modification of the Franchise Agreement and despite the transfer of any interest in the Franchise Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against Franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by Franchisee's insolvency, bankruptcy

or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

If we are required to enforce this Guarantee in a judicial or arbitration proceeding, and prevail in such proceeding, the undersigned must reimburse our costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If we are required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse us for any of the above-listed costs and expenses we incur, even if we do not commence a judicial or arbitration proceeding.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guarantee will inure to the benefit of our successors and assigns.

Section 16 of the Franchise Agreement (Dispute Resolution) is incorporated by reference into this Guarantee and will be applicable to any disputes between Franchisor and any of the Guarantors, as though Guarantor was the "Franchisee" referred to in the Franchise Agreement.

PERSONAL GUARANTORS:

1. _____	2. _____
Individually	Individually
_____	_____
Print Name	Print Name
_____	_____
Address	Address
_____	_____
City State Zip Code	City State Zip Code
_____	_____
Telephone	Telephone
Percentage of Ownership in Franchisee ___%	Percentage of Ownership in Franchisee ___%

3. _____
Individually

_____
Print Name

_____
Address

_____
City State Zip Code

_____
Telephone
Percentage of Ownership in Franchisee ___%

4. _____
Individually

_____
Print Name

_____
Address

_____
City State Zip Code

_____
Telephone
Percentage of Ownership in Franchisee ___%

EXHIBIT E
ADDENDUM TO LEASE

This Lease Addendum ("**Addendum**"), dated _____, 20__, is entered into between _____("**Lessor**"), and _____("**Lessee**").

RECITALS

A. The parties have entered into a Lease Agreement, dated _____, 20__, (the "**Lease**") for the premises located at _____ (the "**Premises**").

B. Lessee has agreed to use the Premises only for the operation of a rent-to-own (also referred to as "lease purchase") home furnishings, electronics and appliances business pursuant to a Franchise Agreement (the "**Franchise Agreement**") with American Freight Franchisor, LLC ("**American Freight Franchisor**") under the name AMERICAN FREIGHT or other name **American Freight Franchisor** designates (the "**Business**").

C. The parties desire to amend the Lease in accordance with the terms and conditions contained in this Addendum.

AGREEMENT

Lessor and Lessee agree as follows:

1. Remodeling and Decor. Lessor agrees to allow Lessee to remodel, equip, paint and decorate the interior of the Premises and to display such proprietary marks and signs on the interior and exterior of the Premises pursuant to the Franchise Agreement and any successor Franchise Agreement.

2. Assignment. Lessee has the right to assign all of its right, title and interest in the Lease to American Freight Franchisor or American Freight Franchisor's affiliates or successors at any time during the term of the Lease, including any extensions or renewals, without first obtaining Lessor's consent. No assignment will be effective, however, until American Freight Franchisor or its designated affiliate or successor gives Lessor written notice of its acceptance of the assignment. If American Freight Franchisor elects to assume the lease under this paragraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Lessor and Lessee agree that (i) Lessee will remain liable for the responsibilities and obligations, including amounts owed to Lessor, prior to the date of assignment and assumption, and (ii) American Freight Franchisor will have the right to sublease the Premises to another licensee, provided the licensee agrees to operate the Business as an AMERICAN FREIGHT Business pursuant to a Franchise Agreement with American Freight Franchisor. American Freight Franchisor will be responsible for the lease obligations incurred after the effective date of the assignment.

3. Default and Notice.

   (a) In the event there is a default or violation by Lessee under the terms of the Lease, Lessor agrees to give Lessee and American Freight Franchisor written notice of such default or violation within a reasonable time after Lessor knows of its occurrence. Lessor agrees to provide American Freight Franchisor the written notice of default as written and on the same day Lessor gives it to Lessee.

Although American Freight Franchisor is under no obligation to cure the default, American Freight Franchisor will notify Lessor if it intends to cure the default and unilaterally assume Lessee's interest in the lease as provided in Paragraph 3(c). American Freight Franchisor will have an additional 15 days from the expiration of Lessee's cure period in which to cure the default or violation.

(b) All notices to American Freight Franchisor must be sent by registered or certified mail, postage prepaid, to the following address:

American Freight Franchisor, LLC
109 Innovation Court, Suite J
Delaware, Ohio 43015
Attention: President

American Freight Franchisor may change its address for receiving notices by giving Lessor written notice of the new address. Lessor agrees to notify both Lessee and American Freight Franchisor of any change in Lessor's mailing address to which notices should be sent.

(c) Upon Lessee's default and failure to cure a default under either the Lease or the Franchise Agreement, American Freight Franchisor has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

4. Termination or Expiration.

(a) Upon the expiration or termination of the Franchise Agreement, American Freight Franchisor has the right (but not the obligation) to unilaterally assume Lessee's interest in the Lease in accordance with Paragraph 2.

(b) Upon the expiration or termination of the Lease, if American Freight Franchisor does not assume Lessee's interest in the Lease, Lessor agrees to cooperate and allow American Freight Franchisor to enter the Premises, without cost and without being guilty of trespass and without incurring any liability to Lessor, to remove all signs, awnings, and all other items identifying the Premises as an AMERICAN FREIGHT Business and to make such other modifications as are reasonably necessary to protect the marks and system, and to distinguish the Premises from AMERICAN FREIGHT Facilities. In the event American Freight Franchisor exercises its option to purchase assets of Lessee, Lessor agrees to permit American Freight Franchisor to remove all such assets being purchased by American Freight Franchisor.

5. Consideration; No Liability.

(a) Lessor acknowledges that the provisions of this Addendum are required pursuant to the Franchise Agreement and that Lessee may not lease the Premises without this Addendum.

(b) Lessor acknowledges that Lessee is not an agent or employee of American Freight Franchisor and Lessee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind American Freight Franchisor or any affiliate of American Freight Franchisor and that Lessor has entered into this Addendum with

full understanding that it creates no duties, obligations or liabilities of or against American Freight Franchisor or any affiliate of American Freight Franchisor.

(c) Nothing contained in this Addendum makes American Freight Franchisor or its affiliates a party or guarantor to the Lease and does not create any liability or obligation of American Freight Franchisor or its affiliates.

6. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained American Freight Franchisor's written consent.

7. Reaffirmation of Lease. Except as amended or modified in this Addendum, all of the terms, conditions and covenants of the Lease remain in full force and effect.

8. Miscellaneous.

(a) American Freight Franchisor is a third-party beneficiary of this Addendum.

(b) References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions and renewals to the documents.

(c) References to Lessor, Lessee and American Freight Franchisor include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date written above.

LESSEE:	LESSOR:
_____	_____
By: _____	By: _____
Title: _____	Title: _____

EXHIBIT F
ASSIGNMENT OF TELEPHONE NUMBERS

Date: _____

This assignment is effective as of the date of termination of the Franchise Agreement entered into between American Freight Franchisor, LLC ("we," "us" or "our") and _____ ("you" or "your"). You hereby irrevocably assign to us or our designee the telephone number or numbers and listings issued to you with respect to each and all of your AMERICAN FREIGHT retail businesses ("telephone numbers"). This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the telephone numbers.

We hereby are authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the telephone company, as well as any other company that publishes telephone directories ("telephone companies"), to transfer the telephone numbers to us or such other person or entity as we designate. You hereby grant to us an irrevocable power of attorney and appoint us as your attorney-in-fact to take any necessary actions to assign the telephone numbers, including but not limited to, executing any forms that the telephone companies may require to effectuate the assignment. This assignment is also for the benefit of the telephone companies, and the telephone companies may accept this assignment and our instructions as conclusive evidence of our rights in the telephone numbers and our authority to direct the amendment, termination or transfer of the telephone numbers, as if they had originally been issued to us. In addition, you agree to hold the telephone companies harmless from any and all claims against them arising out of any actions or instructions by us regarding the telephone numbers.

Us:

AMERICAN FREIGHT
FRANCHISOR, LLC

By:_____
Its:_____

You:

_____
(Print Name)

_____
(Your Signature)

_____

By:_____
(Your Signature)
Its:_____
(Your Position)

Notary for Your Signature

Subscribed and sworn to before me
this ____ day of _____, ____.

_____Notary Public

EXHIBIT G

ASSIGNMENT OF DOMAIN NAME AND E-MAIL ADDRESS

Date: _____

This assignment is effective as of the date of termination of the Franchise Agreement entered into between American Freight Franchisor, LLC ("we," "us" or "our") and _____ ("you" or "your"). You hereby irrevocably assign to us or our designee the domain names and e-mail addresses issued to you with respect to each and all of your AMERICAN FREIGHT retail businesses. You agree to pay all amounts, whether due and payable or not, that any domain name registry ("Registry") or internet service provider ("ISP") may require in connection with such transfer. This assignment is for collateral purposes only and we have no liability or obligation of any kind whatsoever arising from this assignment, unless we desire to take possession and control over the domain names and e-mail addresses.

We are hereby authorized and empowered upon termination of the Franchise Agreement and without any further notice to you to notify the Registry and the ISP to transfer the domain names and e-mail addresses to us or such other person or firm as is designated by us. In furtherance thereof, you hereby grant an irrevocable power of attorney to us and appoints us as your attorney-in-fact to take any necessary actions to assign the domain names and e-mail addresses, including but not limited to, executing any forms that the Registry and the ISP may require to effectuate the assignment. This assignment is also for the benefit of the Registry and the ISP, and the Registry and the ISP may accept this assignment and our instructions as conclusive evidence of our rights in the domain names and e-mail addresses and our authority to direct the amendment, termination or transfer of the domain names and e-mail addresses, as if they had originally been issued to us. In addition, you agree to hold the Registry and the ISP harmless from any and all claims against them arising out of any actions or instructions by us regarding the domain names and e-mail addresses.

Us:

AMERICAN FREIGHT
FRANCHISOR, LLC

By:_____
Its:_____

You:

_____
(Print Name)

_____
(Your Signature)

_____

By:_____
(Your Signature)
Its:_____
(Your Position)

Notary for Your Signature

Subscribed and sworn to before me
this ____ day of _____, ____.

_____
Notary Public

EXHIBIT H
STATE ADDENDA

ADDENDUM TO
AMERICAN FREIGHT®
FRANCHISE AGREEMENT FOR THE
STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN

The following provision applies only to franchisees and American Freight Retail Businesses that are subject to the state franchise disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and/or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(California)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of California or a non-resident who will be operating an American Freight franchise in the State of California pursuant to the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, as follows:

1. If any of the provisions of the Agreement concerning termination and non-renewal of a franchise are inconsistent with either the California Franchise Relations Act or with the federal bankruptcy law (11 U.S.C. §101, et seq.) (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

2. The Agreement requires that it be governed by the laws of the state of Delaware. This requirement may be unenforceable under California law.

3. You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

4. The Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

5. The Agreement requires binding arbitration. The arbitration will occur where our headquarters are located (currently, Delaware, Ohio) with the costs being borne equally by you and us. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

7. Section 17(b) under "General Provisions" of the Agreement is amended as follows:

(b) *Waiver/Integration*. No waiver by either party of any breach by the other party, nor any delay or failure by either party to enforce any provision of this Agreement, will be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce the non-breaching party's rights with respect to that or any other or subsequent breach. Subject to our rights to modify the System, System Standards, Operations Manual, Trademarks and Approved Products and Services, this Agreement may not be waived, altered or rescinded, in whole or in part, except by a writing signed by you and us. This Agreement, together with any addenda and exhibits hereto, constitutes the sole agreement between you and us with respect to the entire subject matter of this Agreement and embodies all prior agreements and negotiations with respect to your Retail Business authorized hereunder. Nothing in this Agreement, however, is intended to disclaim the representations contained in the Franchise Disclosure Document we provided to you.

8. Section 17(p) under “General Provisions” of the Agreement is deleted in its entirety.

9. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(Illinois)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating an American Freight franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), as follows:

1. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(Indiana)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating an American Freight franchise in the State of Indiana pursuant to the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51, as follows:

1. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

2. Under Section 8(c) of the Agreement, you will not be required to indemnify us for any liability imposed on us as a result of your reliance on or use of procedures and materials which we required, if such procedures were utilized by you in the manner required by us.

3. Sections 3 and 13 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Each provision is inapplicable under the Indiana Deceptive Franchise Practices Law, IC § 23-2-2.7-1(5).

4. Section 17(h)(i) of the Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

5. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

6. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

7. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(Maryland)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating an American Freight franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. The general release language required as a condition of renewal, sale and/or assignment or transfer shall apply except for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Your acknowledgments or representations made in this Agreement, which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law, are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

7. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Attachments thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(Minnesota)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating an American Freight franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. Sections 13 and 14 of the Agreement are amended to add the following:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

2. Section 17 of the Agreement is amended to add the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. Section 16 of the Agreement is amended to add the following:

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

4. Sections 3 and 13(f)(x) of the Agreement are amended to add the following:

Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. Section 10 of the Agreement is amended to add the following:

The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

6. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

7. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.

8. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(New York)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating an American Freight franchise in the State of New York pursuant to the General Business Law of the State of New York, Article 33, Sections 680 through 695, as follows:

1. Notwithstanding any provision of the Agreement to the contrary, we will not make any assignment of the Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Agreement.

2. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. Section 8(c) of the Agreement is amended by adding the following to the end of such section:

> The indemnification contained in this Section 8(c) shall not apply to any claim by any third party arising out of a breach of this Agreement by us or any other civil wrong of yours.

4. No new or different requirements imposed on you as a result of any changes made by us to our Operations Manual or otherwise shall place an unreasonable economic burden on you.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(North Dakota)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating an American Freight franchise in the State of North Dakota pursuant to the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, as follows:

1. **Releases**. The following is added to the end of Sections 3(b)(ix) and 13(g)(x) of the Agreement:

Any general release shall not apply to the extent prohibited by law with respect to claims arising under the North Dakota Franchise Investment Law.

2. **Covenant Not to Compete**. The following is added to the end of Section 8(j) of the Agreement:

Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

3. **Consent to Termination or Liquidated Damages**. The following is added to the end of Section 15 of the Agreement:

The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

4. **Arbitration**. Section 16(a)(iii) of the Agreement is amended as follows:

The site of arbitration will be agreeable to all parties and may not be remote from your place of business.

5. **Consent To Jurisdiction**. The following language is added to the end of Section 17(i) of the Agreement:

However, that to the extent required by applicable law, you may bring an action in North Dakota.

6. **Governing Law**. The following language is added to the end of Section 17(h)(i) of the Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, North Dakota law will apply to this Agreement.

7. **Waiver of Punitive Damages**. Section 17(k) of the Agreement is hereby deleted.

8. **Waiver of Jury Trial**. Section 17(j) of the Agreement is hereby deleted.

9. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(Rhode Island)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating an American Freight franchise in the State of Rhode Island pursuant to the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, as follows:

1. Sections 3 and 14 of the Agreement each contain a provision requiring a general release as a condition of renewal and transfer of the franchise. Such release will exclude claims arising under the Rhode Island Franchise Investment Act.

2. This Agreement requires that it be governed by the laws of the State of Delaware. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under § 19-28.1-14.

3. Section 17(i) of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

American Freight Franchisor, LLC
Addendum to Franchise Agreement
(Washington)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Franchise Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of Washington or a non-resident who will be operating an American Freight franchise in the State of Washington pursuant to the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:

American Freight Franchisor, LLC

By:_____

Printed Name:_____

Title:_____

You:

_____

By:_____

Printed Name:_____

Title:_____

EXHIBIT D

Development Agreement

DEVELOPMENT AGREEMENT

between

AMERICAN FREIGHT FRANCHISOR, LLC

and

_____

Developer: _____

Area: _____

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DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this **"Agreement"**) is made and entered into as of the date set forth on Appendix A of this Agreement (the **"Effective Date"**) (Appendix A and all appendices and schedules attached to this Agreement are hereby incorporated by this reference) between American Freight Franchisor, LLC, a Delaware limited liability company having its principal place of business at 109 Innovation Court, Suite J, Delaware, Ohio 43105 (**"Franchisor"**), and the person or entity identified on Appendix A as the franchisee (**"Franchisee"**) with its principal place of business as set forth on Appendix A. In this Agreement, **"we," "us,"** and **"our"** refers to Franchisor. **"You"** and **"your"** refers to Franchisee.

RECITALS

A. We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the **"Initial Franchise Agreement"**), in which we have granted you the right to establish and operate one AMERICAN FREIGHT RETAIL OUTLET business (a **"Retail Business"**).

B. We desire to grant to you the exclusive right to establish and operate a specified number of Retail Businesses within a specified geographical area in accordance with a development schedule.

C. You desire to establish and operate additional Retail Businesses upon the terms and conditions contained in our then-current standard franchise agreements (a "Franchise Agreement).

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Development Rights and Development Area.

Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated on Appendix A to this Agreement (the **"Development Area"**) the number of Retail Businesses specified in the development schedule in Appendix A (the **"Schedule"**). This Agreement does not grant you any right to use the Trademarks (as defined in your Initial Franchise Agreement) or the System (as defined in your Initial Franchise Agreement). Rights to use the Trademarks and the System are granted only by the Franchise Agreements.

2. Fees.

Upon execution of this Agreement, you must pay us a development fee, which shall be specified on Appendix A (the "**Development Fee**"), based on the initial franchise fee you must pay for each Retail Business that you agree to develop (the **"Franchise Fee,"** which is specified on Appendix A). The Development Fee shall be equal to 100% of the Franchise Fee due for each Retail Business that you agree to develop under the under each Franchise Agreement. At the time you sign each Franchise Agreement, no initial franchise fee is owed since the initial fee was paid in full upon execution of the Development Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Schedule and do not open or enter into Franchise Agreements for additional Retail Businesses.

3. Development Schedule.

3.1 Deadlines. You must enter into Franchise Agreements and open and operate Retail Businesses in accordance with the deadlines set forth in the Schedule. By each **"Fee Deadline"** specified in the Schedule, you must have fully paid the Franchise Fee (as defined in this Agreement rather than the then-current Franchise Agreement) and delivered a signed copy of our then-current standard form of Franchise Agreement for the number of Retail Businesses specified on the Schedule. By each **"Opening Deadline"** specified in the Schedule, you must have the specified number of Retail Businesses open and operating. You must locate the Retail Businesses only at sites that we have accepted in accordance with the terms of the applicable Franchise Agreement.

3.2 Damaged Retail Businesses. If a Retail Business is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage (**"Destruction Event"**). You must diligently work to repair and restore the Retail Business to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. If a Retail Business is closed due to a Destruction Event, the Retail Business will continue to be deemed a "Retail Business in operation" for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Retail Business (i) is closed in a manner other than those described in this Section 3.2 or as otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under Section 6.2 (Our Remedies).

3.3 Extension of Development Schedule. You may request an extension of any Opening Deadline upon written notice to us, provided the written notice, setting for the additional time requested and the reasons for the extension are delivered to us no less than 90 days before any Opening Deadline **("Extension Request**"). We have the right, in sole discretion, to grant or deny any Extension Request. If we grant the Extension Request, you shall be required to immediately pay us an extension fee equal to the number of months (up to 12 months) for which the Extension Request is granted multiplied by $4,000 for each of the first 6 months of the Extension Request and $6,000 for the 7th through 12th month, if applicable ("**Extension Fee**"). No Opening Deadline may be extended beyond 12 months. In addition, if we determine you are not using your best efforts to meet the new Opening Deadline, we can terminate our grant of the Extension Request at any time upon written notice to you and you will not be entitled to a refund of any portion of the Extension Fee. Accordingly, your failure to meet the Opening Deadline shall constitute an Event of Default under Section 6.1(b).

4. Development Area.

4.1 Development Area. Except as provided in this Section 4, while this Agreement is in effect, provided that (i) you sign the minimum number of Franchise Agreements and pay the related Franchise Fees in accordance with the Schedule and you have open and operating in the Development Area at any given time at least as many Retail Businesses as are required pursuant to the Schedule and (ii) you and your affiliates are in full compliance with this Agreement and any other agreements between you and your affiliates and us and our affiliates, we will not operate, or license any person other than you to operate, a Retail Business under the Trademarks (as defined in your Initial Franchise Agreement) and the System (as defined in your Initial Franchise Agreement) within the Development Area. Your rights in the previous sentence related to the Development Area will not apply to Retail Businesses (and their related territories) currently

operating, approved for development or under development in the Development Area on the Effective Date.

4.2 No Other Restriction On Us. Except as expressly provided in Section 4.1 or any other agreement between the parties, we and our affiliates retain the right, in our sole discretion, to conduct any business activities, under any name, in any geographic area, and at any location, regardless of the proximity to or effect on your Retail Businesses. For example, we and our affiliates have the right to:

(a) Establish and operate and grant to others the right to establish and operate Retail Businesses at any location outside the Development Area regardless of the proximity of such Retail Businesses to the Development Area, or whether any such Retail Businesses are assigned a territory that overlaps a portion of the Development Area (if there is territory overlap, no other Retail Business will be physically located in the Development Area except pursuant to Sections 4.3 and 4.4);

(b) Establish and operate and grant to others the right to establish and operate on any terms and conditions we deem appropriate, retail businesses, including Competitive Businesses, or any other similar or dissimilar businesses that are not primarily identified by the American Freight Trademarks at any locations, whether within or outside the Development Area;

(c) Solicit and sell products or services to customers and prospective customers residing within the Development Area, including without limitation, by any other methods of distribution, including but not limited to, point-of-sale lease and purchase programs directly to manufacturers and retailers; or by catalog, direct advertising over the Internet, or other electronic means;

(d) Merge with, acquire, establish or become associated with any businesses or locations of any kind under other systems and/or other marks, which businesses and locations may offer or sell items, products and services that are the same as or similar to the approved products and services offered at or from your Retail Businesses, and which may be located anywhere within or outside the Development Area. Except as provided in Sections 4.3 and 4.4, we may not grant a Competitive Retail Business the right to use the Trademarks at a location in the Development Area; and

(e) engage in any other business activities not expressly prohibited by this Agreement, both within and outside the Development Area.

"**Competitive Retail Business**" means any other business, which sells or offers rent-to-own home furnishings, mattresses or appliances through any channel, including, without limitation, business conducted by means of retail outlets, internet or direct marketing.

4.3 Conversion Stores. If we acquire any store operating under different trademarks that sells or leases the same, similar or different products and services as those offered and sold by Retail Businesses (each a "**Non-System Store**") within the Development Area and we desire to convert such Non-System Store to a Retail Business operating under the Trademarks, we shall deliver to you a written notice of such intent to convert (each, a "**Conversion Notice**"). We will not offer you, and you will have no rights to, the option under this Section 4.3 if the Non-System Store is in the Development Area but in the territory of another Retail Business that is not owned

by you. Provided that you are in compliance with all of the provisions of this Agreement and no default, or event which with the giving of notice or passage of time or both, would become a default, exists under this Agreement or any other agreement between you and us, you shall have the option, exercisable within 30 days after receipt of such Conversion Notice, to purchase the Non-System Store and convert it to a Retail Business operating under the Trademarks by notifying us in writing. If you elect to purchase and convert the Non-System Store, you must consummate such purchase and execute our then-current franchise agreement and pay our then-current initial franchise fee (or, at our option, execute an amendment to this Agreement and pay our then-current initial franchise fee) within 30 days from the date of your notice to us of your election to purchase and convert.

(a) If we purchased the Non-System Store during the 180 days prior to our delivery of the Conversion Notice to you, the purchase price to be paid by you shall be the cash equivalent of the consideration paid by us for the Non-System Store (or, if we purchased the Non-System Store in a transaction which was for more than one Non-System Store, the cash equivalent of our proportionate per-store cost, as determined by us in our sole discretion). In addition to the purchase price payable under this Section 4.3, you shall reimburse us for the costs and expenses we incurred in connection with our acquisition of the Non-System Store (pro-rated if the Non-System Store was acquired as part of a multiple store purchase by us). You acknowledge that the value of the Non-System Store may diminish during the 180 day period after our acquisition of the Non-System Store.

(b) If we did not purchase the Non-System Store during the 180 days prior to our delivery of the Conversion Notice, the purchase price, which shall be paid in cash, will be the fair market value of the Non-System Store. If we and you cannot agree on fair market value within a reasonable time, such fair market value shall be determined by two independent appraisers, one of whom shall be chosen by us and the other of whom shall be chosen by you. If such appraisers cannot agree on such fair market value, they shall jointly choose a third independent appraiser, whose decision shall be final and binding. Each party shall bear the cost for its chosen appraiser, and the cost for a third appraiser, if any, shall be shared equally between you and us. If you do not elect to purchase and convert the Non-System Store, we may convert the Non-System Store to a Retail Business operating under the Trademarks without incurring any liability to you.

5. Term.

This Agreement begins on the Effective Date and expires at midnight on the last Opening Deadline date listed on the Schedule (the "**Term**"), unless this Agreement is terminated sooner as provided in other sections of this Agreement.

6. Termination.

6.1 Events of Default. Any one or more of the following constitutes an **"Event of Default"** under this Agreement:

(a) You fail to pay any Franchise Fee or execute any Franchise Agreement by any Fee Deadline specified in the Schedule;

(b) You fail to have open and operating the minimum number of Retail Businesses specified in the Schedule by any Opening Deadline specified in the Schedule;

(c) An event occurs which gives us the right under any Franchise Agreement to terminate such Franchise Agreement (regardless of whether we exercise such right); or

(d) You breach or otherwise fail to comply fully with any other provision contained in this Agreement, including Section 8 (Franchisee's Covenant Not to Compete).

6.2 Our Remedies. If any Event of Default occurs under Section 6.1, we may, at our sole election, (i) declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect, (ii) extend any deadlines for a single Retail Business or multiple Retail Businesses for any period that we determine and charge you an extension fee that we specify for such extension, or (iii) reduce the size of the Development Area to a lesser area that we determine. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee and you will not be relieved of any of your obligations, debts, or liabilities hereunder, including without limitation any debts, obligations, or liabilities which have accrued prior to such termination. Your failure to open and thereafter operate Retail Businesses in accordance with the Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement.

7. Assignment.

This Agreement and the rights granted to you under this Agreement are personal to you and neither this Agreement, nor any of the rights granted to you hereunder nor any controlling equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away, or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason. If you are a corporation, limited liability company, partnership, or other entity, all of your owners of a legal and/or beneficial interest in such entity (the **"Owners"**) are listed on Appendix A of this Agreement. If you or your Owners intend to transfer any interest in you or this Agreement, we shall have a right of first refusal in accordance with the procedure set forth in Section 13(j) (Right of First Refusal) of the Initial Franchise Agreement. We may assign this Agreement or any ownership interests in us without restriction.

8. Franchisee's Covenant Not to Compete.

8.1 In-Term Covenants. You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional, and marketing methods of the AMERICAN FREIGHT RETAIL BUSINESS concept. During the Term, you, your Owners, and your Owners' spouses will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

(a) own, manage, operate, maintain, engage in, consult with or have any interest in any Competitive Retail Business other than one authorized by any other agreement between us and you;

(b) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Trademarks and the System; or

(c) directly or indirectly, appropriate, use or duplicate the System or any portion thereof, in any business in which you may have any interest of any kind (whether directly or indirectly) or in which you are otherwise employed, except Retail Businesses.

8.2 Post-Term Covenants. For one year after the expiration or termination of this Agreement or an approved transfer to a new franchisee (or the date on which all persons restricted by this Section 8.2 begin to comply with this Section), you and your Owners may not, without our prior written consent, directly or indirectly (e.g., through a spouse or other family member) own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Retail Business that is (or is intended to be) located within the Development Area, a 10-mile radius of the Development Area, or a 25-mile radius of any other Retail Business that is operating or under construction at the time of such expiration, termination, or transfer. With respect to the Owners, the time period in this Section 12.2 will run from the expiration, termination, or transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

8.3 Publicly Traded Corporations. Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Section 8.

8.4 Covenants of Others. The Owners personally bind themselves to this Section 8 by signing the Guarantee that is attached as Appendix B to this Agreement.

8.5 Enforcement of Covenants. You acknowledge and agree that (i) the time, territory and scope of the covenants provided in this Section 8 are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Section 8 is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Section 8. You acknowledge that any breach or threatened breach of this Section 8 will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Section 8. Such injunctive relief will be in addition to any other remedies that we may have.

9. Incorporation of Other Terms.

Section 11 (Confidential Information, Innovations, and Copyrights), Section 16 (Dispute Resolution), and Section 17 (General Provisions) of the Initial Franchise Agreement are incorporated by reference in this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if fully restated within the text of this Agreement.

10. Miscellaneous.

Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you.

This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The parties may provide additional terms by including the terms on Appendix A. To the extent that any provisions of Appendix A are in direct conflict with the provisions of this Agreement, the provisions of Appendix A shall control. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

No Waiver or Disclaimer of Reliance in Certain States. The following provision applies only if your Retail Business is to be operated in, or you are a resident of, California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and/or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement under seal as of the Effective Date.

FRANCHISOR

AMERICAN FREIGHT FRANCHISOR, LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

APPENDIX A
TO THE
DEVELOPMENT AGREEMENT

FRANCHISEE-SPECIFIC TERMS

1. **Effective Date (First Paragraph):** _____

2. **Franchisee's Name:** _____

3. **Franchisee's State of Organization** *(if applicable)*: _____

4. **Development Area (Section 1):**

_____
_____
_____
_____

5. **Total Development Fee (Section 2):** $_____.

6. **Franchise Fee for each Retail Business developed pursuant to this Development Agreement (Section 2):** The Initial Franchise Fee for the Retail Business that you agree to develop under the Initial Franchise Agreement is $49,900. The Initial Franchise Fee for each additional Retail Business that you agree to develop under this Agreement is $35,000.

7. **Development Schedule (Section 3):** You agree to establish and operate a total of ___ Retail Businesses within the Development Area during the term of this Agreement. The Retail Businesses must be open and operating in accordance with the following Schedule:

MINIMUM NUMBER OF RETAIL BUSINESSES PAID AND SIGNED The Minimum Number of Retail Businesses for Which Franchise Fees Have Been Paid and Franchise Agreements Executed by Each Fee Deadline	**FEE DEADLINE** Deadline for Executing Franchise Agreement for The Minimum Number of Retail Businesses Paid and Signed	**MINIMUM NUMBER OF RETAIL BUSINESSES OPEN AND OPERATING** The Minimum Number of Retail Businesses Open and Operating by Each Opening Deadline	**OPENING DEADLINE** Deadline for Having the Minimum Number of Retail Businesses Open and Operating
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___
	_____, 20___		_____, 20___ (the Expiration Date of the Agreement)

8. **Ownership of Franchisee (Section 7**): If Franchisee is an entity, the following persons constitute all of the owners of a legal and/or beneficial interest in Franchisee:

Name	Percentage Ownership
	_____%
	_____%
	_____%

9. **Additional or Inconsistent Terms (Section 10):**

Signature Page for Appendix A (Franchisee-Specific Terms)

FRANCHISOR

AMERICAN FREIGHT FRANCHISOR, LLC

By:_____
Name:_____
Title:_____

Date:_____

FRANCHISEE

(IF ENTITY):

_____
[Name]

By:_____
Name:_____
Title:_____

Date:_____

(IF INDIVIDUALS):

_____
[Signature]

_____
[Print Name]

_____
[Signature]

_____
[Print Name]

Date:_____

APPENDIX B
TO THE
DEVELOPMENT AGREEMENT

PAYMENT AND PERFORMANCE GUARANTEE

In order to induce American Freight Franchisor, LLC (**"Franchisor"**) to enter into an American Freight Development Agreement (the **"Development Agreement"**) by and between Franchisor and the Franchisee named in the Development Agreement dated _____to which this Payment and Performance Guarantee (the **"Guarantee"**) is attached (**"Franchisee"**), the undersigned (collectively referred to as the **"Guarantors"** and individually referred to as a **"Guarantor"**) hereby covenant and agree as follows:

1. Guarantee of Payment and Performance. The Guarantors jointly and severally unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness, and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Development Agreement or otherwise, together with any extension, renewal, or modification thereof in whole or in part (the **"Guaranteed Liabilities"**). The Guarantors agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including reasonable attorneys' fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities. The Guarantors represent and agree that they have each reviewed a copy of the Development Agreement and have had the opportunity to consult with counsel to understand the meaning and import of the Development Agreement and this Guarantee.

2. Waivers by Guarantors. The Guarantors waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee.

3. Term: No Waiver. This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. Other Covenants. Each of the Guarantors agrees to comply with the provisions of Section 8 of the Development Agreement as though each such Guarantor were the "Franchisee" named in the Development Agreement and agrees that he or she will take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Development Agreement and will not take any action that would cause Franchisee to be in breach of the Development Agreement.

5. Dispute Resolution. Section 16 (Dispute Resolution and Governing Law) of the Initial Franchise Agreement (as defined in the Development Agreement) is hereby incorporated herein by reference and will be applicable to any disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Franchisee" referred to in the Development Agreement.

6. Miscellaneous. This Agreement will be binding upon the Guarantors and their respective heirs, executors, successors, and assigns, and will inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

_____	_____
Print Name: _____	Print Name: _____
Address: _____	Address: _____
_____	_____
_____	_____
Print Name: _____	Print Name: _____
Address: _____	Address: _____
_____	

APPENDIX C
TO THE
DEVELOPMENT AGREEMENT

American Freight Franchisor, LLC
Addendum to Development Agreement
(California)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of California or a non-resident who will be operating an American Freight franchise in the State of California pursuant to the California Franchise Investment Law §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, as follows:

1. If any of the provisions of the Agreement concerning termination and non-renewal of a franchise are inconsistent with either the California Franchise Relations Act or with the federal bankruptcy law (11 U.S.C. §101, et seq.) (concerning termination of the Agreement on certain bankruptcy-related events), then such laws will apply.

2. The Agreement requires that it be governed by the laws of the state of Delaware. This requirement may be unenforceable under California law.

3. The Agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

4. The Agreement requires binding arbitration. The arbitration will occur where our headquarters are located (currently, Delaware, Ohio) with the costs being borne equally by you and us. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

5. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Hawaii)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Hawaii or a non-resident who will be operating an American Freight franchise in the State of Hawaii pursuant to the Hawaii Franchise Investment Law, Hawaii Rev, Stat. §§ 482E, et seq., as follows:

1. Sections 7 and 9 of the Agreement as they relate to termination and transfer are only applicable if they are not inconsistent with the Hawaii Franchise Investment Law. Otherwise, the Hawaii Franchise Investment Law will control.

2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Addendum.

3. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Illinois)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Illinois or a non-resident who will be operating an American Freight franchise in the State of Illinois pursuant to the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), as follows:

1. Your rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

2. Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Agreement.

3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Indiana)

The following Addendum modifies and supersedes American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Indiana or a non-resident who will be operating an American Freight franchise in the State of Indiana pursuant to the Indiana Deceptive Franchise Practices Law, Indiana Code §§ 23-2-2.7-1 through 23-2-2.7-10, and the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2-2.5-1 through 23-2-2-2.5-51, as follows:

1. The Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

2. Section 9 of the Agreement is amended to provide that in the event of a conflict of law, the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law will prevail.

3. Nothing in the Agreement will abrogate or reduce any rights you have under Indiana law.

4. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

5. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Act are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Maryland)

The following Addendum modifies and supersedes American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Maryland or a non-resident who will be operating an American Freight franchise in the State of Maryland pursuant to the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§ 14-201 through 14-233, as follows:

1. The general release language required as a condition of sale and/or assignment or transfer shall apply except for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

4. Your acknowledgments or representations made in this Agreement, which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law, are not intended to nor shall they act as release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

5. This Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Addendum.

7. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Minnesota)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Minnesota or a non-resident who will be operating an American Freight franchise in the State of Minnesota pursuant to the Minnesota Franchise Law, Minn. Stat. §§ 80C.01 through 80C.22, as follows:

1. Section 10 of the Agreement is amended to add the following:

   With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds, 3, 4 and 5, which require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Agreement.

2. Section 9 of the Agreement are amended to add the following:

   Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation or arbitration to be conducted outside Minnesota. In addition, nothing in the Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

3. Section 9 of the Agreement is amended to add the following:

   Minn. Rule Part 2860.4400J prohibits us from requiring you to waive your rights to a jury trial or waive your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes.

4. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

5. Each provision of this Agreement will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this Addendum.

6. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

[Signatures Appear on Following Page]

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(New York)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of New York or a non-resident who will be operating an American Freight franchise in the State of New York pursuant to the General Business Law of the State of New York, Article 33, Sections 680 through 695, as follows:

1. Notwithstanding any provision of the Agreement to the contrary, we will not make any assignment of the Agreement except to an assignee who, in our good faith judgment, is willing and able to assume our obligations under the Agreement.

2. Notwithstanding any provision of the Agreement to the contrary, all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder will remain in force, it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

3. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the General Business Law of the State of New York are met independently without reference to this Addendum.

4. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(North Dakota)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of North Dakota or a non-resident who will be operating an American Freight franchise in the State of North Dakota pursuant to the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, as follows:

1. The Agreement shall be amended by the addition of the following Section 11:

The parties acknowledge and agree that they have been advised that the North Dakota Securities Commissioner has determined the following agreement provisions are unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

2. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this Addendum.

3. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Rhode Island)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "Agreement") with respect to American Freight franchises offered or sold to either a resident of the State of Rhode Island or a non-resident who will be operating an American Freight franchise in the State of Rhode Island pursuant to the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, as follows:

1. This Agreement requires that it be governed by the laws of the State of Florida. To the extent that such law conflicts with Rhode Island Franchise Investment Act, it is void under § 19-28.1-14.

2. Section 9 of the Agreement will be amended by the addition of the following, which will be considered an integral part of this Agreement:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

3. You and we agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier.

4. Each provision of this Addendum will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of Rhode Island Franchise Investment Act are met independently without reference to this Addendum.

5. To the extent this Addendum is inconsistent with any terms or conditions of the Agreement or the Exhibits or Schedules thereto, the terms of this Addendum shall govern.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

American Freight Franchisor, LLC
Addendum to Development Agreement
(Washington)

The following Addendum modifies and supersedes the American Freight Franchisor, LLC Development Agreement (the "**Agreement**") with respect to American Freight franchises offered or sold to either a resident of the State of Washington or a non-resident who will be operating an American Freight franchise in the State of Washington pursuant to the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Agreement or elsewhere are void and unenforceable in Washington.

Each of the undersigned hereby acknowledges having read, understood, and executed this Addendum on _____, 20____.

We:	**You:**
American Freight Franchisor, LLC	_____
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____

EXHIBIT E

Prospective Franchisee Confidentiality Agreement

The undersigned ("**you**") are interested in obtaining information about the AMERICAN FREIGHT franchise program.

In order for you to better understand our franchise system, American Freight Franchisor, LLC ("**we**") may share with you confidential plans, materials, methods, techniques, processes, records, business plans, market research, supplier data, customer data, financial analysis, pricing information and other information, including electronically stored information (collectively, "**Proprietary Information**"). It is important that we maintain the confidentiality of our Proprietary Information.

Thus, you agree to the following conditions regarding our disclosure of Proprietary Information to you:

1) You agree to maintain as confidential the Proprietary Information and not to copy or try to duplicate our Proprietary Information;

2) You agree not to use the Proprietary Information in any manner or for any purpose other than pursuant to a written agreement with us;

3) You agree not to disclose or disseminate the Proprietary Information to anyone without our prior written approval;

4) You agree not to reproduce any of the Proprietary Information and to return to us all Proprietary Information received by you immediately upon our request;

We agree that Proprietary Information does not include information: a) which is known to you at the time of disclosure as demonstrated by your files and records; b) becomes known to you from another source without confidentiality restrictions; or c) is or becomes part of the public domain through no act or omission by you.

Use, exploitation, disclosure or dissemination of the Proprietary Information in breach of this Agreement shall be deemed to cause us irreparable harm for which monetary damages are not ad adequate remedy, and we will be entitled to specific performance, injunctive relief or other equitable relief in addition to any other remedy we may have at law or in equity.

Accepted and agreed to this __ day of _____, 20___.

_____

By: _____
Its: _____

EXHIBIT F

FRANCHISEE ACKNOWLEDGMENT

ACKNOWLEDGMENT TO
AMERICAN FREIGHT® ~~FRANCHISE AGREEMENT~~ DISCLOSURE DOCUMENT

~~**This Acknowledgment shall not be completed by you, and will not apply, if the offer or sale of the Retail Business is subject to the state franchise disclosure laws in the States of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and/or Wisconsin.**~~

THIS ACKNOWLEDGEMENT SHALL NOT BE COMPLETED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN. DO NOT SIGN THE ACKNOWLEDGEMENT IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, MARYLAND.

DO NOT COMPLETE, ANSWER, OR RESPOND TO THE QUESTIONS OR INQUIRIES LISTED BELOW IF THE FRANCHISE IS TO BE OPERATED IN, OR IF YOU ARE A RESIDENT OF, CALIFORNIA OR MARYLAND.

* * *

As you know, you and we are entering into a Franchise Agreement for the operation of an AMERICAN FREIGHT franchise. The purpose of this Acknowledgment is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest responses to each question.

In the event that you are intending to purchase an existing American Freight Retail Business from an existing franchisee, you may have received information from the transferring franchisee, who is not our employee or representative. The questions or inquiries below do not apply to any communications that you had with the transferring franchisee.

Acknowledgments and Representations*.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 calendar days prior to signing the Franchise Agreement? Check one: (__) Yes (__) No. If no, please comment: _____

2. Have you studied and reviewed carefully our Franchise Disclosure Document and Franchise Agreement? Check one: (__) Yes (__) No. If no, please comment: _____
_____

3. Did you understand all the information contained in both the Franchise Disclosure Document and Franchise Agreement? Check one (__) Yes (__) No. If no, please comment: _____
_____

4. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the Franchise Disclosure Document? Check one: (__) Yes (__) No. If yes, please state in detail the oral, written or visual claim or representation: _____
_____
_____

5. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of American Freight Franchisor, LLC make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, earnings, income or profit levels at any AMERICAN FREIGHT location or business, or the likelihood of success at your franchised business? Check one: (__) Yes (__) No. If yes, please state in detail the oral, written or visual claim or representation: _____

_____

6. Except as stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on behalf of American Freight Franchisor, LLC make any statement or promise regarding the costs involved in operating a franchise or that is contrary to, or different from, the information contained in the Franchise Disclosure Document. Check one: (__) Yes (__) No. If yes, please comment:_____

7. Do you understand that the Franchise Agreement (and the representations in the Franchise Disclosure Document) constitute the entire agreement between you and us concerning the franchise for the Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: (__) Yes (__) No. If no, please comment: _____

_____

_____

8. Do you understand that the success or failure of your Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for products under the AMERICAN FREIGHT trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your Business may change? Check one (__) Yes (__) No. If no, please comment: _____

_____

9. Do you understand that you are bound by the non-compete covenants (both in-term and post-term) in Sections 8(h) and 8(i) of the Franchise Agreement and, if applicable, in Section 8 of the Development Agreement and that an injunction is an appropriate remedy to protect the interests of the AMERICAN FREIGHT system if you violate the covenant(s)? (__) Yes (__) No. If no, please comment: _____

_____

_____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ACKNOWLEDGMENT, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

NOTE: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS PRINCIPAL OWNERS MUST EXECUTE THIS ACKNOWLEDGMENT.

[Signature Page Follows]

Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____
	APPROVED ON BEHALF OF AMERICAN FREIGHT FRANCHISOR, LLC
Signed: _____	Signed: _____
Print Name: _____	Print Name: _____
Date: _____	Date: _____

EXHIBIT G

Table of Contents of ~~Operations Manual~~Manuals

AMERICAN FREIGHT

FURNITURE • MATTRESS • APPLIANCE

Franchise Pre-Opening Manual

AMERICAN FREIGHT
FURNITURE • MATTRESS • APPLIANCE

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EXHIBIT H

Sample Release

SAMPLE RELEASE OF CLAIMS
THIS IS A CURRENT FORM THAT IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, American Freight Franchisor, LLC ("**Franchisor**") and _____ ("**Franchisee**") enter into this Release of Claims ("**Agreement**").

RECITALS

A. Franchisor and Franchisee entered into AMERICAN FREIGHT Franchise Agreement dated _____.

B. [NOTE: Described the circumstances relating to the release.].

C. Subject to and as addressed with greater specificity in the terms and conditions set forth below, Franchisor and Franchisee now desire to settle any and all disputes that may exist between them relating to the Franchise Agreement.

AGREEMENT

1. **Consideration.** [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

2. R**elease of Claims by Franchisor.** In consideration of, and only upon full payment of $_____ to Franchisor, and the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisor, for itself and for each of its affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of its past and present directors, officers, employees, attorneys, agents, assigns and representatives does hereby release and forever discharge Franchisee and each of his heirs, executors, successors, and assigns of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees), complaints, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, disclosed or undisclosed, related to the Franchise Agreement. This release does not release Franchisee from any obligations he may have under this Agreement.

3. **Release of Claims by Franchisee**. In consideration of the other terms and conditions of this Agreement, the receipt and sufficiency of which is hereby acknowledged, Franchisee, for himself and for each of his heirs, executors, administrators, insurers, attorneys, agents, representatives, successors, and assigns, does hereby release and forever discharge Franchisor and each of its respective affiliated corporations, subsidiaries, divisions, insurers, indemnitors, attorneys, successors, and assigns, together with all of their past and present directors, officers, employees, attorneys, agents, assigns and representatives in their capacities as such, of and from any and all actions, suits, proceedings, claims (including, but not limited to, claims for attorney's fees but excluding claims under the Maryland Franchise Registration and Disclosure Law), complaints, charges, judgments, executions, whether liquidated or unliquidated, known or unknown, asserted or unasserted, absolute or contingent, accrued or not accrued, related to the Franchise Agreement.

4. **Reservation of Claims Against Non-Settling Parties.** Franchisor and Franchisee expressly reserve their right and claims against any non-settling persons, firms, corporations, or other

entities for whatever portion or percentage their damages are found to be attributable to the wrongful conduct of said non-settling parties.

5. **Entire Agreement.** This Agreement constitutes the entire agreement between the parties relative to the subject matter contained herein, and all prior understandings, representations and agreements made by and between the parties relative to the contents contained in this Agreement are merged into this Agreement.

6. **Voluntary Nature of Agreement.** The parties acknowledge and agree that they have entered into this Agreement voluntarily and without any coercion. The parties further represent that they have had the opportunity to consult with an attorney of their own choice, that they have read the terms of this Agreement, and that they fully understand and voluntarily accept the terms.

7. **Governing Law and Jurisdiction.** This Agreement will be construed and enforced in accordance with the law of the state of _____.

8. **Attorneys' Fees.** All rights and remedies under this Agreement shall be cumulative and none shall exclude any other right or remedy allowed by law. In the event of a breach of this Agreement that requires one of the parties to enforce the terms and conditions of this Agreement, the non-prevailing party shall pay the prevailing party's attorneys' fees and costs incurred by reason of the breach.

Dated: _____, 20__

FRANCHISOR:
AMERICAN FREIGHT FRANCHISOR, LLC

By _____
Its _____

Dated: _____, 20__

FRANCHISEE:

_____

By _____

EXHIBIT I

List of Franchisees
(as of December ~~25~~31, ~~2021~~2022)

Franchisee Name	Address	City	State	Zip Code	Telephone Number
Greg Canzano	6233 Tacoma Dr.	Port Richey	FL	34668	(727) 877-8262
Troy Caron	5650 Private Rd. #8072	West Plains	MO	65619	(417) 830-8101
John and Llaura Jenkins	405 W. Loop 281 Suite A	Longview	TX	75605	(330) 479-7901
John and Llaura Jenkins	305 N. NW Loop 323	Tyler	TX	75702	(430) 205-1119
Mohamad Atieh	2301 S. Green Bay Rd	Racine	WI	53406	(262) 799-5050

Franchisees who had signed Franchise Agreements, but had not opened the related Stores as of December ~~25~~31, ~~2021*~~2022:

Franchisee Name*	City	State	Telephone Number
~~Greg Canzano~~Asad Mazahir	Marietta	Georgia	(678) ~~427-0147~~200-8524
~~Mohamad Atieh~~Rabih Awad	~~Chicago~~Ellicott City	~~Illinois~~Maryland	(~~315~~571) ~~466-2043~~239-2894
~~John Jenkins~~Thomas Purther	~~Shreveport~~Bloomfield	~~Louisiana~~Michigan	(~~330~~248) ~~479-7901~~760-2000
~~Jeremy Nowak~~Shereyar Jawaid	~~Copperas Cove~~Cedar Hill	Texas	(~~407~~972) ~~506-3580~~697-8993
~~Rabih Awad~~James Day	~~Alexandria~~San Antonio	~~Virginia~~Texas	(~~571~~210) ~~239-2894~~383-3333
James Whitney	TBD	Texas	(813) 299-0786

*all of the above franchisees have also signed Development Agreements

Franchisees Who Were Terminated, Canceled, Not Renewed, or Otherwise Voluntarily or Involuntarily Ceased To Do Business Under the Franchise Agreement or a License Agreement During ~~2021~~2022:

NONE

EXHIBIT J

State Addenda

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN

The following provision applies only to franchisees and ~~franchised~~ American Freight Retail Businesses that are subject to the state franchise disclosure laws ~~of~~in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and/or Wisconsin:

> No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF CALIFORNIA

The following information applies to franchises and franchisees subject to the California Franchise Investment Act. Item numbers correspond to those in the main body:

THE CALIFORNIA INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

Item 3.

Item 3 is amended to provide that neither we nor any other person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association.

Item 6.

Item 6 is amended to add the following at the end of the section entitled "Late Fee/Interest Expense":

The highest interest rate allowed by law in California is ten percent (10%) annually.

Item 17.

1. California Business & Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

2. Termination of the Franchise Agreement by us because of your insolvency or bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

3. The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under the California law.

4. You must sign a general release if you transfer your franchise. This provision may be unenforceable under California law. California Corporations Code 31512 voids a waiver of your

rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

5. The Franchise Agreement requires binding arbitration. The arbitration will occur where our headquarters are located (currently Delaware, Ohio) with the costs being borne equally by you and us. You are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

6. The Franchise Agreement requires application of the laws of Florida. This provision may not be enforceable under California law.

7. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

8. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (1) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (2) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the Retail Business.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/1-44 (West 2014), the Disclosure Document for American Freight Franchisor, LLC for use in the State of Illinois shall be amended to include the following:

Illinois law governs the franchise agreements.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

A Franchisee's rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF INDIANA

In recognition of the requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, the Franchise Disclosure Document for American Freight Franchisor, LLC for use in the State of Indiana shall be amended as follows:

1. Item 8, "Restrictions on Sources of Products and Services," shall be amended by the addition of the following language:

Any benefits derived as a result of a transaction with suppliers for Indiana franchisees will be kept by us as compensation for locating suppliers and negotiating prices for you.

2. Item 12, "Territory," shall be amended by the addition of the following paragraph:

We will not compete unfairly with you within a reasonable area.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the end of the Item:

The Indiana Deceptive Franchise Practices Act requires that any release executed by a Franchisee or transferor must not include any claims arising under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.

The Indiana Deceptive Franchise Practices Act requires that Indiana law govern any cause of action which arises under the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices Act.

4. No release language set forth in the Disclosure Document or the Franchise Agreement shall relieve us or any other person directly or indirectly form liability imposed by the laws concerning franchising of the State of Indiana.

5. Each provision of this Addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Franchise Disclosure Law, Indiana Code §§ 23-2-2.5-1 to 23-2-2.5-51, and the Indiana Deceptive Franchise Practices Act, Indiana Code §§ 23-2-2.7-1 to 23-2-2.7-10, are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO
AMERICA FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF MARYLAND

The following applies to franchises and franchisees subject to Maryland statutes and regulations:

Item 17

1. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after we grant you an AMERICAN FREIGHT franchise.

2. Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A 101 et seq.)

3. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Pursuant to COMAR 02.02.0816L, the general release required as a condition of renewal and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

5. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

ADDENDUM TO
AMERICA FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations:

Item 17

1. With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subds. 3, 4, and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement; and that consent to the transfer of the franchise will not be unreasonably withheld.

2. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. The franchisor will protect the franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

4. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rule 2860.4400J. A court will determine if a bond is required.

6. The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 23 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity

as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee and development fee constitute part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Items 17(c), titled "**Requirements for franchisee to renew or extend**," and 17(m), titled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of GBL Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of Item 17(j), titled "**Assignment of contract by franchisor**":

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement or development agreement.

8. The following is added to the end of the "Summary" sections of Items 17(v), titled "**Choice of forum**," and 17(w), titled "**Choice of law**":

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee or developer by Article 33 of the General Business law of the State of New York.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF NORTH DAKOTA

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the Office of State of North Dakota Securities Commissioner, the Franchise Disclosure Document for American Freight Franchisor, LLC for use in the State of North Dakota shall be amended as follows:

1. The North Dakota Securities Commissioner has held the following to be unfair, unjust, or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

A. Restrictive Covenants: Any provision which discloses the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

B. Situs of Arbitration Proceedings: Any provision requiring that the parties must agree to arbitrate disputes at a location that is remote from the site of the franchisee's business.

C. Restriction on Forum: Any provision requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

D. Liquidated Damages and Termination Penalties: Any provision requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

E. Applicable Laws: Any provision which specifies that any claims arising under the North Dakota franchise law will be governed by the laws of a state other than North Dakota.

F. Waiver of Trial by Jury: Any provision requiring North Dakota franchisees to consent to the waiver of a trial by jury.

G. Waiver of Exemplary and Punitive Damages: Any provision requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

H. General Release: Any provision requiring North Dakota franchisees to execute a general release of claims as a condition of renewal or transfer of a franchise.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF RHODE ISLAND

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the Franchise Disclosure Document for American Freight Franchisor, LLC for use in the State of Rhode Island shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph at the end of the Item:

> § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Each provision of this Addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this Addendum to the Disclosure Document.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for American Freight Franchisor, LLC for use in the Commonwealth of Virginia shall be amended as follows:

The following statements are added to Item 17.h.

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement or development agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him/her under the franchise. If any provision of the franchise agreement or development agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him/her under the franchise, that provision may not be enforceable.

ADDENDUM TO
AMERICAN FREIGHT®
DISCLOSURE DOCUMENT FOR THE
STATE OF WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 to RCW 19.100.940, the Franchise Disclosure Document for American Freight Franchisor, LLC for use in the State of Washington shall be amended as follows:

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

~~EXHIBIT K~~

~~Loan Documents~~

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

STATE	EFFECTIVE DATE
California	~~May 12, 2022, as amended February 8, 2023~~Pending
Illinois	~~May 5, 2022, as amended January 27, 2023~~Pending
Indiana	~~May 13, 2022, as amended January 26, 2023~~Pending
Maryland	Pending
Michigan	April ~~25~~28, ~~2022~~2023
Minnesota	~~May 19, 2022, as amended February 14, 2023~~Pending
New York	~~May 4, 2022, as amended January 27, 2023~~Pending
North Dakota	~~June 14, 2022, as amended January 30, 2023~~Pending
Rhode Island	~~May 16, 2022, as amended February 9, 2023~~Pending
South Dakota	~~April 25, 2022~~Pending
Virginia	~~July 7, 2022, as amended January 30, 2023~~Pending
Washington	~~(See Washington FDD)~~Pending
Wisconsin	April ~~25, 2022, as amended January 26,~~30, 2023

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If American Freight Franchisor, LLC offers you a franchise, American Freight Franchisor, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. New York requires that American Freight Franchisor, LLC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to, American Freight Franchisor, LLC or one of its affiliates in connection with the proposed sale. Michigan requires that American Freight Franchisor, LLC provides you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, American Freight Franchisor, LLC or one of its affiliates in connection with the proposed sale.

If American Freight Franchisor, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise is Terry McGee, American Freight Franchisor, LLC, at 109 Innovation Court, Suite J, Delaware, Ohio 43015, (740) 363-2222; John Henning, American Freight Franchisor, LLC, at 109 Innovation Court, Suite J, Delaware, Ohio 43015, (484) 942-6383; and _____

Issuance Date: April ~~25, 2022, as amended January 25~~28, 2023.

See Exhibit A for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated April ~~25, 2022, as amended January 25~~28, 2023, that included the following Exhibits:

A. List of State Administrators and Agents for Service of Process
B. Financial Statements
C. Franchise Agreement
D. Development Agreement
E. Prospective Franchisee Confidentiality Agreement
F. Franchisee Acknowledgment
G. Table of Contents of ~~Operations Manual~~Manuals
H. Sample Release
I. List of Franchisees
J. State Addenda

~~K. Loan Documents~~

Date	Signature	Printed Name
Date	Signature	Printed Name

Please sign this copy of the Receipt, date your signature, and return it to _____at 109 Innovation Court, Suite J, Delaware, Ohio 43015.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If American Freight Franchisor, LLC offers you a franchise, American Freight Franchisor, LLC must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale. New York requires that American Freight Franchisor, LLC provides you with this Disclosure Document at the earlier of the first personal meeting or ten business days before you sign a binding agreement with, or make payment to American Freight Franchisor, LLC or one of its affiliates in connection with the proposed sale. Michigan requires that American Freight Franchisor, LLC provides you with this Disclosure Document ten business days before you sign a binding agreement with, or make payment to, American Freight Franchisor, LLC or one of its affiliates in connection with the proposed sale.

If American Freight Franchisor, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit A.

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H. Sample Release
I. List of Franchisees
J. State Addenda

~~K. Loan Documents~~

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

Please sign this copy of the Receipt, date your signature, and keep it for your records.