

FRANCHISE DISCLOSURE DOCUMENT



Jewelry Repair Enterprises, Inc.
A Pennsylvania Corporation
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Boca Raton, Florida 33487
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www.fastfix.com

Jewelry Repair Enterprises, Inc. offers franchises for a retail store specializing in the sale of jewelry and watch repair services and related products under the name FAST-FIX JEWELRY AND WATCH REPAIRS®.

The total investment necessary to begin operation of a FAST-FIX franchised business is \$114,700 to \$227,500 for a kiosk or \$177,700 to \$362,500 for an Inline Store. This includes \$20,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your Franchise 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, the Franchisor 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 availability of disclosures in different formats, contact Benjamin Russell at 6413 Congress Avenue, Suite 240, Boca Raton, Florida 33487, brussell@fastfixfranchise.com, (800) 359-0407 or (561) 330-6060.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this document to an advisor, like a lawyer or an 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, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information [in on](#) franchising.

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

Issuance Date: June 26, 2025 ([amended August 7, 2025](#))

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the ~~franchise agreement~~ Franchise Agreement, even ~~though~~ if your spouse has no ownership interest in the franchise. This ~~guarantee~~ Guarantee will place both your and your spouse's marital and personal assets, ~~(perhaps including your house,~~) at risk if your franchise fails.
4. **Mandatory Minimum Payments.** You must make mandatory minimum royalty, ~~payments or~~ advertising or other payments-contributions regardless of your sales levels. Your inability to make ~~the~~ these payments may result in termination of your franchise and loss of your investment.

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.

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ITEM 5 INITIAL FEES

Initial Franchise Fee

You pay us a nonrefundable \$20,000 initial franchise fee in one lump sum at the time you sign the Franchise Agreement. The initial franchise fee is uniformly imposed except for the discounts listed below:

Discount	Discount Amount*	Eligibility Criteria
Multi-Unit	\$5,000 discount (\$15,000 initial franchise fee)	Applies if you (a) are an existing franchisee in good standing, (b) are purchasing your 2 nd or subsequent franchise and (c) do not sell any of your Service Centers within 6 months after the sale involving the multi-unit discount (you must immediately pay us \$5,000 if you sell any Service Center within the 6-month period). Discount does not apply to the 1 st Service Center purchased.
Veterans	50% discount (\$10,000 initial franchise fee)	Person owning 51% or more of the business is an honorably discharged veteran of any brand of the United States military and provides Form DD-214.

* The multi-unit discount and veterans discount may not be combined. If you are a veteran purchasing your 2nd or subsequent Service Center, you receive the discount that results in the lowest initial franchise fee.

Travel Expense Reimbursement

Before you open we may (but need not) conduct up to 3 visits to your territory, at no additional charge, including:

- 1 visit to evaluate a site or sites you propose for your Service Center
- 1 visit to verify the construction of your Service Center complies with our standards and specifications
- 1 visit to provide onsite training as part of our initial training program

If you request additional pre-opening site visits for any reason, we may require you to reimburse all Travel Expenses we incur for the additional site visits. We estimate our Travel Expenses could range from \$1,000 to \$3,000 per visit (assuming the visit lasts 1 to 2 days). The Travel Expense reimbursement is due 10 days after invoicing- and payable in one lump sum. Travel Expense reimbursements are non-refundable and uniformly imposed. Most franchisees do not request additional visits or incur these expenses.

As used in this FDD, “Travel Expenses” includes all travel, meals, lodging, local transportation and other living expenses incurred: (a) by us and our trainers, field support personnel, auditors or other representatives to visit your territory or Service Center; or (b) by you or your personnel to attend training programs or conventions.

ITEM 6 OTHER FEES

TYPE OF FEE ¹	AMOUNT ^{2,3}	DUE DATE	REMARKS
Royalty Fee	6% of monthly Gross Sales, subject to minimum royalty fee (if applicable)	10 th day of month	Minimum royalty fee is \$14,400 for each 12-month period beginning the 13 th month after opening. If royalty fees over a 12-month period are less than the minimum royalty fee, you pay us the difference within 30 days of invoicing. You must send us monthly Gross Sales reports (weekly reports are required your 1 st year of operation).
Brand Fund Fee	2% of Gross Sales	Same as royalty fee	We deposit this fee into a brand fund. You have no voting rights pertaining to administration of the brand fund, creation or placement of advertising, or the amount of the brand fund fee.
Cooperative Advertising Fee	Amount determined by us or by the cooperative	Same as royalty fee	Company-owned outlets have the same voting power as franchised outlets in a cooperative. If a majority of outlets are company-owned, we will not increase the fee without the majority vote of franchised outlets in favor of the fee increase.

TABLE 4 - STATUS OF COMPANY-OWNED OUTLETS FOR YEARS 2022 TO 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets At End of the Year
Totals	2022	9	0	0	1	1	7
	2023	7	0	2	1	3	5
	2024	5	0	0	0	1	4

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Florida	0	1	0
Totals	0	1	0

A list of all current franchisees is attached to this Disclosure Document as Exhibit D, including their names and the addresses and telephone numbers of their outlets as of December 31, 2024. Exhibit E lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated 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 franchise system.**

No franchisees have signed confidentiality clauses during the last 3 fiscal years that restrict their ability to speak openly about their experience with our franchise system.

The following independent franchisee organization has asked to be included in this disclosure document: The Independent Association of Fast-Fix Franchisees (IAFF), a Chapter of the American Association of Franchisees and Dealers, 276 Hazard Avenue, Suite 11, Enfield, CT 06082, telephone: 619-209-3775, iaff@aafdchapters.org.

ITEM 21 FINANCIAL STATEMENTS

Exhibit F-1 includes the following: (i) audited financial statements for JRE Holdings, Inc., our parent, for the fiscal year ended December 31, 2024; and (ii) our audited financial statements for the fiscal years ended December 31, ~~2024, December 31,~~ 2023 and December 31, 2022. Our parent, JRE Holdings, Inc., has guaranteed our performance with you. A copy of the guaranty of performance is attached as Exhibit F-also includes-2. In addition, our unaudited financial statements as of May 31, 2025 are attached to this Disclosure Document as Exhibit F-3.

ITEM 22 CONTRACTS

The following agreements are Exhibits to this disclosure document:

- Exhibit B Franchise Agreement and Attachments
 - Attachment 1 Schedule of Initial Fees
 - Attachment 2 Territory and Site of Service Center
 - Attachment 3 Conditional Assignment of Telephone Numbers and Listings
 - Attachment 4 Nondisclosure and Noncompetition Agreement
 - Attachment 5 Required Provisions for Lease Rider
 - Attachment 6 State Specific Riders
 - Attachment 7 Personal Guaranty Agreement
 - Attachment 8 Principal Owners Statement
 - Attachment 9 Conditional Assignment and Assumption of Lease
 - Attachment 10 SBA Addendum
 - Attachment 11 ACH/Pre-Authorized Debit Authorization Form

- Exhibit G Sample General Release

ILLINOIS RIDER TO FRANCHISE AGREEMENT

The following provisions will supersede anything to the contrary in the Franchise Disclosure Document or Franchise Agreement and will apply to all franchises offered and sold under the laws of the State of Illinois:

1. The provisions of the Franchise Agreement concerning governing law, jurisdiction, venue and choice of law will not constitute a waiver of any right conferred on Franchisee by the Illinois Franchise Disclosure Act. Illinois law will govern the Franchise Agreement with respect to Illinois franchisees.
2. Pursuant to the Illinois Franchise Disclosure Act (815 ILCS 705 § 4), any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, arbitration may take place outside of Illinois.
3. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act **or any other law of Illinois** is void.”
4. Sections 705/19 and 705/20 of the Illinois Franchise Act provide rights to Franchisee concerning nonrenewal and termination of a franchise. ~~If the Franchise Agreement contains a provision that is inconsistent with the Illinois Franchise Act, the Illinois Franchise Act will control.~~
5. **Section 4.1(a) of the Franchise Agreement is modified by the addition of the following language:**

“The payment of all initial franchise fees owed to Franchisor by Franchisee will be deferred until such time as all initial obligations of Franchisor to Franchisee have been fulfilled and Franchisee has started doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.”

6. ~~Section 15.20 (“Acknowledgment of Risk”) is amended by adding the following to all Illinois Franchise Agreements: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (a) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (b) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.~~

~~“Nothing contained in the Franchise Agreement waives any of Franchisee's right to rely on the disclosure made by the Franchisor in its Franchise Disclosure Document or any corresponding rights Franchisee has under the Illinois Law.”~~

- ~~7. The following is added to Section 13.7 of the Franchise Agreement:~~

~~“Notwithstanding the foregoing, no action can be maintained to enforce any liability created under Illinois law unless brought before the earlier of (i) the expiration of 3 years after the act or transaction constituting the violation on which such action is based; (ii) the expiration of 1 year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by Illinois Law; or (iii) 90 days after delivery to you of a written notice disclosing the violation.”~~

FRANCHISEE:

{NAME}

By: _____

Name: _____

Title: _____

Date Signed: _____

FRANCHISOR:

JEWELRY REPAIR ENTERPRISES, INC.

By: _____

Name: _____

Title: _____

Date Signed: _____

Exhibit F-1
Audited Financial Statements

JRE Holdings, Inc. and Subsidiaries

Report on Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

JRE Holdings, Inc. and Subsidiaries**Contents**

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Independent Auditor's Report

The Directors and Stockholders
JRE Holdings, Inc. and Subsidiaries
Boca Raton, Florida

Opinion

We have audited the consolidated financial statements of JRE Holdings, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Augusta | Bengaluru | Charleston | Charlotte | Chattanooga | Columbia | Greenville | Nashville | Raleigh | elliottdavis.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Greenville, South Carolina
April 29, 2025

JRE Holdings, Inc. and Subsidiaries**Consolidated Balance Sheets****As of December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash	\$ 1,115,302	\$ 832,847
Accounts receivable, net	422,666	475,654
Franchise notes receivable - current portion	9,722	8,583
Advances receivable, net - current portion	226,976	170,596
Inventory	340,166	312,161
Income taxes receivable	-	17,235
Prepaid expenses and other current assets	22,050	55,330
Total current assets	<u>2,136,882</u>	<u>1,872,406</u>
Property and equipment, net	<u>185,139</u>	<u>250,856</u>
Other assets		
Franchise notes receivable, net of current portion	6,806	35,399
Advances receivable, net, net of current portion	470,277	597,051
Deferred income taxes, net	267,822	290,609
Goodwill, net	1,980,433	2,597,713
Tradenname	35,000	35,000
Deposits	26,184	41,070
Operating lease right-of-use assets	2,470,932	5,046,157
Total other assets	<u>5,257,454</u>	<u>8,642,999</u>
Total assets	<u>\$ 7,579,475</u>	<u>\$ 10,766,261</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 125,386	\$ 252,982
Accrued expenses	724,151	656,723
Accrued interest	49,933	72,360
Income taxes payable	40,799	-
Deferred revenue - current portion	185,269	188,020
Long-term debt - current portion	3,425,930	840,411
Current portion of operating lease obligations	1,519,802	2,786,831
Total current liabilities	<u>6,071,270</u>	<u>4,797,327</u>
Long-term liabilities		
Long-term debt, net of current portion and debt issuance costs	-	3,348,269
Deferred revenue, net of current portion	404,685	551,245
Security deposits payable	-	28,191
Operating lease liabilities, net of current portion	1,091,113	2,386,178
Total long-term liabilities	<u>1,495,798</u>	<u>6,313,883</u>
Total liabilities	<u>7,567,068</u>	<u>11,111,210</u>
Stockholders' equity		
Common stock - par \$0.0001; 1,000,000 shares authorized, 978,781 shares issued and outstanding	100	100
Additional paid-in capital	906,230	906,230
Accumulated deficit	(893,923)	(1,251,279)
Total stockholders' equity (deficit)	<u>12,407</u>	<u>(344,949)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 7,579,475</u>	<u>\$ 10,766,261</u>

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues		
Royalty fees	\$ 3,575,297	\$ 3,502,976
Company-owned retail sales	1,904,009	2,347,102
Franchise fees	207,110	122,310
Other revenues	108,185	63,000
Total revenues	<u>5,794,601</u>	<u>6,035,388</u>
Operating expenses		
Salaries, wages and benefits	1,544,862	1,684,670
Depreciation and amortization	693,840	695,347
Rent and facilities	647,329	568,207
Merchandise costs	324,504	440,910
Office and administrative	309,764	399,380
Legal and professional fees	294,128	221,327
Advertising and promotion	119,396	111,559
Total operating expenses	<u>3,933,823</u>	<u>4,121,400</u>
Income from operations	<u>1,860,778</u>	<u>1,913,988</u>
Other expenses		
Interest expense	795,170	948,213
Management fees	264,600	252,000
Other expenses, net	112,865	152,060
Total other expenses, net	<u>1,172,635</u>	<u>1,352,273</u>
Income before income tax expense	688,143	561,715
Income tax expense		
Net income	<u>\$ 357,356</u>	<u>\$ 279,052</u>

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries**Consolidated Statements of Changes in Stockholders' Equity****For the years ended December 31, 2024 and 2023**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance, January 1, 2023	978,781	\$ 100	\$ 906,230	\$ (1,530,331)	\$ (624,001)
Net income	-	-	-	279,052	279,052
Balance, December 31, 2023	978,781	100	906,230	(1,251,279)	(344,949)
Net income	-	-	-	357,356	357,356
Balance, December 31, 2024	978,781	\$ 100	\$ 906,230	\$ (893,923)	\$ 12,407

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Net income	\$ 357,356	\$ 279,052
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	693,840	695,347
Amortization of debt issuance costs	77,040	77,040
Deferred income taxes	22,787	63,958
Provision for credit losses	-	46,557
Paid-in-Kind (PIK) interest	43,543	44,984
Changes in operating assets and liabilities:		
Accounts receivable	52,988	5,495
Franchise and advances receivable, net	103,004	-
Inventory	(28,005)	325,631
Prepaid expenses and other current assets	33,280	30,120
Deposits	14,886	3,063
Operating right-of-use assets and lease liabilities, net	13,131	38,772
Accounts payable	(127,596)	86,698
Accrued expenses and other liabilities	16,810	(221,455)
Income tax receivables and payables, net	58,034	(138,850)
Deferred revenue	(149,311)	(38,193)
Net cash provided by operating activities	<u>1,181,787</u>	<u>1,298,219</u>
Investing activities		
Issuance of franchise notes and advances receivable	(230,507)	(620,157)
Payments received on franchise notes and advances receivable	225,351	71,111
Purchases of property and equipment	(10,843)	(135,609)
Net cash used for investing activities	<u>(15,999)</u>	<u>(684,655)</u>
Financing activities		
Principal payments on long-term debt	(883,333)	(883,333)
Net cash used for financing activities	<u>(883,333)</u>	<u>(883,333)</u>
Net change in cash	282,455	(269,769)
Cash, beginning of year	832,847	1,102,616
Cash, end of year	<u>\$ 1,115,302</u>	<u>\$ 832,847</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 893,327</u>	<u>\$ 831,044</u>
Cash paid for income taxes	<u>\$ 250,783</u>	<u>\$ 357,709</u>

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries

***Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023***

Note 1. Summary of Significant Accounting Policies and Activities

Business activity:

DK-JRE, LLC, a Florida limited liability company, was formed in 2018 to acquire all of the issued and outstanding common stock of JRE Holdings, Inc., a Florida Corporation, and its wholly owned subsidiaries, Jewelry Repair Enterprises, Inc., JRE Franchising, Inc. and JRE Enterprises, Inc. The acquisition took place pursuant to a stock purchase agreement effective March 14, 2018.

JRE Holdings, Inc. and its wholly owned subsidiaries are collectively referred to as the "Company." DK-JRE, LLC serves as the parent company to JRE Holdings, Inc. and has no operational activity. As such, the accompanying consolidated financial statements (collectively, the "financial statements") are reported at the JRE Holdings, Inc. level.

The Company is engaged in the business of selling jewelry repair franchises in the United States and Canada and operating Company-owned jewelry repair retail stores.

Basis of presentation:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative GAAP.

Principles of consolidation:

The financial statements include the accounts of JRE Holdings, Inc. and its wholly owned subsidiaries, Jewelry Repair Enterprises, Inc., JRE Franchising, Inc. and JRE Enterprises, Inc. All significant intra-entity balances and transactions have been eliminated.

Reclassifications:

Certain prior year amounts may have been reclassified, where necessary, to conform to the current year presentation. These reclassifications had no impact on previously reported net income or stockholders' equity.

Cash:

The Company places its cash with certain financial institutions. At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Revenue recognition:

The Company generates revenue from four sources: (i) royalty fees based on a percentage of sales reported by each franchise operation; (ii) franchise fees related to the sale of franchises, in accordance with its franchise agreement; (iii) franchise store sales at Company-owned retail stores; and (iv) other revenue associated services provided to franchisees.

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

In accordance with Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606 or ASC 606)*, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. In determining the amount of revenue to be recognized, the Company performs the following steps: (i) identification of the contract with a customer; (ii) identification of the promised services in the contract and determination of whether the promised services are performance obligations, including whether they are distinct in the context of the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's franchise agreements include (a) the right to use symbolic intellectual property over the term of each franchise agreement, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the advertising fund contributions, and development and delivery of training materials. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represents a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day-to-day, the symbolic intellectual property is accessed over time and the customer (the franchisee) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities).

Royalty fee revenue represents amounts paid by the franchisees for use of the name "Fast-Fix Jewelry and Watch Repairs" and for other services to be provided by the Company in accordance with the franchise agreement. Royalties are paid by the franchisee based upon a set percentage (as defined in the franchise agreement) of the franchisee's annual revenues that are related entirely to the Company's performance obligation under the franchise agreement. These royalties are considered variable consideration but, because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchised sales occur. The royalty fees are recognized at a point in time, typically monthly, based on reported store sales. Advertising contributions received from franchisees are recorded as a component of rebate revenue and are offset by an equal corresponding expense in the accompanying consolidated statements of operations.

Franchise fees primarily include initial fees to operate a franchise store for the 10-year term of the franchise agreement, renewal fees to extend the original franchise agreement and transfer fees in the event the franchisee wishes to sell or transfer the franchise to another party. Initial, renewal and transfer franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Franchise fees commence recognition into revenue and payment is due (a) for initial franchise fees at the earlier of (i) commencement of operations or (ii) the point at which the Company has substantially performed all of its obligations, including those services rendered voluntarily, associated with the fee or (b) upon the effective date of franchise renewals or transfers, as there is no continuing service obligation associated with the fee. Any franchise fees collected prior to the recognition of revenue are reflected as deferred revenue on the accompanying consolidated balance sheets.

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

Franchise store sales represent retail sales made at Company-owned stores and are recognized at a point in time based on reported store sales. The Company's principal terms of sale are payment upon completion of the service or sale of the goods. Other revenues are recognized at a point in time.

The Company believes its franchising agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the Company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

Adoption of accounting standard – Current Expected Credit Losses (CECL):

In accordance with FASB Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Company measures expected credit losses on certain financial instruments.

The Company adopted this guidance utilizing the modified retrospective transition method on January 1, 2023. The cumulative effect was not material, as such there was no adjustment to the allowance for credit losses as of January 1, 2023. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include advances receivable, franchise notes receivable and accounts receivable (including royalties receivable). An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measure on a collective (pool) basis when similar risk characteristics exist. Where financial statements do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The impact of the current year provision for expected credit losses is incorporated in office and administrative operating expenses on the consolidated statements of operations.

Allowance for credit losses as of January 1, 2023	\$	-
Current year provision for expected credit losses – royalties receivable		14,313
Current year provision for expected credit losses – advances receivable		<u>32,244</u>
Allowance for credit losses as of December 31, 2023	\$	<u>46,557</u>

There was no change in the allowance for credit losses during the year ended December 31, 2024.

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Franchise notes and advances receivable:

Franchise notes consist of amounts due to the Company from the purchase or renewal of individual franchises (three and seven franchisees at December 31, 2024 and 2023, respectively). Late fees may be charged when the outstanding balance due is owed for more than 30 days. Advances receivable are loans to existing or former franchisees. Advances receivable bear interest at rates up to 8 percent and are generally paid over terms varying from one to six years.

Management regularly reviews amounts outstanding and past due to determine if additional collection actions are necessary, which may include legal collection proceedings. Once a receivable is turned over to legal counsel for collection, interest may be accrued on the outstanding balance at a rate not to exceed what is provided for under Florida law, and delinquent notes and advances receivable may accrue interest on the outstanding balance at a rate provided for in the underlying promissory note and franchise agreements. There were no delinquent franchise notes and advances receivable outstanding in excess of 90 days as of December 31, 2024 and 2023.

Deferred revenue:

Deferred revenue consists of amounts collected from franchisees for certain fees for which the related revenue has not been earned or for cash held on behalf of the franchisee for goods or services to be performed by third parties for which the Company acts as an intermediary. Deferred revenue will be recognized to franchise fees within the consolidated statements of operations over the term of the franchise agreement.

Inventory:

Inventory is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis, with cost determined by the specific identification method. Net realizable value represents the estimated selling price for inventories less all estimated costs to sell. Inventories primarily consist of merchandise held for resale at Company-owned retail stores.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Property and equipment are depreciated when placed into service using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the shorter of the estimated useful lives or the period of the respective leases. Furniture and equipment have useful lives ranging from 3 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Impairment of long-lived assets:

The Company reviews long-lived assets 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 the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management believes there are no impairment issues with long-lived assets as of December 31, 2024 and 2023.

Goodwill:

The FASB provides guidance that allows private companies to elect to only recognize intangible assets in a business combination (including customer related intangible assets) if they are capable of being sold or licensed independently from the other assets of a business. Adoption of this alternative also requires adoption of the goodwill alternative issued by the FASB which provides private companies with an alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized and is only tested for impairment when a triggering event occurs that indicates the fair value may be below the carrying amount. Entities that adopt the alternative are required to make a policy decision to test goodwill for impairment either at the entity level or at the reporting level.

The Company follows the provisions of both of these private company accounting alternatives and has elected to test goodwill for impairment at the entity level. Goodwill arising from business combinations represents the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed and is amortized on a straight-line basis over a period of ten years.

The Company evaluates goodwill for impairment at the entity level when a triggering event occurs that indicates that the fair value of the business may be below its carry amount. When a triggering event occurs, management has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary or proceed directly to the quantitative impairment test. If management determines through the qualitative assessment that it is more likely than not that the fair value of the Company exceeds its carrying value, no further evaluation or testing is necessary. However, if management concludes otherwise, then it is required to perform the quantitative impairment test by calculating the Company's fair value and then comparing that fair value to the Company's carrying amount, including goodwill. If the Company's fair value exceeds its carrying value including goodwill, no impairment loss is recognized. However, if the Company's carrying value including goodwill exceeds its fair value, then an impairment loss must be recognized in the amount of that excess (but not to exceed the Company's carrying amount of goodwill). Management determined there was no goodwill impairment during the years ended December 31, 2024 and 2023.

Goodwill, net at January 1, 2023	\$ 3,214,993
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2023	2,597,713
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2024	<u>\$ 1,980,433</u>

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Goodwill, continued:

Goodwill totaled approximately \$6,173,000 and accumulated amortization totaled approximately \$4,193,000 and \$3,575,000 at December 31, 2024 and December 31, 2023, respectively. Goodwill amortization expense is estimated to be approximately \$617,300 during each of the years 2025 through 2027 and \$128,500 in 2028.

Operating lease right-of-use assets and lease liabilities:

The Company recognizes a lease liability and right-of-use lease asset for all leases with a lease term greater than 12 months, including operating leases, within the consolidated balances sheets. Subsequent measurement, including presentation of expenses and cash flows, depends on the classification of the lease as either a financing or operating lease. The Company elected the package of practical expedients which allow the Company not to reassess:

- Whether expired or existing contracts contain leases under the new definition of a lease;
- Lease classification for expired or existing leases; and
- Whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.

For all asset classes, the Company does not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. For all asset classes, the Company does not separate non-lease components from lease components to which they related and have accounted for the combined lease and non-lease components as a single lease component.

Income taxes:

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority.

The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the consolidated statements of operations. Management is not aware of any material uncertain tax positions as of December 31, 2024 and 2023.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

JRE Holdings, Inc. and Subsidiaries**Notes to Consolidated Financial Statements****For the years ended December 31, 2024 and 2023**

Note 1. Summary of Significant Accounting Policies and Activities, ContinuedDebt issuance costs:

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the related debt. Unamortized amounts incurred in connection with the issuance of long-term debt are recorded as a reduction to the carrying amount of the related debt.

Advertising:

Advertising costs are expensed as incurred. Advertising costs were approximately \$119,000 and \$112,000 for the years ended December 31, 2024 and 2023, respectively.

Other expenses:

The Company classifies expenses that are infrequent, unusual in nature, or unrelated to the operations of the Company as other expenses in the accompanying consolidated statements of operations. Other expenses are comprised primarily of interest and management fees.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Fair value of assets and liabilities:

The carrying values of all the Company's financial instruments approximate their fair values. The Company applies the guidance related to fair value for certain non-financial assets and liabilities. The non-financial assets and liabilities include items such as long-lived assets and goodwill.

Subsequent events:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 29, 2025, the date the financial statements were available for issuance.

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 2. Revenues

Revenue is disaggregated by timing of satisfaction of performance obligations is summarized as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time	\$ 5,587,491	\$ 5,913,078
Performance obligations satisfied over time	<u>207,110</u>	<u>122,310</u>
	<u>\$ 5,794,601</u>	<u>\$ 6,035,388</u>

Revenue from performance obligations satisfied at a point in time consists of royalty fees, other revenue, and Company-owned retail sales. Revenue from performance obligations satisfied over time consists of franchise fees. All services are provided to franchisees and retail customers.

Upfront fees paid for site selection, basic training, franchisee specifications and construction plans, branding, and continued support from franchisor are not material in nature and expensed as incurred.

Revenue for franchise fees are recognized on a straight-line basis over the term of the respective agreement. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and franchise notes receivables, and deferred revenue (contract liabilities) on the consolidated balance sheets are as follows as of December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Royalty receivables	\$ 381,190	\$ 424,640	\$ 426,561
Franchise notes receivables	<u>16,528</u>	<u>43,982</u>	<u>25,221</u>
	<u>\$ 397,718</u>	<u>\$ 468,622</u>	<u>\$ 451,782</u>
Contract liabilities:			
Deferred revenue	<u>\$ 589,954</u>	<u>\$ 739,265</u>	<u>\$ 777,458</u>
	<u>\$ 589,954</u>	<u>\$ 739,265</u>	<u>\$ 777,458</u>

The Company records accounts receivable or franchise notes when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded.

Note 3. Accounts Receivable

Accounts receivable consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Royalties receivable	\$ 381,190	\$ 424,640
Trade receivables	<u>41,476</u>	<u>51,014</u>
	<u>\$ 422,666</u>	<u>\$ 475,654</u>

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 4. Franchising Notes and Advances Receivable

Franchise notes and advances receivable consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Franchise notes receivable	\$ 16,528	\$ 43,982
Advances receivable	<u>697,253</u>	<u>767,647</u>
	713,781	811,629
Less current portion	<u>(236,698)</u>	<u>(179,179)</u>
	<u>\$ 477,083</u>	<u>\$ 632,450</u>

Scheduled repayments of franchise notes and advances receivable as of December 31, 2024 are as follows for the years ending December 31:

2025	\$ 236,698
2026	429,746
2027	34,129
2028	10,851
2029	<u>2,357</u>
	<u>\$ 713,781</u>

Note 5. Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 360,375	\$ 349,533
Leasehold improvements	<u>174,281</u>	<u>174,281</u>
	534,656	523,814
Less accumulated depreciation	<u>(349,517)</u>	<u>(272,958)</u>
	<u>\$ 185,139</u>	<u>\$ 250,856</u>

Depreciation expense was approximately \$77,000 and \$78,000 for the years ended December 31, 2024 and 2023, respectively.

Note 6. Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Senior term loan	\$ 3,483,710	\$ 4,323,500
Less unamortized debt issuance cost	(57,780)	(134,820)
Less current portion	<u>(3,425,930)</u>	<u>(840,411)</u>
	<u>\$ -</u>	<u>\$ 3,348,269</u>

JRE Holdings, Inc. and Subsidiaries**Notes to Consolidated Financial Statements****For the years ended December 31, 2024 and 2023**

Note 6. Long-Term Debt, Continued

In September 2022, the Company entered into a \$5,300,000 senior term loan with a financial institution. The loan bears interest at Prime Rate plus 9 percent, plus 1 percent PIK interest that is compounded and added to the principal balance (17.5 percent at December 31, 2024 and 2023). Monthly principal payments of approximately \$69,000 are due with a balloon payment of the balance due upon maturity. The loan matures October 1, 2025.

The Company has historically refinanced the senior term loans at the end of their term. Management expects to extend or refinance the current senior term loan, at or prior to maturity. The Company's operations are based upon its ability to maintain lender funding. These financial statements do not include any adjustments that may result should the Company be unable to achieve the expected extension or refinance.

The Company is subject to certain financial and non-financial covenants associated with the agreement and has obtained waivers for all instances of noncompliance.

At December 31, 2024 and 2023, debt issuance costs totaled approximately \$230,000 less accumulated amortization of approximately \$172,000 and \$95,000, respectively. Future amortization is estimated to be approximately \$58,000 in 2025.

Note 7. Income Taxes

The components of the income tax expense are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Current expense	\$ 308,001	\$ 218,704
Deferred expense	<u>22,786</u>	<u>63,959</u>
	<u>\$ 330,787</u>	<u>\$ 282,663</u>

The types of temporary differences and their related tax effects that give rise to the deferred tax assets and deferred tax liabilities are as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Goodwill	\$ 15,275	\$ 23,925
Prepaid expenses	3,815	4,831
Accrued bonuses	17,226	515
Accrued management fees	66,861	50,099
Federal and state NOL Carry Forward	3,511	1,554
Leases	35,881	33,774
Provision for credit losses	11,934	8,297
Deferred revenue	<u>151,225</u>	<u>190,237</u>
	305,728	313,232
Deferred tax liabilities:		
Property and equipment	<u>(37,906)</u>	<u>(22,623)</u>
Net deferred tax asset	<u>\$ 267,822</u>	<u>\$ 290,609</u>

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 7. Income Taxes, Continued

If, based on the weight of available evidence, it is more likely than not that all deferred tax assets will not be realized, a valuation allowance must be recorded. No valuation allowance was considered necessary as of December 31, 2024 and 2023.

The Company's actual income tax provision reflect differences from the expected amount primarily due to state income taxes, net operating loss carrybacks, and goodwill amortization that is deemed non-deductible for tax reporting purposes.

Note 8. Related-Party Transactions

The Company has a management services agreement with DK-JRE, LLC., a related party. The related party serves as an advisor and provides management services to the Company. Management fees were approximately \$265,000 and \$252,000 for the years ended December 31, 2024 and 2023, respectively. There were approximately \$515,000 and \$449,000 of unpaid management fees included in accrued expenses on the consolidated balance sheets as of December 31, 2024 and 2023, respectively.

Note 9. Leases

The Company leases retail space in shopping centers for many corporate stores, as well as on behalf of certain franchisees, under non-cancelable operating leases. The leases expire at various dates through 2030. Certain lease agreements contain renewal options. For those leases, the Company included these renewal periods in the lease term if the Company determined it was reasonably certain to exercise the option. Lease payments during such renewal periods were also considered in the calculation of right-of-use assets and lease obligations. Fixed lease payments consist of base rent and operating expenses but do not include contingent rentals which may be required under certain leases based on sales more than stipulated minimums. Fixed lease expense under these agreements totaled approximately \$586,000 and \$568,000 for the years ended December 31, 2024 and 2023, respectively.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets are recognized at the commencement date as the initial measurement of the lease liability, plus payments made prior to lease commencement and any initial direct costs. As the Company's leases do not provide an implicit rate, the Company elected to use its incremental borrowing rate at the commencement date in determining the present value of lease payments.

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 9. Leases, Continued

Future minimum lease payments under the operating leases as of December 31, 2024 are as follows for the years ending December 31:

2025	\$ 1,871,943
2026	787,589
2027	115,467
2028	40,231
2029	41,438
Thereafter	<u>106,388</u>
Total undiscounted lease payments	2,963,056
Less: imputed interest	<u>(352,141)</u>
Total present value of lease liabilities	2,610,915
Less: current portion of operating lease obligations	<u>(1,519,802)</u>
Operating lease liabilities, net of current portion	<u>\$ 1,091,113</u>

Supplemental information regarding operating leases includes:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	1.92 years	2.18 years
Weighted average discount rate	13.5%	13.5%

Note 10. Commitments and Contingencies

From time to time, the Company is party to certain legal matters, including those related to contracts and franchise agreements that arise in the ordinary course of business. The estimated cost that the Company expects to pay in relationship to these matters is accrued when the liability is considered probable, and the amounts can be reasonably estimated. In management's opinion, any such outstanding matters of which the Company has knowledge have been reflected in the financial statements or would not have a material adverse effect on the Company's financial position and results of operations.

Jewelry Repair Enterprises, Inc.

Report on Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Jewelry Repair Enterprises, Inc.
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Independent Auditor's Report

The Directors and Stockholders
Jewelry Repair Enterprises, Inc.
Boca Raton, Florida

Opinion

We have audited the consolidated financial statements of Jewelry Repair Enterprises, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

elliottdavis.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Elliott Davis, LLC

Greenville, South Carolina
April 29, 2024

Jewelry Repair Enterprises, Inc.*Consolidated Balance Sheets**As of December 31, 2023 and 2022*

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 832,847	\$ 1,102,616
Accounts receivable, net	475,654	481,149
Franchise notes receivable - current portion	8,583	22,443
Advances receivable, net - current portion	170,596	169,189
Inventory	312,161	637,792
Income taxes receivable	17,235	-
Prepaid expenses and other current assets	55,330	85,450
Total current assets	<u>1,872,406</u>	<u>2,498,639</u>
Property and equipment, net	<u>250,856</u>	<u>193,314</u>
Other assets		
Franchise notes receivable - long term portion	35,399	2,778
Advances receivable, net - long term portion	597,051	114,730
Deferred income taxes, net	290,609	354,567
Goodwill, net	2,597,713	3,214,993
Trade name	35,000	35,000
Deposits	41,070	44,133
Operating lease right-of-use assets	5,046,157	8,948,366
Total other assets	<u>8,642,999</u>	<u>12,714,567</u>
Total assets	<u>\$ 10,766,261</u>	<u>\$ 15,406,520</u>
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 252,982	\$ 166,284
Accrued expenses	656,723	881,514
Accrued interest	72,360	77,215
Deferred revenue - current portion	188,020	194,992
Income taxes payable	-	121,615
Long-term debt - current portion	840,411	834,876
Current portion of operating lease obligations	2,786,831	3,884,583
Total current liabilities	<u>4,797,327</u>	<u>6,161,079</u>
Long-term liabilities		
Long-term debt, net of current portion and debt issuance costs	3,348,269	4,115,113
Deferred revenue, net of current portion	551,245	582,466
Security deposits payable	28,191	20,000
Operating lease liabilities, net of current portion	2,386,178	5,151,863
Total long-term liabilities	<u>6,313,883</u>	<u>9,869,442</u>
Total liabilities	<u>11,111,210</u>	<u>16,030,521</u>
Stockholders' deficit		
Common stock - par \$0.0001; 1,000,000 shares authorized, 978,781 shares issued and outstanding	100	100
Additional paid-in capital	906,230	906,230
Accumulated deficit	(1,251,279)	(1,530,331)
Total stockholders' deficit	<u>(344,949)</u>	<u>(624,001)</u>
Total liabilities and stockholders' deficit	<u>\$ 10,766,261</u>	<u>\$ 15,406,520</u>

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.
Consolidated Statements of Operations
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues		
Royalty fees	\$ 3,502,976	\$ 3,552,578
Company-owned retail sales	2,347,102	3,113,768
Rebate and other revenues	152,587	93,422
Franchise fees	122,310	235,423
Total revenues	<u>6,124,975</u>	<u>6,995,191</u>
Operating expenses		
Salaries, wages and benefits	1,684,670	1,936,396
Depreciation and amortization	695,347	716,819
Rent and facilities	568,207	1,000,541
Merchandise costs	530,497	334,003
Office and administrative	399,380	633,088
Legal and professional fees	221,327	392,452
Advertising and promotion	111,559	274,489
Total operating expenses	<u>4,210,987</u>	<u>5,287,788</u>
Income from operations	<u>1,913,988</u>	<u>1,707,403</u>
Other (expenses) income		
Interest expense	(948,213)	(608,093)
Management fees	(252,000)	(176,687)
Other (expenses) income	(152,060)	127,240
Employee Retention Credit (ERC) income	-	200,021
Paycheck Protection Program (PPP) income	-	259,656
Total other expenses, net	<u>(1,352,273)</u>	<u>(197,863)</u>
Income before income tax expense	561,715	1,509,540
Income tax expense		
	(282,663)	(497,341)
Net income	<u>\$ 279,052</u>	<u>\$ 1,012,199</u>

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.

*Consolidated Statements of Changes in Stockholders' Deficit
For the years ended December 31, 2023 and 2022*

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount			
Balance, January 1, 2022	978,781	\$ 100	\$ 906,230	\$ (2,542,530)	\$ (1,636,200)
Net income	-	-	-	1,012,199	1,012,199
Balance, December 31, 2022	978,781	100	906,230	(1,530,331)	(624,001)
Net income	-	-	-	279,052	279,052
Balance, December 31, 2023	978,781	\$ 100	\$ 906,230	\$ (1,251,279)	\$ (344,949)

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Net income	\$ 279,052	\$ 1,012,199
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	695,347	698,255
Amortization of deferred financing costs	77,040	18,564
Deferred income taxes	63,958	(20,991)
Provision for credit losses	46,557	-
Paid-in-Kind (PIK) interest	44,984	9,070
Paycheck Protection Program (PPP) income	-	(259,656)
Changes in operating assets and liabilities:		
Accounts receivable	5,495	(20,861)
Inventory	325,631	(290,522)
Prepaid expenses and other current assets	30,120	(45,294)
Deposits	3,063	(29,133)
Operating right-of-use assets and lease liabilities, net	38,772	88,080
Accounts payable	86,698	(42,787)
Accrued expenses and other liabilities	(221,455)	(213,896)
Income tax receivables or payables, net	(138,850)	189,928
Employee Retention Credit (ERC) receivable	-	176,041
Deferred revenue	(38,193)	(198,090)
Net cash provided by operating activities	<u>1,298,219</u>	<u>1,070,907</u>
Investing activities		
Issuance of franchise notes and advances receivable	(620,157)	(91,909)
Payments received on franchise notes and advances receivable	71,111	113,552
Purchases of property and equipment	(135,609)	(56,158)
Net cash used for investing activities	<u>(684,655)</u>	<u>(34,515)</u>
Financing activities		
Principal payments on long-term debt	(883,333)	(6,262,327)
Proceeds from long-term debt	-	5,300,000
Payments for debt issuance costs	-	(230,424)
Net cash used for financing activities	<u>(883,333)</u>	<u>(1,192,751)</u>
Net change in cash and cash equivalents	(269,769)	(156,359)
Cash and cash equivalents, beginning of year	<u>1,102,616</u>	<u>1,258,975</u>
Cash and cash equivalents, end of year	<u>\$ 832,847</u>	<u>\$ 1,102,616</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 831,044</u>	<u>\$ 550,664</u>
Cash paid (refunded) for income taxes	<u>\$ 357,709</u>	<u>\$ (307,413)</u>

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities

Business activity:

DK-JRE, LLC, a Florida limited liability company, was formed to acquire all of the issued and outstanding common stock of JRE Holdings, Inc., a Florida Corporation, and its wholly owned subsidiaries, Jewelry Repair Enterprises, Inc., JRE Franchising, Inc. and JRE Enterprises, Inc. The acquisition took place pursuant to a stock purchase agreement effective March 14, 2018.

Jewelry Repair Enterprises, Inc. and its wholly owned subsidiaries are collectively referred to as the "Company." JRE Holdings, Inc. serves as the parent company to Jewelry Repair Enterprises, Inc. and has no operational activity. As such, the accompanying consolidated financial statements (collectively, the "financial statements") are reported at the Jewelry Repair Enterprises, Inc. level.

The Company is engaged in the business of selling jewelry repair franchises in the United States and Canada and operating Company-owned retail stores.

Basis of presentation:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification as the sole source of authoritative GAAP.

Principles of consolidation:

The financial statements include the accounts of Jewelry Repair Enterprises, Inc. and its wholly owned subsidiaries, JRE Franchising, Inc. and JRE Enterprises, Inc. All significant intra-entity balances and transactions have been eliminated.

Reclassifications:

Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation.

Cash and cash equivalents:

The Company places its cash with high quality financial institutions. The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company has not experienced losses in cash and cash equivalents and does not believe it is exposed to any significant risk of credit loss on its cash and cash equivalents.

Revenue recognition:

The Company generates revenue from four sources: (i) royalty fees based on a percentage of sales reported by each franchise operation; (ii) franchise fees related to the sale of franchises, in accordance with its franchise agreement; (iii) franchise store sales at Company-owned retail stores; and (iv) rebate and other income associated with franchise store merchandise purchases.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

In accordance with Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606 or ASC 606)*, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. In determining the amount of revenue to be recognized, the Company performs the following steps: (i) identification of the contract with a customer; (ii) identification of the promised services in the contract and determination of whether the promised services are performance obligations, including whether they are distinct in the context of the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's franchise agreements include (a) the right to use symbolic intellectual property over the term of each franchise agreement, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the advertising fund contributions, and development and delivery of training materials. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represents a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day-to-day, the symbolic intellectual property is accessed over time and the customer (the franchisee) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities).

Royalty fee revenue represents amounts paid by the franchisees for use of the name "Fast-Fix Jewelry and Watch Repairs" and for other services to be provided by the Company in accordance with the franchise agreement. Royalties are paid by the franchisee based upon a set percentage (as defined in the franchise agreement) of the franchisee's annual revenues that are related entirely to the Company's performance obligation under the franchise agreement. These royalties are considered variable consideration but, because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchised sales occur. The royalty fees are recognized at a point in time, typically monthly, based on reported store sales. Advertising contributions received from franchisees are recorded as a component of rebate revenue and are offset by an equal corresponding expense in the accompanying consolidated statements of operations.

Franchise fees primarily include initial fees to operate a franchise store for the 10 year term of the franchise agreement, renewal fees to extend the original franchise agreement and transfer fees in the event the franchisee wishes to sell or transfer the franchise to another party. Initial, renewal and transfer franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Franchise fees commence recognition into revenue and payment is due (a) for initial franchise fees at the earlier of (i) commencement of operations or (ii) the point at which the Company has substantially performed all of its obligations, including those services rendered voluntarily, associated with the fee or (b) upon the effective date of franchise renewals or transfers, as there is no continuing service obligation associated with the fee. Any franchise fees collected prior to the recognition of revenue are reflected as deferred revenue on the accompanying consolidated balance sheets.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

Franchise store sales represent retail sales made at Company-owned stores and are recognized at a point in time based on reported store sales. The Company's principal terms of sale are payment upon completion of the service or sale of the goods. Rebate and other revenues represent rebates earned from vendors based on volume-based purchase incentives and are recognized at a point in time.

The Company believes its franchising agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

Adoption of new accounting standard – Current Expected Credit Losses (CECL):

Effective January 1, 2023, the Company adopted FASB Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments.

The Company adopted this new guidance utilizing the modified retrospective transition method. The cumulative effect was not material, as such there was no adjustment to the allowance for credit losses as of January 1, 2023. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include advances receivable, franchise notes receivable and accounts receivable (including royalties receivable). An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measure on a collective (pool) basis when similar risk characteristics exist. Where financial statements do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The impact of the current year provision for expected credit losses is incorporated in office and administrative operating expenses on the consolidated statements of operations.

Allowance for credit losses as of January 1, 2023	\$	-
Current year provision for expected credit losses – royalties receivable		14,313
Current year provision for expected credit losses – advances receivable		<u>32,244</u>
Allowance for credit losses as of December 31, 2023	\$	<u>46,557</u>

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Franchise notes and advances receivable:

Franchise notes consist of amounts due to the Company for the purchase or renewal of individual franchises (17 and 14 franchisees at December 31, 2023 and 2022, respectively). Late fees may be charged when the outstanding balance due is owed for more than 30 days. Advances receivable are loans to existing or former franchisees. Advances receivable bear interest at rates up to 8 percent and are generally paid over terms varying from one to six years.

Management regularly reviews amounts outstanding and past due to determine if additional collection actions are necessary, which may include legal collection proceedings. Once a receivable is turned over to legal counsel for collection, interest may be accrued on the outstanding balance at a rate not to exceed what is provided for under Florida law, and delinquent notes and advances receivable may accrue interest on the outstanding balance at a rate provided for in the underlying promissory note and franchise agreements.

Deferred revenue:

Deferred revenue consist of amounts collected from franchisees for certain fees for which the related revenue has not been earned or for cash held on behalf of the franchisee for goods or services to be performed by third-parties for which the Company acts as an intermediary. Deferred revenue will be recognized to franchise fees within the consolidated statements of operations over the term of the franchise agreement.

Inventory:

Inventory is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis, with cost determined by the specific identification method. Net realizable value represents the estimated selling price for inventories less all estimated costs to sell. Inventories primarily consist of merchandise held for resale at Company-owned retail stores.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Property and equipment are depreciated when placed into service using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the shorter of the estimated useful lives or the period of the respective leases. Furniture and equipment have useful lives ranging from 3 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

Impairment of long-lived assets:

The Company reviews long-lived assets 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 the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management believes there are no impairment issues with long-lived assets as of December 31, 2023 and 2022.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Goodwill:

The FASB provides guidance that allows private companies to elect not to separately identify and recognize certain intangible assets and noncompetition agreements acquired in a business combination. Under this alternative, a private company may elect not to recognize intangible assets in a business combination (including customer related intangible assets), unless they are capable of being sold or licensed independently from the other assets of a business. Adoption of this alternative also requires adoption of the goodwill alternative issued by the FASB which provides private companies with an alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized and is only tested for impairment when a triggering event occurs that indicates the fair value may be below the carrying amount. Entities that adopt the alternative are required to make a policy decision to test goodwill for impairment either at the entity level or at the reporting level. The Company follows the provisions of both of these private company accounting alternatives and has elected to test goodwill for impairment at the entity level.

Goodwill arising from business combinations represents the excess of the purchase price over the fair value of the net assets acquired and is amortized on a straight-line basis over a period of ten years.

The carrying value of goodwill is reviewed when circumstances and events indicate that the asset might be impaired and the undiscounted cash flows estimated to be generated by the Company is less than the carrying value of these assets. If the estimated fair value is less than the carrying value, then impairment is deemed to have occurred. Management recorded no impairment to goodwill during the years ended December 31, 2023 and December 31, 2022.

Goodwill, net at January 1, 2022	\$ 3,832,273
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2022	3,214,993
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2023	<u>\$ 2,597,713</u>

Goodwill totaled approximately \$6,173,000 and accumulated amortization totaled approximately \$2,958,000 and \$3,575,000 at December 31, 2023 and December 31, 2022, respectively. Goodwill amortization expense is estimated to be approximately \$617,300 during each of the years 2024 through 2027 and \$128,500 in 2028.

Operating lease right-of-use assets and lease liabilities:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which changed the criteria for recognizing leasing transactions. Under the ASU, a lessee will be required to recognize a lease liability and right-of-use lease asset for all leases with a lease term greater than 12 months, including operating leases, in the consolidated balances sheets. Subsequent measurement, including presentation of expenses and cash flows, will depend on the classification of the lease as either a financing or operating lease. In addition, expanded disclosures will be required. Topic 842 was effective for private companies for balance sheet for years beginning after December 15, 2021. Accordingly, the Company adopted the ASU effective January 1, 2022 and recognized approximately \$13,401,000 of operating right-of-use assets and lease liabilities on the consolidated balance sheet.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Operating lease right-of-use assets and lease liabilities, continued:

The Company elected the package of practical expedients which allow the Company not to reassess:

- Whether expired or existing contracts contain leases under the new definition of a lease;
- Lease classification for expired or existing leases; and
- Whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.

The Company did not elect to use hindsight for transition when considering judgements and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. The Company did not elect to reassess whether land easements meet the definition of a lease if they were not accounted for as leases under the former rules. For all asset classes, the Company elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. For all asset classes, the Company elected to not separate non-lease components from lease components to which they related and have accounted for the combined lease and non-lease components as a single lease component.

Income taxes:

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority.

The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the consolidated statements of operations. Management is not aware of any material uncertain tax positions as of December 31, 2023 and 2022.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Debt issuance costs:

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the related debt. Unamortized amounts incurred in connection with the issuance of long-term debt are recorded as a reduction to the carrying amount of the related debt.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Advertising:

Advertising costs are expensed as incurred. Advertising costs were approximately \$112,000 and \$274,000 and for the years ended December 31, 2023 and 2022, respectively.

Other (expenses) income:

The Company classifies expenses that are infrequent, unusual in nature, or unrelated to the operations of the Company as other expenses in the accompanying consolidated statements of operations. Other expenses are comprised primarily of interest, management fees, and income from Employee Retention Credit (ERC) and Paycheck Protection Program (PPP).

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Fair value of assets and liabilities:

The carrying values of all the Company's financial instruments approximate their fair values. The Company applies the guidance related to fair value for certain non-financial assets and liabilities. The non-financial assets and liabilities include items such as long-lived assets and goodwill.

Subsequent events:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 29, 2024, the date the financial statements were available for issuance.

Note 2. Revenues

Revenue is disaggregated by timing of satisfaction of performance obligations is summarized as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 6,002,665	\$ 6,759,768
Performance obligations satisfied over time	<u>122,310</u>	<u>235,423</u>
	<u>\$ 6,124,975</u>	<u>\$ 6,995,191</u>

Revenue from performance obligations satisfied at a point in time consists of royalty fees, rebate income, and Company-owned retail sales. Revenue from performance obligations satisfied over time consists of franchise fees. All services are provided to franchisees and retail customers.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 2. Revenues, Continued

Upfront fees paid for site selection, basic training, franchisee specifications and construction plans, branding, and continued support from franchisor are not material in nature and expensed as incurred.

Revenue for franchise fees are recognized on a straight-line basis over the term of the respective agreement. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and franchise notes, and deferred revenue (contract liabilities) on the consolidated balance sheets are as follows as of December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Royalty receivables	\$ 424,640	\$ 426,561	\$ 404,850
Franchise notes receivables	<u>43,982</u>	<u>25,221</u>	<u>92,773</u>
	<u>\$ 468,622</u>	<u>\$ 451,782</u>	<u>\$ 497,623</u>
Contract liabilities:			
Deferred revenue	<u>\$ 739,265</u>	<u>\$ 777,458</u>	<u>\$ 975,548</u>
	<u>\$ 739,265</u>	<u>\$ 777,458</u>	<u>\$ 975,548</u>

The Company records accounts receivable or franchise notes when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded.

Note 3. Accounts Receivable

Accounts receivable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Royalties receivable	\$ 424,640	\$ 426,561
Trade receivables	<u>51,014</u>	<u>54,588</u>
	<u>\$ 475,654</u>	<u>\$ 481,149</u>

Note 4. Franchising Notes and Advances Receivable

Franchise notes and advances receivable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Franchise notes receivable	\$ 43,982	\$ 25,221
Advances receivable	<u>767,647</u>	<u>283,919</u>
	811,629	309,140
Less current portion	<u>(179,179)</u>	<u>(191,632)</u>
	<u>\$ 632,450</u>	<u>\$ 117,508</u>

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 4. Franchising Notes and Advances Receivable, Continued

Scheduled repayments of franchise notes and advances as of December 31, 2023 are as follows for the years ending December 31:

2024	\$ 179,179
2025	125,982
2026	488,768
2027	8,850
2028	<u>8,850</u>
	<u>\$ 811,629</u>

During the year ended December 31, 2023, the Company filed breach of contract lawsuits against multiple former franchisees of the Company. Advances receivable with active litigation total approximately \$469,000 (net of an allowance of approximately \$32,000) and are classified as long term on the consolidated balance sheets as of December 31, 2023 (See Note 12).

Note 5. Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 349,533	\$ 349,231
Leasehold improvements	<u>174,281</u>	<u>52,626</u>
	523,814	401,857
Less accumulated depreciation	<u>(272,958)</u>	<u>(208,543)</u>
	<u>\$ 250,856</u>	<u>\$ 193,314</u>

Depreciation expense was approximately \$78,000 and \$62,800 for the years ended December 31, 2023 and 2022, respectively.

Note 6. Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Senior term loan	\$ 4,323,500	\$ 5,161,849
Less unamortized debt issuance cost	(134,820)	(211,860)
Less current portion	<u>(840,411)</u>	<u>(834,876)</u>
	<u>\$ 3,348,269</u>	<u>\$ 4,115,113</u>

In November 2016, the Company entered into a \$7,550,000 senior term loan ("previous term loan") with a financial institution. When satisfied in full during 2022, the previous term loan had interest fixed rate of 9 percent with no Paid-In-Kind (PIK) interest.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 6. Long-Term Debt, Continued

In September 2022, the Company paid the previous term loan in full and entered into a \$5,300,000 senior term loan with a new financial institution. The loan bears interest at Prime Rate plus 9 percent, plus 1 percent PIK interest that is compounded and added to the principal balance (17.5 and 16 percent at December 31, 2023 and 2022, respectively). Monthly principal payments of approximately \$69,000 are due with a balloon payment of the balance due upon maturity. The loan matures October 1, 2025. The Company is subject to certain financial and non-financial covenants associated with the agreement.

Scheduled principal payments on long-term debt as of December 31, 2023 are as follows for the years ending December 31:

2024	\$ 840,411
2025	<u>3,483,089</u>
	<u>\$ 4,323,500</u>

At December 31, 2023 and 2022, debt issuance costs totaled approximately \$230,000 less accumulated amortization of approximately \$95,000 and \$18,000, respectively. Future amortization is estimated to be approximately \$77,000 in 2024 and \$58,000 in 2025.

Note 7. Coronavirus Aid, Relief, and Economic Security (“CARES”) Act

Paycheck Protection Program (PPP):

In March 2021, the Company entered into a loan with a financial institution in a principal amount of \$259,656 pursuant to the Paycheck Protection Program (“PPP Second Draw Loan”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Second Draw Loan is unsecured and guaranteed by the United States Small Business Administration. The Company may apply to the financial institution for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and mortgage obligations, covered utility payments, worker protection costs related to COVID-19, and certain supplier costs and expenses for operations incurred by the Company during the covered period, calculated in accordance with the terms of the CARES Act. In October, 2022, the Company received notification from the Small Business Administration (SBA) that the Company’s PPP loan had been fully forgiven. Accordingly, the Company recognized \$259,656 of PPP income within other income (expenses) for the year ended December 31, 2022. The Company recognized no PPP income within other income (expenses) for the year ended December 31, 2023.

Employee Retention Credit (ERC):

The Employee Retention Credit (ERC) program was created under the CARES Act and was significantly modified, expanded and extended into the first three quarters of calendar year 2021 by the Consolidated Appropriation Act, 2021 (the “Act”). The goal of the ERC program is to encourage employers to retain and continue paying employees during periods of pandemic-related reduction in business volume even if those employees are not actually working, and therefore, are not providing a service to the employer. Under the Act, eligible employers could take credits up to 70% of qualified wages with a limit of \$7,000 per employee per quarter for the first three quarters of calendar year 2021. In order to qualify for the ERC, organizations generally have to experience at least a 20% decrease in gross receipts in the quarter compared to the same quarter in calendar year 2019.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 7. Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Continued

Employee Retention Credit (ERC), continued:

The Company applied for the ERC totaling approximately \$482,000 which included approximately \$121,000 for quarters two, three and four of calendar year 2020 and approximately \$163,000 for quarter one of 2021 and \$198,000 for quarter two of 2021. During 2022, the Company received \$375,000 in ERC income for quarters two, three and four of 2020 as well as quarter one and two of 2021. Approximately \$175,000 reduced the receivable previously recognized on the consolidated balance sheet. Approximately \$200,000 of ERC income was recognized in other income (expenses) for the year ended December 31, 2022. There was no ERC income recognized in other income (expenses) for the year ended December 31, 2023.

The Company has accounted for the ERC income as a government grant which analogizes with International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. IAS 20 indicates that income is recognized when it is considered that there is reasonable assurance the grant will be received and all necessary qualifying conditions, as stated in the CARES act, are met. Under IAS 20, income is recognized on a systematic basis over the period in which the entity recognizes as expenses the related costs for which the grant is intended to compensate. The Company elected to account for the use of the ERC on a gross basis and the income is included in other income (expenses) within the consolidated statements of operations. The activity related to ERC income is included in the operating activities of the consolidated statements of cash flow.

Note 8. Income Taxes

The components of the income tax benefit (expense) are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Current expense	\$ (218,704)	\$ (518,332)
Deferred benefit (expense)	<u>(63,959)</u>	<u>20,991</u>
	<u>\$ (282,663)</u>	<u>\$ (497,341)</u>

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 8. Income Taxes, Continued

The types of temporary differences and their related tax effects that give rise to the deferred tax assets and deferred tax liabilities are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Goodwill	\$ 23,925	\$ 32,382
Prepaid expenses	4,831	-
Accrued bonuses	515	21,527
Accrued management fees	50,099	-
Federal and state NOL Carry Forward	1,554	1,461
Leases	33,774	22,573
Provision for credit losses	8,297	-
Deferred revenue	<u>190,237</u>	<u>199,246</u>
	313,232	393,229
Deferred tax liabilities:		
Property and equipment	<u>(22,623)</u>	<u>(38,660)</u>
Net deferred tax asset	<u>\$ 290,609</u>	<u>\$ 354,567</u>

If, based on the weight of available evidence, it is more likely than not that all deferred tax assets will not be realized, a valuation allowance must be recorded. No valuation allowance was considered necessary as of December 31, 2023 and 2022.

The Company's actual income tax provision reflect differences from the expected amount primarily due to state income taxes, net operating loss carrybacks, and goodwill amortization that is deemed non-deductible for tax reporting purposes.

Note 9. Related-Party Transactions

The Company has a management services agreement with the majority member of the Company. The member serves as an advisor and provides management services to the Company. Management fees were approximately \$252,000 and \$177,000 for the years ended December 31, 2023 and 2022, respectively. There were approximately \$449,000 and \$386,000 of unpaid management fees, included in accrued expenses on the consolidated balance sheets as of December 31, 2023 and 2022, respectively.

Jewelry Repair Enterprises, Inc.**Notes to Consolidated Financial Statements****For the years ended December 31, 2023 and 2022**

Note 10. Leases

The Company leases retail space in shopping centers for many corporate stores, as well as on behalf of certain franchisees, under non-cancelable operating leases. The leases expire at various dates through 2030. Certain lease agreements contain renewal options. For those leases, the Company included these renewal periods in the lease term if the Company determined it was reasonably certain to exercise the option. Lease payments during such renewal periods were also considered in the calculation of right-of-use assets and lease obligations. Fixed lease payments consist of base rent and operating expenses but do not include contingent rentals which may be required under certain leases based on sales more than stipulated minimums. Fixed lease expense under these agreements totaled approximately \$568,000 and \$1,001,000 for the years ended December 31, 2023 and 2022, respectively.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets are recognized at the commencement date as the initial measurement of the lease liability, plus payments made prior to lease commencement and any initial direct costs. As the Company's leases do not provide an implicit rate, the Company elected to use its incremental borrowing rate at the commencement date in determining the present value of lease payments.

Future minimum lease payments under the operating leases as of December 31, 2023 are as follows for the years ending December 31:

2024	\$ 3,259,971
2025	1,686,606
2026	731,075
2027	115,467
2028	40,231
Thereafter	<u>147,827</u>
Total undiscounted lease payments	5,981,177
Less: imputed interest	<u>(808,167)</u>
Total present value of lease liabilities	5,173,010
Less: current portion of operating lease obligations	<u>(2,786,831)</u>
Operating lease liabilities, net of current portion	<u>\$ 2,386,178</u>

Supplemental information regarding operating leases includes:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term	2.18 years	2.60 years
Weighted average discount rate	13.5%	13.5%

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 11. Commitments and Contingencies

From time to time, the Company is party to certain legal matters, including those related to contracts and franchise agreements that arise in the ordinary course of business. The estimated cost that the Company expects to pay in relationship to these matters is accrued when the liability is considered probable and the amounts can be reasonably estimated. In management's opinion, any such outstanding matters of which the Company has knowledge have been reflected in the financial statements or would not have a material adverse effect on the Company's financial position and results of operations.

Note 12. Subsequent Event

As discussed in Note 4, the Company filed breach of contract lawsuits against multiple former franchisees of the Company. On January 17, 2024, the court entered judgement in favor of the Company in the amount of approximately \$521,000.

Exhibit F-2
Guaranty of Performance

Form E – Guarantee of Performance

GUARANTEE OF PERFORMANCE

For value received, JRE Holdings, Inc., a Florida corporation (the “Guarantor”), located at 1515 Sunset Drive, Suite 32, Miami, Florida 33143; absolutely and unconditionally guarantees to assume the duties and obligations of Jewelry Repair Enterprises, Inc., a Pennsylvania corporation, located at 6413 Congress Avenue, Suite 240, Boca Raton, Florida 33487 (the “Franchisor”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2025 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 Boca Raton, Florida on the 29th day of July 2025.

Guarantor:

JRE Holdings, Inc.

Signed by:
By: Benjamin L. Russell
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Name: Benjamin L. Russell
Title: Executive Vice President of Operations

Exhibit F-3
Unaudited Financial Statements

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

Income Statement											
	May-25					May-25					TTM May-25
	Month		Variance		Year-to-Date		Variance				
	2025	Budget	2024	vs. Budget	vs. 2024	2025	Budget	2024		vs. Budget	
Revenue											
Service Income	\$331,992	\$311,287	\$307,037	3.4%	4.9%	\$1,465,237	\$1,426,669	\$1,446,468	2.7%	1.3%	\$3,548,118
Vendor Rebates	4,341	7,000	5,016	(58.0%)	(13.4%)	33,755	35,000	26,431	(32.1%)	(10.1%)	171,578
Corp Store Revenues	219,421	154,462	171,018	42.1%	28.3%	854,783	748,369	808,895	27.6%	18.0%	2,048,898
Franchise Renewal/Transfer	-	2,250	17,333	NM	NM	-	11,250	39,050	NM	NM	168,061
Ireland Royalty	5,250	-	5,250	NM	0.0%	26,250	-	26,250	NM	0.0%	63,000
Other Income	12,500	12,500	-	0.0%	NM	62,500	62,500	-	0.0%	NM	97,696
Total Revenue	\$563,504	\$487,499	\$505,653	13.6%	11.4%	\$2,532,524	\$2,283,788	\$2,347,093	10.9%	7.9%	\$6,099,351
COS											
COGS	\$42,547	\$30,892	\$27,584	37.7%	54.2%	\$193,363	\$149,673	\$129,514	29.2%	49.3%	\$454,422
Other	0	0	0	NM	NM	0	0	0	NM	NM	63,000
COS	\$42,547	\$30,892	\$27,584	37.7%	54.2%	\$193,363	\$149,673	\$129,514	29.2%	49.3%	\$517,422
Margin	7.6%	6.3%	3.3%	7.6%	6.6%	3.3%	7.6%	6.6%	3.3%	8.3%	8.3%
Gross Profit	\$520,957	\$456,607	\$478,069	14.1%	9.0%	\$2,339,161	\$2,134,115	\$2,217,579	9.0%	5.3%	\$5,581,930
Margin	92.4%	93.7%	94.3%	92.4%	93.4%	94.3%	92.4%	93.4%	94.3%	91.3%	91.3%
SG&A											
Personnel	\$142,567	\$119,601	\$162,212	19.2%	(12.1%)	\$643,104	\$664,694	\$590,327	(3.2%)	8.9%	\$1,595,021
Facilities	46,853	33,265	60,478	40.8%	(22.8%)	254,976	\$186,325	256,943	36.8%	(0.8%)	692,753
Utilities & Administrative	23,989	21,132	28,822	(11.7%)	(18.2%)	119,823	\$135,790	188,187	(11.7%)	(18.7%)	119,479
Sales, Marketing & Promoti	16,966	17,500	1,222	(3.1%)	1,287.8%	91,349	\$87,500	14,639	4.4%	124.0%	174,000
Professional Fees (Legal/Ac	27,055	16,007	23,916	69.0%	13.1%	114,928	\$83,035	111,713	38.4%	2.9%	297,344
Insurance	3,443	5,987	6,323	(42.5%)	(41.3%)	11,294	\$29,835	26,386	(62.3%)	(37.2%)	59,150
Depreciation	5,685	5,852	9,856	(2.8%)	(42.3%)	28,424	\$20,258	36,766	(2.8%)	(22.7%)	68,218
Amortization	57,860	57,860	57,860	0.0%	0.0%	289,300	\$289,300	289,300	0.0%	0.0%	617,280
SG&A	\$324,408	\$283,224	\$350,689	14.5%	(7.3%)	\$1,553,209	\$1,505,807	\$1,494,261	3.1%	3.9%	\$3,623,326
Margin	37.6%	38.1%	69.4%	61.3%	65.9%	63.7%	37.6%	38.1%	69.4%	38.4%	38.4%
EBIT	\$196,548	\$173,384	\$127,380	13.4%	54.3%	\$785,961	\$628,309	\$723,318	25.1%	8.7%	\$1,968,604
Margin	34.9%	35.6%	25.2%	31.0%	27.3%	30.8%	34.9%	35.6%	25.2%	32.1%	32.1%
Other Expense / (Income)											
Interest Expense	\$46,676	\$47,343	\$59,016	(1.4%)	(20.9%)	\$246,744	\$248,906	\$308,387	(0.9%)	(20.0%)	\$733,527
DK-RE Mgmt Fee	17,364	17,364	22,050	0.0%	(21.2%)	86,822	\$86,820	110,250	0.0%	(21.2%)	241,172
Other Non-Recurring	31,324	16,667	14,663	87.9%	113.6%	80,061	\$83,333	74,582	(3.9%)	7.3%	153,540
Other Income	(416)	0	0	NM	NM	(416)	0	0	NM	NM	(416)
Other Expense	0	0	0	NM	NM	0	0	0	NM	NM	0
Other Expense / (Income)	\$84,948	\$81,374	\$95,729	16.7%	(0.8%)	\$413,211	\$419,059	\$493,219	(1.4%)	(16.2%)	\$1,127,824
Pre-Tax Income	\$101,600	\$92,010	\$31,651	10.4%	221.0%	\$372,740	\$209,249	\$230,100	78.1%	62.0%	\$830,780
Margin	18.0%	18.9%	6.3%	14.7%	9.2%	9.8%	18.0%	18.9%	6.3%	13.0%	13.0%
Income Tax	\$114,601	\$0	\$9,487	NM	1,108.0%	\$114,601	\$72,500	\$11,625	38.1%	883.8%	\$433,763
Rate	112.8%	NM	30.0%	30.7%	34.6%	5.1%	112.8%	30.0%	30.7%	34.6%	52.2%

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Net Income.....	(\$13,001)	\$92,010	\$22,165	NM	NM	\$258,139	\$136,749	\$218,475	88.8%	18.2%	\$397,017
Margin.....	NM	18.9%	4.4%			10.2%	6.0%	9.3%			6.3%
EBITDA.....	\$260,093	\$237,095	\$195,096	9.7%	33.3%	\$1,103,676	\$946,866	\$1,049,384	16.6%	5.2%	\$2,644,102
Margin.....	46.2%	43.0%	38.0%			43.0%	41.3%	44.7%			43.4%
ASC 606 Adjustment	\$0		\$0			\$0		\$0			\$0
EBITDA LESS ASC 606 Adju	<u>\$260,093</u>	<u>\$237,095</u>	<u>\$195,096</u>			<u>\$1,103,676</u>	<u>\$946,866</u>	<u>\$1,049,384</u>			<u>\$2,644,102</u>

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	May-25				
	Month			Variance	
	2025	Budget	2024	vs. Budget	vs. 2024
Assets					
Current Assets					
Cash.....	\$1,305,395	\$1,201,002	\$804,548	8.7%	45.9%
Accounts Receivable.....	402,541	362,624	355,642	11.0%	13.2%
FZ Fee/Renewal/Note Rece	633,983	610,952	813,698	3.8%	(22.1%)
Inventory.....	314,549	325,000	321,891	(3.2%)	(2.3%)
Prepaid Expense.....	62,928	76,994	86,107	(18.3%)	(26.8%)
Other.....	0	0	0	NM	NM
Current Assets.....	\$2,719,397	\$2,576,572	\$2,471,885	5.5%	10.0%
PP&E.....	\$169,215	\$175,102	\$224,676	(3.4%)	(24.7%)
Taxes - Prepaid and Deferred	267,822	268,252	279,488	(0.2%)	(4.2%)
Goodwill.....	1,553,489	1,727,069	2,247,809	(10.1%)	(30.9%)
Intercompany.....	0	0	0	NM	NM
Other.....	3,102,956	5,291,690	5,317,651	(41.4%)	(41.6%)
Total Assets.....	\$7,812,879	\$10,038,685	\$10,541,510	(22.2%)	(25.9%)
Liabilities & Shareholders' Equity					
Current Liabilities					
Accounts Payable.....	\$134,812	\$110,000	\$174,905	22.6%	(22.8%)
Accrued Expenses.....	2,216,724	813,169	3,464,914	172.6%	(36.0%)
Deferred Revenue.....	544,600	714,265	739,265	(23.8%)	(26.3%)
Other.....	(49,429)	2,771,081	(15,749)	NM	NM
Current Liabilities.....	\$2,846,707	\$4,408,515	\$4,363,336	(33.4%)	(34.8%)
Senior Debt					
SG Credit Debt.....	\$3,129,677	\$3,342,427	\$3,955,445	(6.4%)	(20.8%)
PPPP.....	0	0	0	NM	NM
Capital Leases.....	0	0	0	NM	NM
Debt.....	\$3,129,677	\$3,342,427	\$3,955,445	(6.4%)	(20.8%)
Intercompany.....	\$0	\$0	\$0	NM	NM
Tax Liabilities.....	40,800	0	(66,356)	NM	NM
Other Liabilities.....	1,091,113	2,303,813	2,414,369	(52.6%)	(54.8%)
Total Liabilities.....	\$7,108,297	\$10,054,755	\$10,666,793	(29.3%)	(33.4%)
Shareholders' Equity					
Common Equity.....	\$906,330	\$906,000	\$906,330	0.0%	0.0%
Retained Earnings.....	(201,749)	(922,070)	(1,031,613)	NM	NM
Shareholders' Equity.....	\$704,581	\$(16,070)	\$(125,283)	NM	NM
Total Liabilities & Shareh	\$7,812,879	\$10,038,685	\$10,541,510	(22.2%)	(25.9%)

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Cash Flow Statement

	May-25					May-25				
	Month		Variance			Year-to-Date		Variance		
	2025	Budget	2024	vs. Budget	vs. 2024	2025	Budget	2024	vs. Budget	vs. 2024
Cash Flow from Operating Activities										
Net Income	(\$13,001)		\$22,165	NM	NM	\$258,139		\$218,475	NM	18.2%
Depreciation	5,685		5,685	NM	0.0%	28,424		28,424	NM	0.0%
Amortization	57,860		57,860	NM	0.0%	289,300		289,300	NM	0.0%
(Gain) / Loss on Sale of Asst	0		0	NM	NM	0		0	NM	NM
(Increase) / Decrease Accou	(74,618)		(28,471)	NM	NM	20,125		120,013	NM	(83.2%)
(Increase) / Decrease FZ, Nc	16,552		12,652	NM	30.8%	79,797		(1,289)	NM	NM
(Increase) / Decrease Invent	673		(17,572)	NM	NM	25,616		2,182	NM	1,074.1%
(Increase) / Decrease Prepai	72,816		25,360	NM	187.1%	(40,878)		(30,777)	NM	NM
(Increase) / Decrease Tax A	113,501		0	NM	NM	(0)		(38,001)	NM	NM
(Increase) / Decrease Other	9,192		0	NM	NM	9,192		0	NM	NM
(Decrease) / Increase Accou	45,309		(101,090)	NM	NM	9,836		(83,689)	NM	NM
(Decrease) / Increase Accru	(149,774)		2,951	NM	NM	(77,571)		(56,891)	NM	NM
(Decrease) / Increase Other	0		0	NM	NM	0		0	NM	NM
(Decrease) / Increase Interac	0		0	NM	NM	0		(15,750)	NM	NM
(Decrease) / Increase Other	0		0	NM	NM	0		0	NM	NM
(Decrease) / Increase Defen	(5,500)		0	NM	NM	(45,354)		0	NM	NM
Other / Rounding	0		0	NM	NM	0		0	NM	NM
Cash Flow from Operati	\$78,684		(\$28,461)	NM	NM	\$666,636		\$,432,007	NM	38.2%
Cash Flow from Investing Activities										
Acquisition of Assets	0		0	NM	NM	0		0	NM	NM
Capital Expenditures	0		4,171	NM	(100.0%)	(12,501)		(2,243)	NM	NM
Goodwill/Other	0		0	NM	NM	0		0	NM	NM
Cash Flow from Investin	\$0		\$4,171	NM	(100.0%)	(\$12,501)		(\$2,243)	NM	NM
Cash Flow from Financing Activities										
Proceeds / (Repayment) on	(70,944)		(73,611)	NM	NM	(354,033)		(368,056)	NM	NM
Other	0		0	NM	NM	0		0	NM	NM
Cash Flow from Financi	(\$70,944)		(\$73,611)	NM	NM	(\$354,033)		(\$368,056)	NM	NM
Increase / (Decrease) in Cash	\$7,751		(\$89,901)	NM	NM	\$190,092		\$61,698	NM	208.1%
Excess Cash Flow Repayment	\$0		0	NM	NM	0		0	NM	NM
Net Increase / (Decrease) in	\$7,751		(\$89,901)	NM	NM	\$190,092		\$61,698	NM	208.1%
Cash - Beginning	\$1,297,645		\$984,449	NM	31.8%	\$1,115,303		\$832,849	NM	33.9%
Net Increase / (Decrease) in C	7,751		(89,901)	NM	NM	190,092		61,698	NM	208.1%
Cash - Ending	\$1,305,395		\$894,548	NM	45.9%	\$1,305,395		\$894,548	NM	45.9%
	\$0		\$0			0		0		

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Income Statement											
	May-25					May-25					TTM May-25
	Month		Variance			Year-to-Date		Variance			
	2025	Budget	2024	vs. Budget	vs. 2024	2025	Budget	2024	vs. Budget	vs. 2024	
Revenue											
Service Income	\$321,992	\$311,287	\$307,037	3.4%	4.9%	\$1,465,237	\$1,426,669	\$1,446,468	2.7%	1.3%	\$3,549,118
Vendor Rebates	4,341	7,000	5,016	(38.0%)	(13.4%)	23,755	35,000	26,431	(32.1%)	(10.1%)	171,578
Corp Store Revenues	219,421	154,462	171,018	42.1%	28.3%	954,783	748,369	808,895	27.6%	18.0%	2,049,898
Franchise/Renewal/Transfer	-	2,250	17,333	NM	NM	-	11,250	39,050	NM	NM	168,061
Inland Royalty	5,250	-	5,250	NM	0.0%	26,250	-	26,250	NM	0.0%	63,000
Other Income	12,500	12,500	-	0.0%	NM	62,500	62,500	-	0.0%	NM	97,696
Total Revenue	\$563,504	\$487,499	\$505,653	15.0%	11.4%	\$2,532,524	\$2,283,788	\$2,347,093	10.9%	7.9%	\$6,099,351
COS											
COGS	\$42,547	\$30,892	\$27,584	37.7%	54.2%	\$193,363	\$149,673	\$129,514	29.2%	49.3%	\$454,422
Other	0	0	0	NM	NM	0	0	0	NM	NM	63,000
COGS	\$42,547	\$30,892	\$27,584	37.7%	54.2%	\$193,363	\$149,673	\$129,514	29.2%	49.3%	\$517,422
Margin	7.6%	6.3%	5.3%			7.6%	6.6%	5.3%			8.5%
Gross Profit	\$520,957	\$456,607	\$478,069	14.1%	9.0%	\$2,339,161	\$2,134,115	\$2,217,579	9.6%	5.5%	\$5,581,930
Margin	92.4%	93.7%	94.3%			92.4%	93.4%	94.3%			91.5%
SG&A											
Personnel	\$142,567	\$119,601	\$162,212	19.2%	(12.1%)	\$643,104	\$664,694	\$590,327	(3.2%)	8.9%	\$1,595,021
Facilities	46,833	33,265	60,478	40.8%	(22.8%)	254,976	\$186,323	256,943	36.8%	(0.8%)	692,753
General & Administrative	23,900	27,152	28,622	(11.7%)	(16.2%)	119,835	\$135,760	168,187	(11.7%)	(28.7%)	119,479
Sales, Marketing & Promoti	16,966	17,500	1,222	(3.1%)	1,287.8%	91,349	\$87,500	14,639	4.4%	524.0%	174,080
Professional Fees (Legal/Ac	27,055	16,007	23,916	69.0%	13.1%	114,928	\$83,035	111,713	38.4%	2.9%	297,344
Insurance	3,443	5,987	6,323	(42.3%)	(45.3%)	11,294	\$29,935	26,386	(62.3%)	(57.2%)	59,150
Depreciation	5,685	5,812	9,556	(42.3%)	(42.3%)	28,424	\$29,258	34,766	(2.8%)	(22.7%)	68,218
Amortization	57,860	57,860	57,860	0.0%	0.0%	289,300	\$289,300	289,300	0.0%	0.0%	617,280
SG&A	\$324,408	\$283,224	\$350,689	14.3%	(7.5%)	\$1,553,209	\$1,505,807	\$1,494,261	3.1%	3.9%	\$3,623,326
Margin	37.6%	58.1%	69.4%			61.3%	65.9%	63.7%			59.4%
EBIT	\$196,548	\$173,384	\$127,380	12.4%	54.3%	\$785,951	\$628,309	\$723,318	25.1%	8.7%	\$1,958,604
Margin	34.9%	35.6%	25.2%			31.0%	27.3%	30.8%			32.1%
Other Expense / (Income)											
Interest Expense	\$46,676	\$47,343	\$59,016	(1.4%)	(20.9%)	\$246,744	\$248,906	\$308,387	(0.9%)	(20.0%)	\$733,527
DIR-FRE Mgmt Fee	17,364	17,364	22,050	0.0%	(21.2%)	\$6,822	\$86,820	110,250	0.0%	(21.2%)	241,172
Other Non-Recurring	31,324	16,667	14,663	87.9%	113.6%	80,061	\$83,333	74,582	(3.9%)	7.3%	153,540
Other Income	(416)	0	0	NM	NM	(416)	0	0	NM	NM	(416)
Other Expense	0	0	0	NM	NM	0	0	0	NM	NM	0
Other Expense / (Income)	\$84,948	\$81,374	\$95,729	16.7%	(0.8%)	\$413,211	\$419,059	\$493,219	(1.4%)	(16.2%)	\$1,127,824
Pre-Tax Income	\$101,600	\$92,010	\$31,651	10.4%	221.0%	\$372,740	\$209,249	\$230,100	78.1%	62.0%	\$830,780
Margin	18.0%	18.9%	6.3%			14.7%	9.2%	9.8%			13.6%
Income Tax	\$114,601	\$0	\$9,487	NM	1,108.0%	\$114,601	\$72,500	\$11,625	58.1%	885.8%	\$493,763
Rate	112.8%	NM	30.0%			30.7%	34.6%	5.1%			52.2%
Net Income	(13,001)	\$92,010	\$22,165	NM	NM	\$258,139	\$136,749	\$218,475	88.8%	18.2%	\$397,017
Margin	NM	18.9%	4.4%			10.2%	6.0%	9.3%			6.5%
EBITDA	\$260,093	\$237,095	\$195,096	8.7%	22.2%	\$1,103,676	\$946,866	\$1,049,384	16.4%	5.2%	\$1,644,101

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Margin.....	46.2%	45.6%	38.6%	43.6%	41.5%	44.7%	43.4%
ASC 606 Adjustment	\$0		\$0	\$0		\$0	\$0
EBITDA LESS ASC606 Adjust	<u>\$260,093</u>		<u>\$195,696</u>	<u>\$1,103,676</u>		<u>\$1,049,384</u>	<u>\$2,644,102</u>

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	May-25				
	Month			Variance	
	2025	Budget	2024	vs. Budget	vs. 2024
Assets					
Current Assets					
Cash.....	\$1,305,395	\$1,201,002	\$894,548	8.7%	45.9%
Accounts Receivable.....	402,541	382,624	355,642	11.0%	13.2%
FZ Fee/Renewal/Note Rece	633,983	610,952	\$13,698	3.8%	(22.1%)
Inventory.....	314,549	323,000	321,891	(3.2%)	(2.3%)
Prepaid Expense.....	62,928	76,994	\$6,107	(18.3%)	(26.9%)
Other.....	0	0	0	NM	NM
Current Assets.....	\$2,719,397	\$2,576,572	\$2,471,885	5.5%	10.0%
PP&E.....	\$169,215	\$173,102	\$224,676	(3.4%)	(24.7%)
Taxes - Prepaid and Deferred	247,822	268,232	279,488	(0.2%)	(4.2%)
Goodwill.....	1,553,489	1,727,069	2,247,809	(10.1%)	(30.9%)
Intercompany.....	0	0	0	NM	NM
Other.....	3,102,956	5,291,690	5,317,651	(41.4%)	(41.6%)
Total Assets.....	\$7,812,879	\$10,038,685	\$10,541,510	(22.2%)	(25.9%)
Liabilities & Shareholders' Equity					
Current Liabilities					
Accounts Payable.....	\$134,812	\$110,000	\$174,905	22.6%	(22.9%)
Accrued Expenses.....	2,216,724	813,169	3,464,914	172.6%	(36.0%)
Deferred Revenue.....	544,600	714,265	739,265	(23.8%)	(26.3%)
Other.....	(49,429)	2,771,081	(15,749)	NM	NM
Current Liabilities.....	\$2,846,707	\$4,408,515	\$4,363,336	(35.4%)	(34.8%)
Senior Debt					
SG Credit Debt.....	\$3,129,677	\$3,342,427	\$3,955,445	(6.4%)	(20.9%)
PPF.....	0	0	0	NM	NM
Capital Leases.....	0	0	0	NM	NM
Debt.....	\$3,129,677	\$3,342,427	\$3,955,445	(6.4%)	(20.9%)
Intercompany.....	\$0	\$0	\$0	NM	NM
Tax Liabilities.....	40,000	0	(66,356)	NM	NM
Other Liabilities.....	1,091,113	2,303,813	2,414,369	(52.6%)	(54.8%)
Total Liabilities.....	\$7,108,297	\$10,054,755	\$10,666,793	(29.3%)	(33.4%)
Shareholders' Equity					
Common Equity.....	\$906,330	\$906,000	\$906,330	0.0%	0.0%
Retained Earnings.....	(201,749)	(922,070)	(1,031,613)	NM	NM
Shareholders' Equity.....	\$704,581	(\$16,070)	(\$125,283)	NM	NM
Total Liabilities & Shareh	\$7,812,879	\$10,038,685	\$10,541,510	(22.2%)	(25.9%)

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Cash Flow Statement

	May-25					May-25				
	Month		Variance			Year-to-Date		Variance		
	2025	Budget	2024	vs. Budget	vs. 2024	2025	Budget	2024	vs. Budget	vs. 2024
Cash Flow from Operating Activities:										
Net Income	(813,001)		\$22,165	NM	NM	\$258,139		\$218,475	NM	18.2%
Depreciation	5,685		5,685	NM	0.0%	28,424		28,424	NM	0.0%
Amortization	57,860		57,860	NM	0.0%	289,300		289,300	NM	0.0%
(Gain) / Loss on Sale of Ass	0		0	NM	NM	0		0	NM	NM
(Increase) / Decrease Accou	(74,618)		(28,471)	NM	NM	20,125		120,013	NM	(83.2%)
(Increase) / Decrease FZ No	16,552		12,632	NM	30.8%	79,797		(1,289)	NM	NM
(Increase) / Decrease Invent	673		(17,572)	NM	NM	25,616		2,182	NM	1,074.1%
(Increase) / Decrease Prepai	72,816		25,360	NM	187.1%	(40,878)		(30,777)	NM	NM
(Increase) / Decrease Tax A	113,501		0	NM	NM	(0)		(38,001)	NM	NM
(Increase) / Decrease Other	9,192		0	NM	NM	9,192		0	NM	NM
(Decrease) / Increase Accou	45,309		(101,690)	NM	NM	9,836		(83,689)	NM	NM
(Decrease) / Increase Accru	(149,774)		2,951	NM	NM	(77,571)		(56,891)	NM	NM
(Decrease) / Increase Other	0		0	NM	NM	0		0	NM	NM
(Decrease) / Increase Interc	0		0	NM	NM	0		(15,750)	NM	NM
(Decrease) / Increase Other	0		0	NM	NM	0		0	NM	NM
(Decrease) / Increase Deferr	(5,500)		0	NM	NM	(45,354)		0	NM	NM
Other / Rounding	0		0	NM	NM	0		0	NM	NM
Cash Flow from Operati	\$78,694		(\$20,461)	NM	NM	\$556,626		\$431,997	NM	28.8%
Cash Flow from Investing Activities:										
Acquisition of Assets	0		0	NM	NM	0		0	NM	NM
Capital Expenditures	0		4,171	NM	(100.0%)	(12,501)		(2,243)	NM	NM
Goodwill/Other	0		0	NM	NM	0		0	NM	NM
Cash Flow from Investin	\$0		\$4,171	NM	(100.0%)	(\$12,501)		(\$2,243)	NM	NM
Cash Flow from Financing Activities:										
Proceeds / (Repayment) on	(70,944)		(73,611)	NM	NM	(354,033)		(360,056)	NM	NM
Other	0		0	NM	NM	0		0	NM	NM
Cash Flow from Financin	(\$70,944)		(\$73,611)	NM	NM	(\$354,033)		(\$360,056)	NM	NM
Increase / (Decrease) in Cash	\$7,751		(\$89,901)	NM	NM	\$190,092		\$61,698	NM	208.1%
Excess Cash Flow Repayment	\$0		0	NM	NM	0		0	NM	NM
Net Increase / (Decrease) in C	\$7,751		(\$89,901)	NM	NM	\$190,092		\$61,698	NM	208.1%
Cash - Beginning	\$1,297,645		\$984,449	NM	31.8%	\$1,115,303		\$832,849	NM	33.9%
Net Increase / (Decrease) in C	7,751		(89,901)	NM	NM	190,092		61,698	NM	208.1%
Cash - Ending	\$1,305,395		\$894,548	NM	45.9%	\$1,305,395		\$894,548	NM	45.9%
	0		0			0		0		

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JRE Holdings, Inc. and Subsidiaries

Report on Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

JRE Holdings, Inc. and Subsidiaries**Contents**

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Greenville, South Carolina
April 29, 2025

JRE Holdings, Inc. and Subsidiaries**Consolidated Balance Sheets****As of December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash	\$ 1,115,302	\$ 832,847
Accounts receivable, net	422,666	475,654
Franchise notes receivable - current portion	9,722	8,583
Advances receivable, net - current portion	226,976	170,596
Inventory	340,166	312,161
Income taxes receivable	-	17,235
Prepaid expenses and other current assets	22,050	55,330
Total current assets	<u>2,136,882</u>	<u>1,872,406</u>
Property and equipment, net	<u>185,139</u>	<u>250,856</u>
Other assets		
Franchise notes receivable, net of current portion	6,806	35,399
Advances receivable, net, net of current portion	470,277	597,051
Deferred income taxes, net	267,822	290,609
Goodwill, net	1,980,433	2,597,713
Tradenname	35,000	35,000
Deposits	26,184	41,070
Operating lease right-of-use assets	2,470,932	5,046,157
Total other assets	<u>5,257,454</u>	<u>8,642,999</u>
Total assets	<u>\$ 7,579,475</u>	<u>\$ 10,766,261</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 125,386	\$ 252,982
Accrued expenses	724,151	656,723
Accrued interest	49,933	72,360
Income taxes payable	40,799	-
Deferred revenue - current portion	185,269	188,020
Long-term debt - current portion	3,425,930	840,411
Current portion of operating lease obligations	1,519,802	2,786,831
Total current liabilities	<u>6,071,270</u>	<u>4,797,327</u>
Long-term liabilities		
Long-term debt, net of current portion and debt issuance costs	-	3,348,269
Deferred revenue, net of current portion	404,685	551,245
Security deposits payable	-	28,191
Operating lease liabilities, net of current portion	1,091,113	2,386,178
Total long-term liabilities	<u>1,495,798</u>	<u>6,313,883</u>
Total liabilities	<u>7,567,068</u>	<u>11,111,210</u>
Stockholders' equity		
Common stock - par \$0.0001; 1,000,000 shares authorized, 978,781 shares issued and outstanding	100	100
Additional paid-in capital	906,230	906,230
Accumulated deficit	(893,923)	(1,251,279)
Total stockholders' equity (deficit)	<u>12,407</u>	<u>(344,949)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 7,579,475</u>	<u>\$ 10,766,261</u>

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues		
Royalty fees	\$ 3,575,297	\$ 3,502,976
Company-owned retail sales	1,904,009	2,347,102
Franchise fees	207,110	122,310
Other revenues	108,185	63,000
Total revenues	<u>5,794,601</u>	<u>6,035,388</u>
Operating expenses		
Salaries, wages and benefits	1,544,862	1,684,670
Depreciation and amortization	693,840	695,347
Rent and facilities	647,329	568,207
Merchandise costs	324,504	440,910
Office and administrative	309,764	399,380
Legal and professional fees	294,128	221,327
Advertising and promotion	119,396	111,559
Total operating expenses	<u>3,933,823</u>	<u>4,121,400</u>
Income from operations	<u>1,860,778</u>	<u>1,913,988</u>
Other expenses		
Interest expense	795,170	948,213
Management fees	264,600	252,000
Other expenses, net	112,865	152,060
Total other expenses, net	<u>1,172,635</u>	<u>1,352,273</u>
Income before income tax expense	688,143	561,715
Income tax expense		
Net income	<u>\$ 357,356</u>	<u>\$ 279,052</u>

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries*Consolidated Statements of Changes in Stockholders' Equity**For the years ended December 31, 2024 and 2023*

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance, January 1, 2023	978,781	\$ 100	\$ 906,230	\$ (1,530,331)	\$ (624,001)
Net income	-	-	-	279,052	279,052
Balance, December 31, 2023	978,781	100	906,230	(1,251,279)	(344,949)
Net income	-	-	-	357,356	357,356
Balance, December 31, 2024	978,781	\$ 100	\$ 906,230	\$ (893,923)	\$ 12,407

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities		
Net income	\$ 357,356	\$ 279,052
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	693,840	695,347
Amortization of debt issuance costs	77,040	77,040
Deferred income taxes	22,787	63,958
Provision for credit losses	-	46,557
Paid-in-Kind (PIK) interest	43,543	44,984
Changes in operating assets and liabilities:		
Accounts receivable	52,988	5,495
Franchise and advances receivable, net	103,004	-
Inventory	(28,005)	325,631
Prepaid expenses and other current assets	33,280	30,120
Deposits	14,886	3,063
Operating right-of-use assets and lease liabilities, net	13,131	38,772
Accounts payable	(127,596)	86,698
Accrued expenses and other liabilities	16,810	(221,455)
Income tax receivables and payables, net	58,034	(138,850)
Deferred revenue	(149,311)	(38,193)
Net cash provided by operating activities	<u>1,181,787</u>	<u>1,298,219</u>
Investing activities		
Issuance of franchise notes and advances receivable	(230,507)	(620,157)
Payments received on franchise notes and advances receivable	225,351	71,111
Purchases of property and equipment	(10,843)	(135,609)
Net cash used for investing activities	<u>(15,999)</u>	<u>(684,655)</u>
Financing activities		
Principal payments on long-term debt	(883,333)	(883,333)
Net cash used for financing activities	<u>(883,333)</u>	<u>(883,333)</u>
Net change in cash	282,455	(269,769)
Cash, beginning of year	832,847	1,102,616
Cash, end of year	<u>\$ 1,115,302</u>	<u>\$ 832,847</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 893,327</u>	<u>\$ 831,044</u>
Cash paid for income taxes	<u>\$ 250,783</u>	<u>\$ 357,709</u>

See Notes to Consolidated Financial Statements

JRE Holdings, Inc. and Subsidiaries

***Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023***

Note 1. Summary of Significant Accounting Policies and Activities

Business activity:

DK-JRE, LLC, a Florida limited liability company, was formed in 2018 to acquire all of the issued and outstanding common stock of JRE Holdings, Inc., a Florida Corporation, and its wholly owned subsidiaries, Jewelry Repair Enterprises, Inc., JRE Franchising, Inc. and JRE Enterprises, Inc. The acquisition took place pursuant to a stock purchase agreement effective March 14, 2018.

JRE Holdings, Inc. and its wholly owned subsidiaries are collectively referred to as the "Company." DK-JRE, LLC serves as the parent company to JRE Holdings, Inc. and has no operational activity. As such, the accompanying consolidated financial statements (collectively, the "financial statements") are reported at the JRE Holdings, Inc. level.

The Company is engaged in the business of selling jewelry repair franchises in the United States and Canada and operating Company-owned jewelry repair retail stores.

Basis of presentation:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification (ASC) as the sole source of authoritative GAAP.

Principles of consolidation:

The financial statements include the accounts of JRE Holdings, Inc. and its wholly owned subsidiaries, Jewelry Repair Enterprises, Inc., JRE Franchising, Inc. and JRE Enterprises, Inc. All significant intra-entity balances and transactions have been eliminated.

Reclassifications:

Certain prior year amounts may have been reclassified, where necessary, to conform to the current year presentation. These reclassifications had no impact on previously reported net income or stockholders' equity.

Cash:

The Company places its cash with certain financial institutions. At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Revenue recognition:

The Company generates revenue from four sources: (i) royalty fees based on a percentage of sales reported by each franchise operation; (ii) franchise fees related to the sale of franchises, in accordance with its franchise agreement; (iii) franchise store sales at Company-owned retail stores; and (iv) other revenue associated services provided to franchisees.

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

In accordance with Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606 or ASC 606)*, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. In determining the amount of revenue to be recognized, the Company performs the following steps: (i) identification of the contract with a customer; (ii) identification of the promised services in the contract and determination of whether the promised services are performance obligations, including whether they are distinct in the context of the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's franchise agreements include (a) the right to use symbolic intellectual property over the term of each franchise agreement, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the advertising fund contributions, and development and delivery of training materials. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represents a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day-to-day, the symbolic intellectual property is accessed over time and the customer (the franchisee) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities).

Royalty fee revenue represents amounts paid by the franchisees for use of the name "Fast-Fix Jewelry and Watch Repairs" and for other services to be provided by the Company in accordance with the franchise agreement. Royalties are paid by the franchisee based upon a set percentage (as defined in the franchise agreement) of the franchisee's annual revenues that are related entirely to the Company's performance obligation under the franchise agreement. These royalties are considered variable consideration but, because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchised sales occur. The royalty fees are recognized at a point in time, typically monthly, based on reported store sales. Advertising contributions received from franchisees are recorded as a component of rebate revenue and are offset by an equal corresponding expense in the accompanying consolidated statements of operations.

Franchise fees primarily include initial fees to operate a franchise store for the 10-year term of the franchise agreement, renewal fees to extend the original franchise agreement and transfer fees in the event the franchisee wishes to sell or transfer the franchise to another party. Initial, renewal and transfer franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Franchise fees commence recognition into revenue and payment is due (a) for initial franchise fees at the earlier of (i) commencement of operations or (ii) the point at which the Company has substantially performed all of its obligations, including those services rendered voluntarily, associated with the fee or (b) upon the effective date of franchise renewals or transfers, as there is no continuing service obligation associated with the fee. Any franchise fees collected prior to the recognition of revenue are reflected as deferred revenue on the accompanying consolidated balance sheets.



Independent Auditor's Report

The Directors and Stockholders
JRE Holdings, Inc. and Subsidiaries
Boca Raton, Florida

Opinion

We have audited the consolidated financial statements of JRE Holdings, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. ~~Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.~~ We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

JRE Holdings, Inc. and Subsidiaries**Notes to Consolidated Financial Statements****For the years ended December 31, 2024 and 2023**

Note 1. Summary of Significant Accounting Policies and Activities, ContinuedRevenue recognition, continued:

Franchise store sales represent retail sales made at Company-owned stores and are recognized at a point in time based on reported store sales. The Company's principal terms of sale are payment upon completion of the service or sale of the goods. Other revenues are recognized at a point in time.

The Company believes its franchising agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the Company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

Adoption of accounting standard – Current Expected Credit Losses (CECL):

In accordance with FASB Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the Company measures expected credit losses on certain financial instruments.

The Company adopted this guidance utilizing the modified retrospective transition method on January 1, 2023. The cumulative effect was not material, as such there was no adjustment to the allowance for credit losses as of January 1, 2023. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include advances receivable, franchise notes receivable and accounts receivable (including royalties receivable). An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measure on a collective (pool) basis when similar risk characteristics exist. Where financial statements do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The impact of the current year provision for expected credit losses is incorporated in office and administrative operating expenses on the consolidated statements of operations.

Allowance for credit losses as of January 1, 2023	\$	-
Current year provision for expected credit losses – royalties receivable		14,313
Current year provision for expected credit losses – advances receivable		<u>32,244</u>
Allowance for credit losses as of December 31, 2023	\$	<u>46,557</u>

There was no change in the allowance for credit losses during the year ended December 31, 2024.

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Franchise notes and advances receivable:

Franchise notes consist of amounts due to the Company from the purchase or renewal of individual franchises (three and seven franchisees at December 31, 2024 and 2023, respectively). Late fees may be charged when the outstanding balance due is owed for more than 30 days. Advances receivable are loans to existing or former franchisees. Advances receivable bear interest at rates up to 8 percent and are generally paid over terms varying from one to six years.

Management regularly reviews amounts outstanding and past due to determine if additional collection actions are necessary, which may include legal collection proceedings. Once a receivable is turned over to legal counsel for collection, interest may be accrued on the outstanding balance at a rate not to exceed what is provided for under Florida law, and delinquent notes and advances receivable may accrue interest on the outstanding balance at a rate provided for in the underlying promissory note and franchise agreements. There were no delinquent franchise notes and advances receivable outstanding in excess of 90 days as of December 31, 2024 and 2023.

Deferred revenue:

Deferred revenue consists of amounts collected from franchisees for certain fees for which the related revenue has not been earned or for cash held on behalf of the franchisee for goods or services to be performed by third parties for which the Company acts as an intermediary. Deferred revenue will be recognized to franchise fees within the consolidated statements of operations over the term of the franchise agreement.

Inventory:

Inventory is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis, with cost determined by the specific identification method. Net realizable value represents the estimated selling price for inventories less all estimated costs to sell. Inventories primarily consist of merchandise held for resale at Company-owned retail stores.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Property and equipment are depreciated when placed into service using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the shorter of the estimated useful lives or the period of the respective leases. Furniture and equipment have useful lives ranging from 3 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Impairment of long-lived assets:

The Company reviews long-lived assets 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 the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management believes there are no impairment issues with long-lived assets as of December 31, 2024 and 2023.

Goodwill:

The FASB provides guidance that allows private companies to elect to only recognize intangible assets in a business combination (including customer related intangible assets) if they are capable of being sold or licensed independently from the other assets of a business. Adoption of this alternative also requires adoption of the goodwill alternative issued by the FASB which provides private companies with an alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized and is only tested for impairment when a triggering event occurs that indicates the fair value may be below the carrying amount. Entities that adopt the alternative are required to make a policy decision to test goodwill for impairment either at the entity level or at the reporting level.

The Company follows the provisions of both of these private company accounting alternatives and has elected to test goodwill for impairment at the entity level. Goodwill arising from business combinations represents the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed and is amortized on a straight-line basis over a period of ten years.

The Company evaluates goodwill for impairment at the entity level when a triggering event occurs that indicates that the fair value of the business may be below its carry amount. When a triggering event occurs, management has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary or proceed directly to the quantitative impairment test. If management determines through the qualitative assessment that it is more likely than not that the fair value of the Company exceeds its carrying value, no further evaluation or testing is necessary. However, if management concludes otherwise, then it is required to perform the quantitative impairment test by calculating the Company's fair value and then comparing that fair value to the Company's carrying amount, including goodwill. If the Company's fair value exceeds its carrying value including goodwill, no impairment loss is recognized. However, if the Company's carrying value including goodwill exceeds its fair value, then an impairment loss must be recognized in the amount of that excess (but not to exceed the Company's carrying amount of goodwill). Management determined there was no goodwill impairment during the years ended December 31, 2024 and 2023.

Goodwill, net at January 1, 2023	\$ 3,214,993
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2023	2,597,713
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2024	<u>\$ 1,980,433</u>

JRE Holdings, Inc. and Subsidiaries**Notes to Consolidated Financial Statements****For the years ended December 31, 2024 and 2023**

Note 1. Summary of Significant Accounting Policies and Activities, ContinuedGoodwill, continued:

Goodwill totaled approximately \$6,173,000 and accumulated amortization totaled approximately \$4,193,000 and \$3,575,000 at December 31, 2024 and December 31, 2023, respectively. Goodwill amortization expense is estimated to be approximately \$617,300 during each of the years 2025 through 2027 and \$128,500 in 2028.

Operating lease right-of-use assets and lease liabilities:

The Company recognizes a lease liability and right-of-use lease asset for all leases with a lease term greater than 12 months, including operating leases, within the consolidated balance sheets. Subsequent measurement, including presentation of expenses and cash flows, depends on the classification of the lease as either a financing or operating lease. The Company elected the package of practical expedients which allow the Company not to reassess:

- Whether expired or existing contracts contain leases under the new definition of a lease;
- Lease classification for expired or existing leases; and
- Whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.

For all asset classes, the Company does not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. For all asset classes, the Company does not separate non-lease components from lease components to which they related and have accounted for the combined lease and non-lease components as a single lease component.

Income taxes:

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority.

The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the consolidated statements of operations. Management is not aware of any material uncertain tax positions as of December 31, 2024 and 2023.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

Note 1. Summary of Significant Accounting Policies and Activities, Continued*Debt issuance costs:*

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the related debt. Unamortized amounts incurred in connection with the issuance of long-term debt are recorded as a reduction to the carrying amount of the related debt.

Advertising:

Advertising costs are expensed as incurred. Advertising costs were approximately \$119,000 and \$112,000 for the years ended December 31, 2024 and 2023, respectively.

Other expenses:

The Company classifies expenses that are infrequent, unusual in nature, or unrelated to the operations of the Company as other expenses in the accompanying consolidated statements of operations. Other expenses are comprised primarily of interest and management fees.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Fair value of assets and liabilities:

The carrying values of all the Company's financial instruments approximate their fair values. The Company applies the guidance related to fair value for certain non-financial assets and liabilities. The non-financial assets and liabilities include items such as long-lived assets and goodwill.

Subsequent events:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 29, 2025, the date the financial statements were available for issuance.

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 2. Revenues

Revenue is disaggregated by timing of satisfaction of performance obligations is summarized as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time	\$ 5,587,491	\$ 5,913,078
Performance obligations satisfied over time	<u>207,110</u>	<u>122,310</u>
	<u>\$ 5,794,601</u>	<u>\$ 6,035,388</u>

Revenue from performance obligations satisfied at a point in time consists of royalty fees, other revenue, and Company-owned retail sales. Revenue from performance obligations satisfied over time consists of franchise fees. All services are provided to franchisees and retail customers.

Upfront fees paid for site selection, basic training, franchisee specifications and construction plans, branding, and continued support from franchisor are not material in nature and expensed as incurred.

Revenue for franchise fees are recognized on a straight-line basis over the term of the respective agreement. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and franchise notes receivables, and deferred revenue (contract liabilities) on the consolidated balance sheets are as follows as of December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Royalty receivables	\$ 381,190	\$ 424,640	\$ 426,561
Franchise notes receivables	<u>16,528</u>	<u>43,982</u>	<u>25,221</u>
	<u>\$ 397,718</u>	<u>\$ 468,622</u>	<u>\$ 451,782</u>
Contract liabilities:			
Deferred revenue	<u>\$ 589,954</u>	<u>\$ 739,265</u>	<u>\$ 777,458</u>
	<u>\$ 589,954</u>	<u>\$ 739,265</u>	<u>\$ 777,458</u>

The Company records accounts receivable or franchise notes when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded.

Note 3. Accounts Receivable

Accounts receivable consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Royalties receivable	\$ 381,190	\$ 424,640
Trade receivables	<u>41,476</u>	<u>51,014</u>
	<u>\$ 422,666</u>	<u>\$ 475,654</u>

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 4. Franchising Notes and Advances Receivable

Franchise notes and advances receivable consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Franchise notes receivable	\$ 16,528	\$ 43,982
Advances receivable	<u>697,253</u>	<u>767,647</u>
	713,781	811,629
Less current portion	<u>(236,698)</u>	<u>(179,179)</u>
	<u>\$ 477,083</u>	<u>\$ 632,450</u>

Scheduled repayments of franchise notes and advances receivable as of December 31, 2024 are as follows for the years ending December 31:

2025	\$ 236,698
2026	429,746
2027	34,129
2028	10,851
2029	<u>2,357</u>
	<u>\$ 713,781</u>

Note 5. Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 360,375	\$ 349,533
Leasehold improvements	<u>174,281</u>	<u>174,281</u>
	534,656	523,814
Less accumulated depreciation	<u>(349,517)</u>	<u>(272,958)</u>
	<u>\$ 185,139</u>	<u>\$ 250,856</u>

Depreciation expense was approximately \$77,000 and \$78,000 for the years ended December 31, 2024 and 2023, respectively.

Note 6. Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Senior term loan	\$ 3,483,710	\$ 4,323,500
Less unamortized debt issuance cost	(57,780)	(134,820)
Less current portion	<u>(3,425,930)</u>	<u>(840,411)</u>
	<u>\$ -</u>	<u>\$ 3,348,269</u>

JRE Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 6. Long-Term Debt, Continued

In September 2022, the Company entered into a \$5,300,000 senior term loan with a financial institution. The loan bears interest at Prime Rate plus 9 percent, plus 1 percent PIK interest that is compounded and added to the principal balance (17.5 percent at December 31, 2024 and 2023). Monthly principal payments of approximately \$69,000 are due with a balloon payment of the balance due upon maturity. The loan matures October 1, 2025.

The Company has historically refinanced the senior term loans at the end of their term. Management expects to extend or refinance the current senior term loan, at or prior to maturity. The Company's operations are based upon its ability to maintain lender funding. These financial statements do not include any adjustments that may result should the Company be unable to achieve the expected extension or refinance.

The Company is subject to certain financial and non-financial covenants associated with the agreement and has obtained waivers for all instances of noncompliance.

At December 31, 2024 and 2023, debt issuance costs totaled approximately \$230,000 less accumulated amortization of approximately \$172,000 and \$95,000, respectively. Future amortization is estimated to be approximately \$58,000 in 2025.

Note 7. Income Taxes

The components of the income tax expense are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Current expense	\$ 308,001	\$ 218,704
Deferred expense	<u>22,786</u>	<u>63,959</u>
	<u>\$ 330,787</u>	<u>\$ 282,663</u>

The types of temporary differences and their related tax effects that give rise to the deferred tax assets and deferred tax liabilities are as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Goodwill	\$ 15,275	\$ 23,925
Prepaid expenses	3,815	4,831
Accrued bonuses	17,226	515
Accrued management fees	66,861	50,099
Federal and state NOL Carry Forward	3,511	1,554
Leases	35,881	33,774
Provision for credit losses	11,934	8,297
Deferred revenue	<u>151,225</u>	<u>190,237</u>
	305,728	313,232
Deferred tax liabilities:		
Property and equipment	<u>(37,906)</u>	<u>(22,623)</u>
Net deferred tax asset	<u>\$ 267,822</u>	<u>\$ 290,609</u>

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 7. Income Taxes, Continued

If, based on the weight of available evidence, it is more likely than not that all deferred tax assets will not be realized, a valuation allowance must be recorded. No valuation allowance was considered necessary as of December 31, 2024 and 2023.

The Company's actual income tax provision reflect differences from the expected amount primarily due to state income taxes, net operating loss carrybacks, and goodwill amortization that is deemed non-deductible for tax reporting purposes.

Note 8. Related-Party Transactions

The Company has a management services agreement with DK-JRE, LLC., a related party. The related party serves as an advisor and provides management services to the Company. Management fees were approximately \$265,000 and \$252,000 for the years ended December 31, 2024 and 2023, respectively. There were approximately \$515,000 and \$449,000 of unpaid management fees included in accrued expenses on the consolidated balance sheets as of December 31, 2024 and 2023, respectively.

Note 9. Leases

The Company leases retail space in shopping centers for many corporate stores, as well as on behalf of certain franchisees, under non-cancelable operating leases. The leases expire at various dates through 2030. Certain lease agreements contain renewal options. For those leases, the Company included these renewal periods in the lease term if the Company determined it was reasonably certain to exercise the option. Lease payments during such renewal periods were also considered in the calculation of right-of-use assets and lease obligations. Fixed lease payments consist of base rent and operating expenses but do not include contingent rentals which may be required under certain leases based on sales more than stipulated minimums. Fixed lease expense under these agreements totaled approximately \$586,000 and \$568,000 for the years ended December 31, 2024 and 2023, respectively.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets are recognized at the commencement date as the initial measurement of the lease liability, plus payments made prior to lease commencement and any initial direct costs. As the Company's leases do not provide an implicit rate, the Company elected to use its incremental borrowing rate at the commencement date in determining the present value of lease payments.

JRE Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the years ended December 31, 2024 and 2023

Note 9. Leases, Continued

Future minimum lease payments under the operating leases as of December 31, 2024 are as follows for the years ending December 31:

2025	\$ 1,871,943
2026	787,589
2027	115,467
2028	40,231
2029	41,438
Thereafter	<u>106,388</u>
Total undiscounted lease payments	2,963,056
Less: imputed interest	<u>(352,141)</u>
Total present value of lease liabilities	2,610,915
Less: current portion of operating lease obligations	<u>(1,519,802)</u>
Operating lease liabilities, net of current portion	<u>\$ 1,091,113</u>

Supplemental information regarding operating leases includes:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	1.92 years	2.18 years
Weighted average discount rate	13.5%	13.5%

Note 10. Commitments and Contingencies

From time to time, the Company is party to certain legal matters, including those related to contracts and franchise agreements that arise in the ordinary course of business. The estimated cost that the Company expects to pay in relationship to these matters is accrued when the liability is considered probable, and the amounts can be reasonably estimated. In management's opinion, any such outstanding matters of which the Company has knowledge have been reflected in the financial statements or would not have a material adverse effect on the Company's financial position and results of operations.

Jewelry Repair Enterprises, Inc.

Report on Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Jewelry Repair Enterprises, Inc.
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Independent Auditor's Report

The Directors and Stockholders
Jewelry Repair Enterprises, Inc.
Boca Raton, Florida

Opinion

We have audited the consolidated financial statements of Jewelry Repair Enterprises, Inc. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Greenville, South Carolina
April 29, 2024

Jewelry Repair Enterprises, Inc.*Consolidated Balance Sheets**As of December 31, 2023 and 2022*

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 832,847	\$ 1,102,616
Accounts receivable, net	475,654	481,149
Franchise notes receivable - current portion	8,583	22,443
Advances receivable, net - current portion	170,596	169,189
Inventory	312,161	637,792
Income taxes receivable	17,235	-
Prepaid expenses and other current assets	55,330	85,450
Total current assets	<u>1,872,406</u>	<u>2,498,639</u>
Property and equipment, net	<u>250,856</u>	<u>193,314</u>
Other assets		
Franchise notes receivable - long term portion	35,399	2,778
Advances receivable, net - long term portion	597,051	114,730
Deferred income taxes, net	290,609	354,567
Goodwill, net	2,597,713	3,214,993
Trade name	35,000	35,000
Deposits	41,070	44,133
Operating lease right-of-use assets	5,046,157	8,948,366
Total other assets	<u>8,642,999</u>	<u>12,714,567</u>
Total assets	<u>\$ 10,766,261</u>	<u>\$ 15,406,520</u>
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	\$ 252,982	\$ 166,284
Accrued expenses	656,723	881,514
Accrued interest	72,360	77,215
Deferred revenue - current portion	188,020	194,992
Income taxes payable	-	121,615
Long-term debt - current portion	840,411	834,876
Current portion of operating lease obligations	2,786,831	3,884,583
Total current liabilities	<u>4,797,327</u>	<u>6,161,079</u>
Long-term liabilities		
Long-term debt, net of current portion and debt issuance costs	3,348,269	4,115,113
Deferred revenue, net of current portion	551,245	582,466
Security deposits payable	28,191	20,000
Operating lease liabilities, net of current portion	2,386,178	5,151,863
Total long-term liabilities	<u>6,313,883</u>	<u>9,869,442</u>
Total liabilities	<u>11,111,210</u>	<u>16,030,521</u>
Stockholders' deficit		
Common stock - par \$0.0001; 1,000,000 shares authorized, 978,781 shares issued and outstanding	100	100
Additional paid-in capital	906,230	906,230
Accumulated deficit	(1,251,279)	(1,530,331)
Total stockholders' deficit	<u>(344,949)</u>	<u>(624,001)</u>
Total liabilities and stockholders' deficit	<u>\$ 10,766,261</u>	<u>\$ 15,406,520</u>

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.
Consolidated Statements of Operations
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenues		
Royalty fees	\$ 3,502,976	\$ 3,552,578
Company-owned retail sales	2,347,102	3,113,768
Rebate and other revenues	152,587	93,422
Franchise fees	122,310	235,423
Total revenues	<u>6,124,975</u>	<u>6,995,191</u>
Operating expenses		
Salaries, wages and benefits	1,684,670	1,936,396
Depreciation and amortization	695,347	716,819
Rent and facilities	568,207	1,000,541
Merchandise costs	530,497	334,003
Office and administrative	399,380	633,088
Legal and professional fees	221,327	392,452
Advertising and promotion	111,559	274,489
Total operating expenses	<u>4,210,987</u>	<u>5,287,788</u>
Income from operations	<u>1,913,988</u>	<u>1,707,403</u>
Other (expenses) income		
Interest expense	(948,213)	(608,093)
Management fees	(252,000)	(176,687)
Other (expenses) income	(152,060)	127,240
Employee Retention Credit (ERC) income	-	200,021
Paycheck Protection Program (PPP) income	-	259,656
Total other expenses, net	<u>(1,352,273)</u>	<u>(197,863)</u>
Income before income tax expense	561,715	1,509,540
Income tax expense		
	(282,663)	(497,341)
Net income	<u>\$ 279,052</u>	<u>\$ 1,012,199</u>

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.

*Consolidated Statements of Changes in Stockholders' Deficit
For the years ended December 31, 2023 and 2022*

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount			
Balance, January 1, 2022	978,781	\$ 100	\$ 906,230	\$ (2,542,530)	\$ (1,636,200)
Net income	-	-	-	1,012,199	1,012,199
Balance, December 31, 2022	978,781	100	906,230	(1,530,331)	(624,001)
Net income	-	-	-	279,052	279,052
Balance, December 31, 2023	978,781	\$ 100	\$ 906,230	\$ (1,251,279)	\$ (344,949)

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Net income	\$ 279,052	\$ 1,012,199
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	695,347	698,255
Amortization of deferred financing costs	77,040	18,564
Deferred income taxes	63,958	(20,991)
Provision for credit losses	46,557	-
Paid-in-Kind (PIK) interest	44,984	9,070
Paycheck Protection Program (PPP) income	-	(259,656)
Changes in operating assets and liabilities:		
Accounts receivable	5,495	(20,861)
Inventory	325,631	(290,522)
Prepaid expenses and other current assets	30,120	(45,294)
Deposits	3,063	(29,133)
Operating right-of-use assets and lease liabilities, net	38,772	88,080
Accounts payable	86,698	(42,787)
Accrued expenses and other liabilities	(221,455)	(213,896)
Income tax receivables or payables, net	(138,850)	189,928
Employee Retention Credit (ERC) receivable	-	176,041
Deferred revenue	(38,193)	(198,090)
Net cash provided by operating activities	<u>1,298,219</u>	<u>1,070,907</u>
Investing activities		
Issuance of franchise notes and advances receivable	(620,157)	(91,909)
Payments received on franchise notes and advances receivable	71,111	113,552
Purchases of property and equipment	(135,609)	(56,158)
Net cash used for investing activities	<u>(684,655)</u>	<u>(34,515)</u>
Financing activities		
Principal payments on long-term debt	(883,333)	(6,262,327)
Proceeds from long-term debt	-	5,300,000
Payments for debt issuance costs	-	(230,424)
Net cash used for financing activities	<u>(883,333)</u>	<u>(1,192,751)</u>
Net change in cash and cash equivalents	(269,769)	(156,359)
Cash and cash equivalents, beginning of year	<u>1,102,616</u>	<u>1,258,975</u>
Cash and cash equivalents, end of year	<u>\$ 832,847</u>	<u>\$ 1,102,616</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 831,044</u>	<u>\$ 550,664</u>
Cash paid (refunded) for income taxes	<u>\$ 357,709</u>	<u>\$ (307,413)</u>

See Notes to Consolidated Financial Statements

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities

Business activity:

DK-JRE, LLC, a Florida limited liability company, was formed to acquire all of the issued and outstanding common stock of JRE Holdings, Inc., a Florida Corporation, and its wholly owned subsidiaries, Jewelry Repair Enterprises, Inc., JRE Franchising, Inc. and JRE Enterprises, Inc. The acquisition took place pursuant to a stock purchase agreement effective March 14, 2018.

Jewelry Repair Enterprises, Inc. and its wholly owned subsidiaries are collectively referred to as the "Company." JRE Holdings, Inc. serves as the parent company to Jewelry Repair Enterprises, Inc. and has no operational activity. As such, the accompanying consolidated financial statements (collectively, the "financial statements") are reported at the Jewelry Repair Enterprises, Inc. level.

The Company is engaged in the business of selling jewelry repair franchises in the United States and Canada and operating Company-owned retail stores.

Basis of presentation:

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) has established the Accounting Standards Codification as the sole source of authoritative GAAP.

Principles of consolidation:

The financial statements include the accounts of Jewelry Repair Enterprises, Inc. and its wholly owned subsidiaries, JRE Franchising, Inc. and JRE Enterprises, Inc. All significant intra-entity balances and transactions have been eliminated.

Reclassifications:

Certain prior year amounts have been reclassified, where necessary, to conform to the current year presentation.

Cash and cash equivalents:

The Company places its cash with high quality financial institutions. The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At times, cash may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company has not experienced losses in cash and cash equivalents and does not believe it is exposed to any significant risk of credit loss on its cash and cash equivalents.

Revenue recognition:

The Company generates revenue from four sources: (i) royalty fees based on a percentage of sales reported by each franchise operation; (ii) franchise fees related to the sale of franchises, in accordance with its franchise agreement; (iii) franchise store sales at Company-owned retail stores; and (iv) rebate and other income associated with franchise store merchandise purchases.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

In accordance with Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606 or ASC 606)*, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods or services. In determining the amount of revenue to be recognized, the Company performs the following steps: (i) identification of the contract with a customer; (ii) identification of the promised services in the contract and determination of whether the promised services are performance obligations, including whether they are distinct in the context of the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's franchise agreements include (a) the right to use symbolic intellectual property over the term of each franchise agreement, (b) pre-opening services, such as training, and (c) ongoing services, such as management of the advertising fund contributions, and development and delivery of training materials. These promises are highly dependent upon and interrelated with the franchise right granted in the franchise agreement, so they are not considered to be individually distinct and therefore are accounted for as a single performance obligation. The performance obligation under the franchise agreement is the promise to provide daily access to the symbolic intellectual property over the term of each franchise agreement, which is a series of distinct services that represents a single performance obligation. Although the franchisor's underlying activities associated with the symbolic intellectual property will vary both within a day and day-to-day, the symbolic intellectual property is accessed over time and the customer (the franchisee) simultaneously receives and consumes the benefit from the franchisor's performance of providing access to the symbolic intellectual property (including other related activities).

Royalty fee revenue represents amounts paid by the franchisees for use of the name "Fast-Fix Jewelry and Watch Repairs" and for other services to be provided by the Company in accordance with the franchise agreement. Royalties are paid by the franchisee based upon a set percentage (as defined in the franchise agreement) of the franchisee's annual revenues that are related entirely to the Company's performance obligation under the franchise agreement. These royalties are considered variable consideration but, because they relate to a license of intellectual property, they are not included in the transaction price. Instead, royalty revenue is recognized as franchised sales occur. The royalty fees are recognized at a point in time, typically monthly, based on reported store sales. Advertising contributions received from franchisees are recorded as a component of rebate revenue and are offset by an equal corresponding expense in the accompanying consolidated statements of operations.

Franchise fees primarily include initial fees to operate a franchise store for the 10 year term of the franchise agreement, renewal fees to extend the original franchise agreement and transfer fees in the event the franchisee wishes to sell or transfer the franchise to another party. Initial, renewal and transfer franchise fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Franchise fees commence recognition into revenue and payment is due (a) for initial franchise fees at the earlier of (i) commencement of operations or (ii) the point at which the Company has substantially performed all of its obligations, including those services rendered voluntarily, associated with the fee or (b) upon the effective date of franchise renewals or transfers, as there is no continuing service obligation associated with the fee. Any franchise fees collected prior to the recognition of revenue are reflected as deferred revenue on the accompanying consolidated balance sheets.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Revenue recognition, continued:

Franchise store sales represent retail sales made at Company-owned stores and are recognized at a point in time based on reported store sales. The Company's principal terms of sale are payment upon completion of the service or sale of the goods. Rebate and other revenues represent rebates earned from vendors based on volume-based purchase incentives and are recognized at a point in time.

The Company believes its franchising agreements do not contain a significant financing component because (a) the timing of the upfront payment does not arise for the reason of provision of financing to the company and (b) the sales-based royalty is variable and based on factors outside the Company or the franchisee's control.

Adoption of new accounting standard – Current Expected Credit Losses (CECL):

Effective January 1, 2023, the Company adopted FASB Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments.

The Company adopted this new guidance utilizing the modified retrospective transition method. The cumulative effect was not material, as such there was no adjustment to the allowance for credit losses as of January 1, 2023. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include advances receivable, franchise notes receivable and accounts receivable (including royalties receivable). An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measure on a collective (pool) basis when similar risk characteristics exist. Where financial statements do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The impact of the current year provision for expected credit losses is incorporated in office and administrative operating expenses on the consolidated statements of operations.

Allowance for credit losses as of January 1, 2023	\$	-
Current year provision for expected credit losses – royalties receivable		14,313
Current year provision for expected credit losses – advances receivable		<u>32,244</u>
Allowance for credit losses as of December 31, 2023	\$	<u>46,557</u>

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Franchise notes and advances receivable:

Franchise notes consist of amounts due to the Company for the purchase or renewal of individual franchises (17 and 14 franchisees at December 31, 2023 and 2022, respectively). Late fees may be charged when the outstanding balance due is owed for more than 30 days. Advances receivable are loans to existing or former franchisees. Advances receivable bear interest at rates up to 8 percent and are generally paid over terms varying from one to six years.

Management regularly reviews amounts outstanding and past due to determine if additional collection actions are necessary, which may include legal collection proceedings. Once a receivable is turned over to legal counsel for collection, interest may be accrued on the outstanding balance at a rate not to exceed what is provided for under Florida law, and delinquent notes and advances receivable may accrue interest on the outstanding balance at a rate provided for in the underlying promissory note and franchise agreements.

Deferred revenue:

Deferred revenue consist of amounts collected from franchisees for certain fees for which the related revenue has not been earned or for cash held on behalf of the franchisee for goods or services to be performed by third-parties for which the Company acts as an intermediary. Deferred revenue will be recognized to franchise fees within the consolidated statements of operations over the term of the franchise agreement.

Inventory:

Inventory is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis, with cost determined by the specific identification method. Net realizable value represents the estimated selling price for inventories less all estimated costs to sell. Inventories primarily consist of merchandise held for resale at Company-owned retail stores.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Property and equipment are depreciated when placed into service using the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are amortized over the shorter of the estimated useful lives or the period of the respective leases. Furniture and equipment have useful lives ranging from 3 to 7 years. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are expensed as incurred.

Impairment of long-lived assets:

The Company reviews long-lived assets 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 the asset to undiscounted future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Management believes there are no impairment issues with long-lived assets as of December 31, 2023 and 2022.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Goodwill:

The FASB provides guidance that allows private companies to elect not to separately identify and recognize certain intangible assets and noncompetition agreements acquired in a business combination. Under this alternative, a private company may elect not to recognize intangible assets in a business combination (including customer related intangible assets), unless they are capable of being sold or licensed independently from the other assets of a business. Adoption of this alternative also requires adoption of the goodwill alternative issued by the FASB which provides private companies with an alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized and is only tested for impairment when a triggering event occurs that indicates the fair value may be below the carrying amount. Entities that adopt the alternative are required to make a policy decision to test goodwill for impairment either at the entity level or at the reporting level. The Company follows the provisions of both of these private company accounting alternatives and has elected to test goodwill for impairment at the entity level.

Goodwill arising from business combinations represents the excess of the purchase price over the fair value of the net assets acquired and is amortized on a straight-line basis over a period of ten years.

The carrying value of goodwill is reviewed when circumstances and events indicate that the asset might be impaired and the undiscounted cash flows estimated to be generated by the Company is less than the carrying value of these assets. If the estimated fair value is less than the carrying value, then impairment is deemed to have occurred. Management recorded no impairment to goodwill during the years ended December 31, 2023 and December 31, 2022.

Goodwill, net at January 1, 2022	\$ 3,832,273
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2022	3,214,993
Amortization of goodwill	<u>(617,280)</u>
Goodwill, net at December 31, 2023	<u>\$ 2,597,713</u>

Goodwill totaled approximately \$6,173,000 and accumulated amortization totaled approximately \$2,958,000 and \$3,575,000 at December 31, 2023 and December 31, 2022, respectively. Goodwill amortization expense is estimated to be approximately \$617,300 during each of the years 2024 through 2027 and \$128,500 in 2028.

Operating lease right-of-use assets and lease liabilities:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which changed the criteria for recognizing leasing transactions. Under the ASU, a lessee will be required to recognize a lease liability and right-of-use lease asset for all leases with a lease term greater than 12 months, including operating leases, in the consolidated balances sheets. Subsequent measurement, including presentation of expenses and cash flows, will depend on the classification of the lease as either a financing or operating lease. In addition, expanded disclosures will be required. Topic 842 was effective for private companies for balance sheet for years beginning after December 15, 2021. Accordingly, the Company adopted the ASU effective January 1, 2022 and recognized approximately \$13,401,000 of operating right-of-use assets and lease liabilities on the consolidated balance sheet.

Jewelry Repair Enterprises, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Operating lease right-of-use assets and lease liabilities, continued:

The Company elected the package of practical expedients which allow the Company not to reassess:

- Whether expired or existing contracts contain leases under the new definition of a lease;
- Lease classification for expired or existing leases; and
- Whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.

The Company did not elect to use hindsight for transition when considering judgements and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. The Company did not elect to reassess whether land easements meet the definition of a lease if they were not accounted for as leases under the former rules. For all asset classes, the Company elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. For all asset classes, the Company elected to not separate non-lease components from lease components to which they related and have accounted for the combined lease and non-lease components as a single lease component.

Income taxes:

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority.

The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the consolidated statements of operations. Management is not aware of any material uncertain tax positions as of December 31, 2023 and 2022.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Debt issuance costs:

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense using the straight-line method, which approximates the effective interest method, over the term of the related debt. Unamortized amounts incurred in connection with the issuance of long-term debt are recorded as a reduction to the carrying amount of the related debt.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 1. Summary of Significant Accounting Policies and Activities, Continued

Advertising:

Advertising costs are expensed as incurred. Advertising costs were approximately \$112,000 and \$274,000 and for the years ended December 31, 2023 and 2022, respectively.

Other (expenses) income:

The Company classifies expenses that are infrequent, unusual in nature, or unrelated to the operations of the Company as other expenses in the accompanying consolidated statements of operations. Other expenses are comprised primarily of interest, management fees, and income from Employee Retention Credit (ERC) and Paycheck Protection Program (PPP).

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Fair value of assets and liabilities:

The carrying values of all the Company's financial instruments approximate their fair values. The Company applies the guidance related to fair value for certain non-financial assets and liabilities. The non-financial assets and liabilities include items such as long-lived assets and goodwill.

Subsequent events:

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through April 29, 2024, the date the financial statements were available for issuance.

Note 2. Revenues

Revenue is disaggregated by timing of satisfaction of performance obligations is summarized as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 6,002,665	\$ 6,759,768
Performance obligations satisfied over time	<u>122,310</u>	<u>235,423</u>
	<u>\$ 6,124,975</u>	<u>\$ 6,995,191</u>

Revenue from performance obligations satisfied at a point in time consists of royalty fees, rebate income, and Company-owned retail sales. Revenue from performance obligations satisfied over time consists of franchise fees. All services are provided to franchisees and retail customers.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 2. Revenues, Continued

Upfront fees paid for site selection, basic training, franchisee specifications and construction plans, branding, and continued support from franchisor are not material in nature and expensed as incurred.

Revenue for franchise fees are recognized on a straight-line basis over the term of the respective agreement. The timing of revenue recognition, billings and cash collections results in billed accounts receivable and franchise notes, and deferred revenue (contract liabilities) on the consolidated balance sheets are as follows as of December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Royalty receivables	\$ 424,640	\$ 426,561	\$ 404,850
Franchise notes receivables	<u>43,982</u>	<u>25,221</u>	<u>92,773</u>
	<u>\$ 468,622</u>	<u>\$ 451,782</u>	<u>\$ 497,623</u>
Contract liabilities:			
Deferred revenue	<u>\$ 739,265</u>	<u>\$ 777,458</u>	<u>\$ 975,548</u>
	<u>\$ 739,265</u>	<u>\$ 777,458</u>	<u>\$ 975,548</u>

The Company records accounts receivable or franchise notes when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded.

Note 3. Accounts Receivable

Accounts receivable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Royalties receivable	\$ 424,640	\$ 426,561
Trade receivables	<u>51,014</u>	<u>54,588</u>
	<u>\$ 475,654</u>	<u>\$ 481,149</u>

Note 4. Franchising Notes and Advances Receivable

Franchise notes and advances receivable consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Franchise notes receivable	\$ 43,982	\$ 25,221
Advances receivable	<u>767,647</u>	<u>283,919</u>
	811,629	309,140
Less current portion	<u>(179,179)</u>	<u>(191,632)</u>
	<u>\$ 632,450</u>	<u>\$ 117,508</u>

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 4. Franchising Notes and Advances Receivable, Continued

Scheduled repayments of franchise notes and advances as of December 31, 2023 are as follows for the years ending December 31:

2024	\$ 179,179
2025	125,982
2026	488,768
2027	8,850
2028	<u>8,850</u>
	<u>\$ 811,629</u>

During the year ended December 31, 2023, the Company filed breach of contract lawsuits against multiple former franchisees of the Company. Advances receivable with active litigation total approximately \$469,000 (net of an allowance of approximately \$32,000) and are classified as long term on the consolidated balance sheets as of December 31, 2023 (See Note 12).

Note 5. Property and Equipment

Property and equipment consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 349,533	\$ 349,231
Leasehold improvements	<u>174,281</u>	<u>52,626</u>
	523,814	401,857
Less accumulated depreciation	<u>(272,958)</u>	<u>(208,543)</u>
	<u>\$ 250,856</u>	<u>\$ 193,314</u>

Depreciation expense was approximately \$78,000 and \$62,800 for the years ended December 31, 2023 and 2022, respectively.

Note 6. Long-Term Debt

Long-term debt consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Senior term loan	\$ 4,323,500	\$ 5,161,849
Less unamortized debt issuance cost	(134,820)	(211,860)
Less current portion	<u>(840,411)</u>	<u>(834,876)</u>
	<u>\$ 3,348,269</u>	<u>\$ 4,115,113</u>

In November 2016, the Company entered into a \$7,550,000 senior term loan ("previous term loan") with a financial institution. When satisfied in full during 2022, the previous term loan had interest fixed rate of 9 percent with no Paid-In-Kind (PIK) interest.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 6. Long-Term Debt, Continued

In September 2022, the Company paid the previous term loan in full and entered into a \$5,300,000 senior term loan with a new financial institution. The loan bears interest at Prime Rate plus 9 percent, plus 1 percent PIK interest that is compounded and added to the principal balance (17.5 and 16 percent at December 31, 2023 and 2022, respectively). Monthly principal payments of approximately \$69,000 are due with a balloon payment of the balance due upon maturity. The loan matures October 1, 2025. The Company is subject to certain financial and non-financial covenants associated with the agreement.

Scheduled principal payments on long-term debt as of December 31, 2023 are as follows for the years ending December 31:

2024	\$ 840,411
2025	<u>3,483,089</u>
	<u>\$ 4,323,500</u>

At December 31, 2023 and 2022, debt issuance costs totaled approximately \$230,000 less accumulated amortization of approximately \$95,000 and \$18,000, respectively. Future amortization is estimated to be approximately \$77,000 in 2024 and \$58,000 in 2025.

Note 7. Coronavirus Aid, Relief, and Economic Security (“CARES”) Act

Paycheck Protection Program (PPP):

In March 2021, the Company entered into a loan with a financial institution in a principal amount of \$259,656 pursuant to the Paycheck Protection Program (“PPP Second Draw Loan”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Second Draw Loan is unsecured and guaranteed by the United States Small Business Administration. The Company may apply to the financial institution for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and mortgage obligations, covered utility payments, worker protection costs related to COVID-19, and certain supplier costs and expenses for operations incurred by the Company during the covered period, calculated in accordance with the terms of the CARES Act. In October, 2022, the Company received notification from the Small Business Administration (SBA) that the Company’s PPP loan had been fully forgiven. Accordingly, the Company recognized \$259,656 of PPP income within other income (expenses) for the year ended December 31, 2022. The Company recognized no PPP income within other income (expenses) for the year ended December 31, 2023.

Employee Retention Credit (ERC):

The Employee Retention Credit (ERC) program was created under the CARES Act and was significantly modified, expanded and extended into the first three quarters of calendar year 2021 by the Consolidated Appropriation Act, 2021 (the “Act”). The goal of the ERC program is to encourage employers to retain and continue paying employees during periods of pandemic-related reduction in business volume even if those employees are not actually working, and therefore, are not providing a service to the employer. Under the Act, eligible employers could take credits up to 70% of qualified wages with a limit of \$7,000 per employee per quarter for the first three quarters of calendar year 2021. In order to qualify for the ERC, organizations generally have to experience at least a 20% decrease in gross receipts in the quarter compared to the same quarter in calendar year 2019.

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 7. Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Continued

Employee Retention Credit (ERC), continued:

The Company applied for the ERC totaling approximately \$482,000 which included approximately \$121,000 for quarters two, three and four of calendar year 2020 and approximately \$163,000 for quarter one of 2021 and \$198,000 for quarter two of 2021. During 2022, the Company received \$375,000 in ERC income for quarters two, three and four of 2020 as well as quarter one and two of 2021. Approximately \$175,000 reduced the receivable previously recognized on the consolidated balance sheet. Approximately \$200,000 of ERC income was recognized in other income (expenses) for the year ended December 31, 2022. There was no ERC income recognized in other income (expenses) for the year ended December 31, 2023.

The Company has accounted for the ERC income as a government grant which analogizes with International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. IAS 20 indicates that income is recognized when it is considered that there is reasonable assurance the grant will be received and all necessary qualifying conditions, as stated in the CARES act, are met. Under IAS 20, income is recognized on a systematic basis over the period in which the entity recognizes as expenses the related costs for which the grant is intended to compensate. The Company elected to account for the use of the ERC on a gross basis and the income is included in other income (expenses) within the consolidated statements of operations. The activity related to ERC income is included in the operating activities of the consolidated statements of cash flow.

Note 8. Income Taxes

The components of the income tax benefit (expense) are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Current expense	\$ (218,704)	\$ (518,332)
Deferred benefit (expense)	<u>(63,959)</u>	<u>20,991</u>
	<u>\$ (282,663)</u>	<u>\$ (497,341)</u>

Jewelry Repair Enterprises, Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

Note 8. Income Taxes, Continued

The types of temporary differences and their related tax effects that give rise to the deferred tax assets and deferred tax liabilities are as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Deferred tax assets:		
Goodwill	\$ 23,925	\$ 32,382
Prepaid expenses	4,831	-
Accrued bonuses	515	21,527
Accrued management fees	50,099	-
Federal and state NOL Carry Forward	1,554	1,461
Leases	33,774	22,573
Provision for credit losses	8,297	-
Deferred revenue	<u>190,237</u>	<u>199,246</u>
	313,232	393,229
Deferred tax liabilities:		
Property and equipment	<u>(22,623)</u>	<u>(38,660)</u>
Net deferred tax asset	<u>\$ 290,609</u>	<u>\$ 354,567</u>

If, based on the weight of available evidence, it is more likely than not that all deferred tax assets will not be realized, a valuation allowance must be recorded. No valuation allowance was considered necessary as of December 31, 2023 and 2022.

The Company's actual income tax provision reflect differences from the expected amount primarily due to state income taxes, net operating loss carrybacks, and goodwill amortization that is deemed non-deductible for tax reporting purposes.

Note 9. Related-Party Transactions

The Company has a management services agreement with the majority member of the Company. The member serves as an advisor and provides management services to the Company. Management fees were approximately \$252,000 and \$177,000 for the years ended December 31, 2023 and 2022, respectively. There were approximately \$449,000 and \$386,000 of unpaid management fees, included in accrued expenses on the consolidated balance sheets as of December 31, 2023 and 2022, respectively.

Jewelry Repair Enterprises, Inc.**Notes to Consolidated Financial Statements****For the years ended December 31, 2023 and 2022**

Note 10. Leases

The Company leases retail space in shopping centers for many corporate stores, as well as on behalf of certain franchisees, under non-cancelable operating leases. The leases expire at various dates through 2030. Certain lease agreements contain renewal options. For those leases, the Company included these renewal periods in the lease term if the Company determined it was reasonably certain to exercise the option. Lease payments during such renewal periods were also considered in the calculation of right-of-use assets and lease obligations. Fixed lease payments consist of base rent and operating expenses but do not include contingent rentals which may be required under certain leases based on sales more than stipulated minimums. Fixed lease expense under these agreements totaled approximately \$568,000 and \$1,001,000 for the years ended December 31, 2023 and 2022, respectively.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease obligations represent the Company's obligation to make lease payments arising from the lease. Lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term. Right-of-use assets are recognized at the commencement date as the initial measurement of the lease liability, plus payments made prior to lease commencement and any initial direct costs. As the Company's leases do not provide an implicit rate, the Company elected to use its incremental borrowing rate at the commencement date in determining the present value of lease payments.

Future minimum lease payments under the operating leases as of December 31, 2023 are as follows for the years ending December 31:

2024	\$ 3,259,971
2025	1,686,606
2026	731,075
2027	115,467
2028	40,231
Thereafter	<u>147,827</u>
Total undiscounted lease payments	5,981,177
Less: imputed interest	<u>(808,167)</u>
Total present value of lease liabilities	5,173,010
Less: current portion of operating lease obligations	<u>(2,786,831)</u>
Operating lease liabilities, net of current portion	<u>\$ 2,386,178</u>

Supplemental information regarding operating leases includes:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term	2.18 years	2.60 years
Weighted average discount rate	13.5%	13.5%

Jewelry Repair Enterprises, Inc.

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

Note 11. Commitments and Contingencies

From time to time, the Company is party to certain legal matters, including those related to contracts and franchise agreements that arise in the ordinary course of business. The estimated cost that the Company expects to pay in relationship to these matters is accrued when the liability is considered probable and the amounts can be reasonably estimated. In management's opinion, any such outstanding matters of which the Company has knowledge have been reflected in the financial statements or would not have a material adverse effect on the Company's financial position and results of operations.

Note 12. Subsequent Event

As discussed in Note 4, the Company filed breach of contract lawsuits against multiple former franchisees of the Company. On January 17, 2024, the court entered judgement in favor of the Company in the amount of approximately \$521,000.

ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

~~1. Item 5 of this disclosure document is modified to include the following:~~

~~We will defer all initial franchise fees owed to us by you until such time as all initial obligations owed to you have been fulfilled by us and you have started doing business. This deferral is required by the Illinois Attorney General's Office based on our financial statements.~~

~~2~~1. Delete and replace the "Summary" section of Item 17(v) of the Franchise Agreement chart in the Disclosure Document with the following:

Litigation must be in Illinois.

~~3. Delete and replace the "Summary" section of Item 17(w) of the Franchise Agreement chart in the Disclosure Document with the following:~~

~~Except for federal law, Illinois law governs.~~

~~4~~2. Illinois law governs the Franchise Agreement(s).

~~5~~3. 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.

~~6~~4. Your rights on termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

~~7~~5. 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.

~~8~~6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee 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 any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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	August 4, 2025 (amended _____, 2025)
Hawaii	
Illinois	
Indiana	July 18, 2025 (amended _____, 2025)
Maryland	
Michigan	June 23, 2025 (amended August 7, 2025)
Minnesota	
New York	
North Dakota	
Rhode Island	July 22, 2025 (amended _____, 2025)
South Dakota	July 18, 2025 (amended August 7, 2025)
Virginia	
Washington	Pending
Wisconsin	July 18, 2025 (amended _____, 2025)

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 we (Jewelry Repair Enterprises, Inc.) offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Iowa requires that we give you this disclosure document at the 1st personal meeting. **Michigan** requires that we give you this disclosure document 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. **New York** requires that we give you this disclosure document at the earlier of the 1st personal meeting, or 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the authorized state agency listed in Exhibit A.

The name, principal business address and telephone number of each franchise seller offering the franchise: Benjamin Russell, Linda Mossessian Keshishian, Anna Heebner, and Anita Briggs, 6413 Congress Avenue, Suite 240, Boca Raton, Florida 33487, (800) 359-0407 or (561) 330-6060;

and _____.

Issuance Date: June 26, 2025 ([amended August 7, 2025](#))

See Exhibit A for our registered agents authorized to receive service of process.

I have received a disclosure document that includes the following Exhibits:

- A. Agencies/Agents for Service of Process
- B. Franchise Agreement and Attachments
- C. Table of Contents of Brand Standards Manual
- D. Franchisees and Company-Owned Locations
- E. Franchisees Who Left the System
- F. Financial Statements
- G. Sample General Release
- H. State Specific Addenda
- I. State Effective Dates
- J. Receipts

Date: _____ Your Name (Please print): _____

Your signature: _____

You should return one copy of the signed receipt either: by signing, dating, and mailing it to Benjamin Russell, 6413 Congress Avenue, Suite 240, Boca Raton, Florida 33487; or by faxing or emailing it to Benjamin Russell at 561-431-3231 or brussell@fastfixfranchise.com. You may keep the second copy for your records.

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