

Bakery within a Regional Mall or Outlet Mall, we have provided a further breakdown of the Adjusted Gross Revenues for those WETZEL'S PRETZELS Bakeries that are operated in Regional Malls or Outlet Malls.

General Notes to Item 19:

1. **Some WETZEL'S PRETZELS Bakeries have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.**
- ~~2. Your sales will be affected by your own operational ability, which may include your experience with managing a business, your capital and financing (including working capital), continual training of you and your staff, customer service orientation, product quality, your business plan, and the use of experts, e.g., an accountant, to assist you with your business plans. Your sales also may be affected by franchise location and site criteria, including traffic count, brand awareness and brand development in local markets, local household income, residential and/or daytime populations, ease of ingress and egress, parking, visibility of your sign, physical condition of premises, number and type of other businesses around your location, competition, inflation, economic conditions, seasonal conditions (particularly in colder climates), inclement weather (e.g., hurricanes), changes in the Homeland Security threat level, etc.~~
- ~~3.2.~~ Many of the WETZEL'S PRETZELS Bakeries represented in this financial performance representation have operated for many years, have had time to develop brand awareness locally through grass roots promotional efforts, marketing efforts, and community involvement, and have had time to develop a base of customers that help provide a recurring revenue stream. New franchisees developing Bakeries in new markets where there is limited brand awareness and limited unit development may need to take more time and make more effort to build marketing effectiveness, brand awareness, a base of customers, and operational efficiencies. New markets often require franchisees to undertake additional local grass roots outreach to build affinity at the community level, to offer discounts to encourage customers to try the WETZEL'S PRETZELS Bakery as an outreach to new potential guests. Local efforts are required to enhance the impact of other forms of marketing, including national digital and social media exposure we may provide. From an operational standpoint, new markets often lack the density of Bakeries necessary to help build greater supply chain distribution efficiencies. These elements may affect your results and the time necessary to build your business.
- ~~4.3.~~ Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.
- ~~5.4.~~ We encourage you to consult with your own accounting, business, and legal advisors to assist you to prepare your budgets and projections, and to assess the likely or potential financial performance of your franchise. We also encourage you to contact existing franchisees to discuss their experiences with the system and their franchise business.

**TABLE 3A: ADJUSTED GROSS REVENUES, COSTS OF GOODS SOLD AND OPERATING EXPENSES FOR 2023 (WETZEL'S PRETZELS REGIONAL MALLS AND OUTLET MALLS BAKERIES ONLY)**

All Regions	Average	% of Net Sales	% of WETZEL'S PRETZELS Bakeries at or Above Average	# of WETZEL'S PRETZELS Bakeries at or Above Average
Net Sales	\$952,067	100.0%	40.9%	36

**Gross Profit** – Gross profit is the Adjusted Gross Revenue minus Cost of Goods Sold.

**Operating Expenses** – Operating expenses are the day-to-day costs incurred in conducting normal business operations:

**Labor** – Labor includes wages paid to your employees and payroll taxes paid for your employees. Labor does not include actual wages and related expenses you pay to yourself.

**Rent** – Rent includes the base rent for your lease including extra charges, such as common area maintenance (CAM) charges, real estate taxes, percentage rents, etc.

**Other Expenses** – Other expenses include such things as utilities (electric, telephone), royalties, ad fund fees, advertising, insurance (Workers' Comp, property, casualty, liability, health, etc.), licenses, permits, repairs, uniforms, store supplies, etc.

**Total Expenses** – The total of Labor, Rent and Other Expenses.

**Net Operating Income** – Gross Profit minus Total Expenses.

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