

Provision*	Section in Agreement	Summary*
u. Dispute resolution by arbitration or mediation	§ 26.3 of Franchise Agreement	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 26 of the Franchise Agreement.
v. Choice of forum	§ 26.2 of Franchise Agreement	Subject to applicable law, if we ever litigate, we must do so in the state and judicial district where we have our principal place of business (currently, Petoskey, Michigan). *
w. Choice of law	§ 26.1 of Franchise Agreement	Subject to applicable law, Michigan law applies. *

ITEM 18 **PUBLIC FIGURES**

We do not use any public figures to promote our franchise.

ITEM 19 **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

Presented below are historical financial operating results for certain franchised Kilwins Stores. Please read carefully all of the information in this Item 19 (including the table below as well as the notes that follow this table) for explanation of how these results are determined.

Please note that the data reported below in this Item 19 is only for Full-Line Stores and does not apply to Scoops & Sweets (and because few Scoops & Sweets are in operation, we provide no operating results, data, or other information relating to Scoops & Sweets).

	Average Per Store	Median Per Store	Number of Stores Above Average	Percent of Stores Above Average
All States (143 stores)	\$951,795	\$814,852	57	40%
Colorado (4 stores)	\$718,913	\$715,391	2	50%
Florida (33 stores)	\$1,209,130	\$1,251,170	18	55%
Georgia (12 stores)	\$737,068	\$768,967	6	50%
Illinois (12 stores)	\$717,655	\$657,254	5	42%
Indiana (3 stores)	\$660,850	\$722,742	2	67%
Michigan (10 stores)	\$757,910	\$647,756	3	30%
New York (3 stores)	\$778,020	\$665,919	1	33%
North Carolina (16 stores)	\$908,166	\$682,922	4	25%
Pennsylvania (5 stores)	\$677,546	\$555,891	2	40%
South Carolina (5 stores)	\$935,427	\$1,127,966	3	60%
Tennessee (4 stores)	\$1,367,558	\$1,118,723	2	50%
Texas (8 stores)	\$817,636	\$793,695	3	38%
Virginia (5 stores)	\$850,444	\$755,403	2	40%

Cost of Sales (2024) (Note 3)				
All States (139 stores)	29%	30%	70	56%

Non-Owner Payroll (2024) (Note 4)				
All States (139 stores)	23%	22%	51	41%

Transaction Values (2025) (Note 5)				
All States (143 stores)	\$18.11	\$18.09	71	50%

Notes:

Please note the following:

1. The averages in the table noted above were prepared from our internal operating records, which, in turn, were prepared from information obtained from our franchisees. To the best of our knowledge, this information has been prepared according to generally accepted accounting principles. The information presented in this Item 19 has not been audited.

2. Gross Sales. Gross Sales figures include revenues reported for calendar year 2025 from the sale of goods to retail customers, including the full range of required products. The term “Gross Sales” is explained in greater detail in Item 6 of this disclosure document. The following comments should also be considered when reviewing the Gross Sales numbers above:

- a. The table represents results from 143 franchised Kilwins Stores, and no Company-owned Stores. These Stores represent Stores that were in operation during the entire period of January 1, 2025 through December 31, 2025 and that reported Gross Sales to us. We excluded from the results 10 Stores that are seasonally operated and were not open for the entire 12-month period, and 2 Stores without full cooking capacity. We excluded from the results 22 franchised Kilwins Stores which were not open, even seasonally, for the entire 12-month period, and 2 stores that are not a typical format.
- b. We separately listed only those states in which we have three or more franchisees who are operating Stores so that we do not provide information (even in summary form) that could be directly linked to any one of our franchisees, or that others could use to determine the performance of any particular Store. However, data for all of the Stores (except those excluded Stores as explained above) were included in the “total” figures that are in the row marked “All States.”
- c. The Gross Sales information provided in this Item 19 reflects the aggregate results of 143 individual Kilwins Stores. Gross Sales vary considerably from one location to the next based upon a number of factors. Some examples of these factors are matters large and small, such as whether the Store is situated in a year-round or a seasonal location, local economic conditions, competition, the attraction of the locality as a tourist destination, climate, the specific location for the Store, traffic patterns (that may change due to construction or other activities), local taste preferences, the volume of pedestrian traffic, and pedestrian traffic patterns.
- d. Out of the 143 individual Kilwins Stores included in Item 19, the Store with the highest Gross Sales was \$2,643,636 and the Store with the lowest Gross Sales was \$298,131.

3. Cost of Sales. Cost of Sales includes the cost of purchased and manufactured product (including delivery charges) that is sold in the Store, computed as a percentage of Gross Sales. The following notes should be taken into consideration when reviewing these results:

- a. These figures are for Stores open during 2024, the most recent period for which figures have been reported.
- b. The information included in these figures was accumulated from internally generated Store financial statements and tax returns provided to us by 139 franchised Stores from whom we were able to obtain applicable information. These financial statements

and tax returns have not been audited and we rely on the representations of the Store owners for their accuracy.

- c. We believe that the results above are a reasonable representation of the entire population of Stores.
- d. Cost of Sales figures will vary from Store to Store and you need to prepare your own estimates of the cost of sales you expect to achieve in your Store. Some of the items impacting cost of sales, many of which will have a material impact on actual cost of sales percentages include: actual product sales mix; the cost of commodities including chocolate, sugar, milk and other materials over which you will have little control; the availability of local supply for products not supplied by Kilwins; the amount of product manufactured in the Store and the efficiency with which it is made; control over serving sizes by your employees; and, customer pricing sensitivity in your market.

4. Non-Owner Payroll. Non-Owner Payroll includes direct wages paid to employees, excluding any compensation paid to Store owners, computed as a percentage of Gross Sales. Payroll expenses used in this computation do not include any taxes or benefits incurred by the Store. The following notes should be taken into consideration when reviewing these results:

- a. These figures are for Stores open during 2024, the most recent period for which figures have been reported.
- b. The information included in these figures was accumulated from internally generated Store financial statements and tax returns provided to us by 139 franchised stores from whom we were able to obtain applicable information. These financial statements and tax returns have not been audited.
- c. We believe that the results above are a reasonable representation of the entire population of Stores.
- d. Payroll figures vary from Store to Store and you need to prepare your own estimates of payroll for your Store. Some of the items impacting actual payroll, many of which will have a material impact on actual payroll costs will include the amount of time an owner works in the Store, the compensation of manager (s) employed, any applicable minimum wage requirements, the level of benefits other than wages provided to employees, local labor market competition, the mix of full-time and part-time employees, and the Store's sales volume.

5. Transaction Value. Transaction value amounts are for single customer transactions in Stores reported for calendar year 2025 from the sale of goods to retail customers, including the full range of required products. The table represents results from 128 franchised Kilwins Stores, and no Company-owned Stores. These Stores represent all franchised Stores that were in operation during the year January 1, 2025 to December 31, 2025 that reported complete transaction values to us. We excluded from the results 10 Stores that are seasonally operated and were not open for the entire 12-month period, and 2 Stores without full cooking capacity. We excluded from the results 22 franchised Kilwins Stores which were not open, even seasonally, for the entire 12-month period, and 2 stores that are not a typical format.

6. Gross Sales, Cost of Sales, Payroll, and Transaction Value figures provide only a part of the information that you will need to evaluate the franchise opportunity. We urge you to

carefully consider not just these figures but also the information that you independently verify and develop about the costs that you are likely to incur. Franchisees will incur business expenses that are likely to be significant. All of the Stores included in the operating results are franchised units. As a franchisee you will be required to pay royalty fees and make local advertising expenditures, as well as to make contributions to the Marketing Fund and Regional Fund contributions (if a Regional Fund is formed for your market). Among the additional categories of expense that you may incur are rent and occupancy costs; franchisee compensation over and above that earned from the operations of the Store business (such as a salary that you may draw); employee benefits, such as health, vacation and pension plan contributions (none of which are included in the payroll numbers in the chart); debt service; insurance; Store facilities and property maintenance (and reserves for future maintenance); business and regulatory fees and licenses; ongoing and supplemental training expenses; recruitment expenses; legal and accounting fees; and bookkeeping and other professional services.

7. We strongly advise you to conduct an independent investigation of this information and the opportunity to buy a franchise so that you can decide whether or not you think the franchise will meet your financial needs. Among other things, we recommend that you contact the current and former franchisees listed in this Disclosure Document and that you also consult with a qualified attorney, accountant, and other professional advisors before entering into a Franchise Agreement. We suggest that you develop and review with your own professional advisors a pro forma cash flow statement, balance sheet and statement of operations, and that you make your own financial projections regarding sales, costs, customer base, and business development for your own Kilwins Store.

8. Written substantiation of the data used in preparing the information in this Item 19 will be made available to you upon reasonable request.

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

Other than the preceding financial performance representation, Kilwins Chocolates Franchise, Inc. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Ms. Robin Burgan at 1050 Bay View Road, Petoskey, Michigan 49770, telephone 231.347.3800, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table 1:
System wide Outlet Summary
For years – 2023 to 2025 (Note 1)

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	145	159	14
	2024	159	168	9
	2025	168	181	13
Company Owned	2023	4	5	1
	2024	5	4	-1
	2025	4	6	2
Total	2023	149	164	15
	2024	164	172	8
	2025	172	187	15

Notes:

(1) All numbers are as of the fiscal year end. Our fiscal year end is December 31st.