

Item 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

Some stores have sold this much. Your individual results may differ. There is no assurance that you'll sell as much.

As of December 31, 2022³, there were 17 Franchisees who own and operate 27 stores. The following tables contain historical financial data for 13 Verlo Mattress franchisees (76% of the total) who operate 21 Stores (78% of the total) that were open on or before January 1, 2022 and that were open continuously through and including December 31, 2023, underwent no transfers, own and operate at least one (1) Factory Assembly Store and for whom we received financial information. We have excluded data of franchisees who do not operate at least one (1) Factory Assembly Store because we currently require all franchisees to commit to opening and operating at least one (1) Factory Assembly Store.

Franchisees or franchisee business entities report financial data, including Net Sales, Cost of Goods, and Gross Profit, to us by aggregating the financial data of all Stores that such franchisee operates. "Net Sales" means the aggregate of all retail sales net of discounts. "Cost of Goods" means cost of materials and not including operating overhead and other fixed expenses. "Gross Profit" means the remaining profit after the Cost of Goods are subtracted from Net Sales. "Labor" includes Direct Labor, Outside Labor, Wages-Salespeople, Commissions-Salespeople, and Wages Delivery. "Labor" excludes Owner Benefits and Office Wages.

Of the stores included in the table below, the highest sales average transaction was \$2743.38, the lowest average was \$1105.44, the median was \$1338.71, and the average was \$1441.92.

Of the stores included in the table below, the balance of share for sales is 75% mattresses and 25% other goods and services.

We do not directly operate any of these Stores; company-owned Stores are not included because they are operated by our affiliate.

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Table 1.

Franchise	Sales by Franchise	Number of Stores
Franchise A	\$2,948,357.39	2
Franchise B	\$2,947,589.63	3
Franchise C	\$2,283,416.77	1
Franchise D	\$2,254,394.70	2
Franchise E	\$2,006,506.64	3
Franchise F	\$1,546,538.90	1
Franchise G	\$1,496,073.87	1
Franchise H	\$1,274,283.20	2
Franchise I	\$1,073,689.73	1
Franchise J	\$959,069.34	2
Franchise K	\$937,776.73	1
Franchise L	\$599,644.79	1
Franchise M	\$578,480.73	1

AVERAGE ALL FRANCHISEES (excludes corporate stores)		
Gross Profit		% of Sales
Average Net Sales (note 1)	\$ 1,608,140.19	100%
Cost of Goods (note 2)	\$ 529,879.13	33%
Gross Profit (note 3)	\$ 1,078,261.05	67%
Selected Costs		
Advertising (note 4)	\$ 169,672.74	11%
Labor (note 5)	\$ 240,875.29	15%
Royalties & Fees (note 6)	\$ 87,961.03	5%
Rent (note 7)	\$ 123,757.99	8%

Notes:

1. Median Net Sales was \$1,385,178.54; High Net Sales was \$2,948,357.39; and Low Net Sales was \$578,480.73. Four (4) franchisees (31% of the 13 total franchisees) had Net Sales greater than the average.

2. Median Cost of Goods was \$467,445.90; High Cost of Goods was \$974,885.41; and Low Cost of Goods was \$177,372.89. Five (5) franchisees (38% of the 13 total franchisees) had Cost of Goods greater than the average.

3. Median Gross Profit was \$912,916.32; High Gross Profit was \$2,080,210.57; and Low Gross Profit was \$401,107.84. Four (4) franchisees (31% of the 13 total franchisees) had Gross Profit greater than the average.

4. Median Advertising was \$120,731.44; High Advertising was \$338,460.73; and Low Advertising was \$16,528.56. Five (5) franchisees (38% of the 13 total franchisees) had Advertising greater than the average.

5. Median Labor was \$181,832.16; High Labor was \$533,332.37; and Low Labor was \$80,198.04. Three (3) franchisees (23% of the 13 total franchisees) had Labor greater than the average.

6. Median Royalties & Fees was \$74,048.98; High Royalties & Fees was \$146,536.44; and Low Royalties & Fees was \$39,700.51. Four (4) franchisees (31% of the 13 total franchisees) had Royalties & Fees greater than the average.

7. Median Rent was \$90,406.09; High Rent was \$279,224.88; and Low Rent was \$39,000.00. Four (4) franchisees (31% of the 13 total franchisees) had Rent greater than the average. 7 of the 13 reported Franchisees own their "Retail Assembly Store" Real Estate.

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Franchise Royalties & Fees are incurred by franchisees and assessed and controlled by us.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon written request.

Other than the preceding financial performance representation, FWR, LLC 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 store, however, we may provide you with the actual records of that store. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting: Emily Espinoza at 301 N. Broadway, Suite 300, Milwaukee, Wisconsin 53202, 414-585-8900, the Federal Trade Commission, and the appropriate state regulatory agencies.

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Item 20. STORES AND FRANCHISEE INFORMATION

TABLE NUMBER 1
Systemwide Store Summary
For Years 2021 to 2023

Store Type	Year	Stores at the Start of the Year	Stores at the End of the Year	Net Change
Franchised	2021	26	27	+1
	2022	27	27	0
	2023	27	29	+2
Company-Owned	2021	5	5	0
	2022	5	5	0
	2023	5	5	0
Total Stores	2021	31	32	+1
	2022	31	31	0
	2023	31	33	+2

(1) The numbers in this chart include Retail Assembly Stores and Retail Only Stores.

TABLE NUMBER 2
Transfers of Stores From Franchisee to New Owners (Other than the Franchisor) (1)
For Years 2021-2023

Year	Number of Transfers
2021	0
2022	2
2023	0

(1) The numbers in this chart include Retail Assembly Stores and Retail Only Stores.

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