

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in 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 possible performance at a particular location or under particular circumstances.

The included company-owned and franchised restaurants in Tables 1, 2, and 3 below are located in both urban and suburban metropolitan areas. The location and the demographics of the geographic area can have a material impact on a restaurant's revenues and expenses, and therefore, operating results. The included company-owned and franchised restaurants do not have any material financial or operational characteristics that we reasonably anticipate will be different from franchised restaurants. The included licensed restaurants in Table 4 below are located in non-traditional locations in Denver International Airport and the University of Notre Dame, which have different financial or operational characteristics than franchised restaurants.

The information in the tables was prepared using our internal financial records and has not been audited; however, we maintain our records in accordance with generally accepted accounting practices and we believe the information is reliable.

Franchised Restaurants. Table 1 includes historical actual financial performance representations for all 3 franchised restaurants for the trailing twelve months ended October 1, 2023 (the "TTM"), all of which were open and operating for at least 1 year as of the end of the TTM and were not closed more than 7 operating days in the TTM.

Table 1:

Franchisee-Operated Restaurants	Restaurant Gross Sales
Restaurant 1	\$3,070,654
Restaurant 2	\$2,848,629
Restaurant 3	\$2,630,322

Company-Owned Restaurants. Tables 2 and 3 include historical actual financial performance representations for 18 company-owned restaurants that were open for at least 1 year as of the end of the TTM and that were not closed for more than 21 operating days in the TTM. We excluded 4 company-owned restaurants that do not represent the real estate profile we will use for franchised Modern Market Eatery restaurants: Ahwatukee, Arizona; North Scottsdale, Arizona; Littleton, Colorado; and Southglenn, Colorado. Additionally, we excluded the results for 1 company-owned restaurant that was opened in the middle of the 2023 fiscal year and not open for at least 1 year as of the end of the TTM.

Table 2: Table 2 includes the average and median as well as the low and high for the 18 restaurants covered.

Category	Average	% of Net Sales	Median	% of Net Sales	Low	High
Number of Restaurants	18		18			
Gross Sales (1)	\$ 2,232,664	105.2%	\$ 2,140,698	105.4%	\$ 1,090,844	\$ 4,135,749
Number and Percentage of Restaurants Reported that Met or Exceeded Average or Median Gross Sales	8	44.4%	7	38.9%		
Discounts (2)	\$ 110,094	5.2%	\$ 108,927	5.4%	\$ 49,495	\$ 227,597
Net Sales (3)	\$ 2,122,570	100.0%	\$ 2,031,771	100.0%	\$ 1,041,349	\$ 3,908,152
COGS (4)	\$ 671,556	31.6%	\$ 647,597	31.9%	\$ 341,898	\$ 1,237,869
Gross Profit (5)	\$ 1,451,014	68.4%	\$ 1,384,174	68.1%	\$ 699,451	\$ 2,670,283
Labor (6)	\$ 596,262	28.1%	\$ 554,261	27.3%	\$ 365,066	\$ 914,934
Other Operating Expenses (7)	\$ 346,458	16.3%	\$ 307,165	15.1%	\$ 235,918	\$ 672,951
Occupancy Costs (8)	\$ 179,215	8.4%	\$ 190,061	9.4%	\$ 62,125	\$ 216,031
Restaurant EBITDA (9)	\$ 329,079	15.5%	\$ 332,687	16.4%	\$ 36,342	\$ 866,367
Number and Percentage of Restaurants Reported that Met or Exceeded Average or Median Restaurant EBITDA	7	38.9%	8	44.4%		
Imputed Royalty Fee (10)	\$ 106,128	5.0%	\$ 101,589	5.0%	\$ 52,067	\$ 195,408
Imputed Brand Fund Fee (11)	\$ 21,226	1.0%	\$ 20,318	1.0%	\$ 10,413	\$ 39,082
Imputed Local Advertising Fee (12)	\$ 21,226	1.0%	\$ 20,318	1.0%	\$ 10,413	\$ 39,082
Restaurant EBITDA (adjusted for Royalty, Brand Fund, and Local Advertising)	\$ 180,499	8.5%	\$ 190,463	9.4%	\$ (36,551)	\$ 631,877

Table 3: Table 3 includes averages by quartile for the 2023 fiscal year.

	Top Quartile		Second Quartile		Third Quartile		Bottom Quartile	
Category	\$	%	\$	%	\$	%	\$	%
Number of Restaurants	4		5		4		5	
Gross Sales (1)	\$ 3,492,321	105.0%	\$ 2,369,815	105.3%	\$ 1,814,461	105.5%	\$ 1,422,350	105.0%
Number and Percentage of Restaurants Reported in Quartile that Met or Exceeded Gross Sales	2	50.0%	2	40.0%	1	25.0%	4	80.0%
Discounts (2)	\$ 166,904	5.0%	\$ 119,660	5.3%	\$ 94,718	5.5%	\$ 67,382	5.0%
Net Sales (3)	\$ 3,325,417	100.0%	\$ 2,250,155	100.0%	\$ 1,719,744	100.0%	\$ 1,354,969	100.0%
COGS (4)	\$ 1,045,806	31.4%	\$ 703,483	31.3%	\$ 556,337	32.3%	\$ 432,406	31.9%
Gross Profit (5)	\$ 2,279,611	68.6%	\$ 1,546,672	68.7%	\$ 1,163,407	67.7%	\$ 922,563	68.1%
Labor (6)	\$ 839,369	25.2%	\$ 624,378	27.7%	\$ 536,248	31.2%	\$ 421,673	31.1%
Other Operating Expenses (7)	\$ 547,494	16.5%	\$ 397,839	17.7%	\$ 323,229	18.8%	\$ 265,079	19.6%
Occupancy Costs (8)	\$ 302,574	9.1%	\$ 242,631	10.8%	\$ 209,526	12.2%	\$ 147,095	10.9%
Restaurant EBITDA (9)	\$ 590,174	17.7%	\$ 281,824	12.5%	\$ 94,404	5.5%	\$ 88,716	6.5%
Number and Percentage of Restaurants Reported in Quartile that Met or Exceeded Restaurant EBITDA	2	50.0%	2	40.0%	1	25.0%	2	40.0%
Imputed Royalty Fee (10)	\$ 166,271	5.0%	\$ 112,508	5.0%	\$ 85,987	5.0%	\$ 67,748	5.0%
Imputed Brand Fund Fee (11)	\$ 33,254	1.0%	\$ 22,502	1.0%	\$ 17,197	1.0%	\$ 13,550	1.0%
Imputed Local Advertising Fee (12)	\$ 33,254	1.0%	\$ 22,502	1.0%	\$ 17,197	1.0%	\$ 13,550	1.0%
Restaurant EBITDA (adjusted for Royalty, Brand Fund, and Local Advertising)	\$ 357,395	10.7%	\$ 124,312	5.5%	\$ (25,977)	-1.5%	\$ (6,132)	-0.5%

The following terms used in the tables above are defined below for this Item 19:

- (1) **“Gross Sales”** means the aggregate amount of all revenues generated from the sale of all products and services sold and all other income of every kind related to the Restaurant, whether for cash or credit (and regardless of collection in the case of credit), whether from sales on the Premises, by delivery, from catering, or at wholesale (whether the sales method is permitted or not). Gross Sales are not reduced by the amount of any discounts provided to employees, family members and other businesses in our control. The following are not included in Gross Sales: (1) sales taxes or other taxes collected from customers for transmittal to the appropriate taxing authority (2) proceeds from the sale of gift cards or stored value cards; and (3) customer refunds made in good faith.
- (2) **“Discounts”** means all discounts, coupons, and giveaways. We provide free or discounted meals to team members and corporate staff; franchisees will not be required to do so. We have excluded these meals from all information.

- (3) **“Net Sales”** equals Gross Sales minus Discounts as defined in notes 1 and 2.
- (4) **“COGS”** means our cost for food, paper and packaging, including dine-in, take out, to-go, online web orders, catering food and beverage, and associated inventory.
- (5) **“Gross Profit”** equals Net Sales minus COGS as defined in notes 3 and 4.
- (6) **“Labor”** costs include employee wages and benefits, employee training expenses, payroll taxes, corporate insurance allocations for group health, workers’ compensation and vacation pay. Note we include hourly and management labor costs, but we do not include any salary and overhead for field supervision. Labor also does not include tip wages which are based on each individual restaurant’s tip pool. Other benefits which you elect to provide your employees, such as the amount of vacation time and vacation pay, are factors that will affect labor cost. The costs of providing group health insurance for employees and workers’ compensation insurance will vary depending on many factors, including where you operate, the extent and amount of coverage provided, the loss experience of the group, and which insurance provider is chosen. Therefore, you may encounter higher relative costs in obtaining comparable insurance coverage. Note, we attempt to pay above market wages to team members in our company-owned restaurants.
- (7) **“Other Operating Expenses”** include repairs and maintenance, smallwares, cleaning supplies, office supplies, POS maintenance, pest control, delivery charges, credit card processing fees, bank charges, telephone and internet expenses, trash services, equipment rental, property and liability insurance, security expenses, license and business taxes, cost of utilities, and other miscellaneous expenses. This amount excludes discretionary promotional marketing expenses to promote the restaurants through a third-party marketplace not related to regular ongoing fees paid. We have also excluded any repair and maintenance expenses greater than 0.5% of Net Sales because we believe our costs in this category are higher than what you will experience.
- (8) **“Occupancy Costs”** includes all rent, property taxes, property insurance and general liability insurance and any additional fees or miscellaneous items relating to the leasing of the premises. Rent consists of minimum rents, percentage rents, common area maintenance charges, and any sales or other taxes imposed thereon and paid by us. Property taxes are real estate taxes and assessments levied against the property upon which the Restaurant is located. The amount or rate of taxation varies from jurisdiction to jurisdiction and you should consult with your tax advisors regarding the impact that these taxes will have on this analysis.
- (9) **Restaurant EBITDA.** “EBITDA” means earnings before interest, taxes, depreciation and amortization. We calculate EBITDA by subtracting the average COGs, Labor Costs, Other Operating Expenses and Occupancy Costs for the fiscal year 2023 from the average Net Sales for the fiscal year 2023. We do not include costs for interest and other debt service costs, taxes, depreciation or amortization because they vary considerably depending on the particular organization and typically are excluded when calculating the free cash flow from a Restaurant’s operations.
- (10) **Imputed Royalty Fee.** We imputed the current 5% Royalty Fee into our calculations to adjust EBITDA for the Royalty Fee you pay to us.

(11) **Imputed Brand Fund Fee.** We imputed the current Brand Fund Fee of 1% to adjust EBITDA for your Brand Fund contribution. Note our company-owned Restaurants will also contribute 1% to the Brand Fund along with our franchisees.

(12) **Imputed Local Advertising Fee.** We imputed the current 1% Local Advertising Fee into our calculations to adjust EBITDA for the Local Advertising Fee you pay to us.

Non-Traditional Licensed Restaurants. Our affiliate ModMarket Licensing, LLC has entered into 3 license agreements for units located in Denver International Airport (2 units) and the University of Notre Dame (1 unit). Table 4 includes historical actual financial performance representations for all 3 licensed restaurants for the TTM, all of which were open and operating for at least 1 year as of the end of the TTM and were not closed more than 7 operating days in the TTM. Restaurants 1 and 2 represent units located in Denver International Airport and Restaurant 3 represents the unit located at the University of Notre Dame.

Table 4:

Licensee-Operated Restaurants	Net Sales
Restaurant 1	\$ 4,969,068.79
Restaurant 2	\$3,787,266.52
Restaurant 3	\$1,738,982.04

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

We encourage you to review this material with your attorney, accountant or other advisor. Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, Modern Market Franchising, 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 outlet, 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 Mel Tucker, Secretary and Treasurer, 350 Camino de la Reina, San Diego, CA 92108, 623-293-2961, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2021 to 2023*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	0	0	0
	2022	0	3	3
	2023	3	3	0
Company-Owned Outlets	2021	25	25	0
	2022	25	22	-3
	2023	22	23	1
Total Outlets	2021	25	25	0
	2022	25	25	0
	2023	25	26	1

* The numbers for 2021 are as of December 31. The numbers for 2022 and 2023 are as of October 2, 2022, and October 1, 2023, respectively, the respective fiscal year ends.

Table No. 2
Transfers of Outlets from Franchisees to New Owners
(Other than the Franchisor)
For Years 2021 to 2023*

State	Year	Number of Transfers
Total	2021	0
	2022	0
	2023	0

* The numbers for 2020 are as of December 31. The numbers for 2022 and 2023 are as of October 2, 2022, and October 1, 2023, respectively, the respective fiscal year ends.