



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 maybe 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 following table presents certain financial information of our affiliate, K & N Electric, Inc. The explanatory notes following the table are an important part of the information presented. Written substantiation for the financial performance representation will be made available to prospective franchisees on reasonable request.

AVERAGE MONTHLY REVENUES PER TRUCK BY AFFILIATE K & N ELECTRIC, INC. FOR 2014				
MONTH	SALES	GROSS PROFIT	ROYALTY AND MARKETING FEES	NET PROFIT AFTER ROYALTY AND MARKETING FEES
Jan	\$30,670	\$18,402	\$3,067	\$15,335
Feb	\$27,842	\$16,705	\$2,784	\$13,921
Mar	\$28,078	\$16,847	\$2,807	\$14,040
Apr	\$31,513	\$18,908	\$3,151	\$15,757
May	\$27,167	\$16,301	\$2,716	\$13,585
Jun	\$32,309	\$19,386	\$3,230	\$16,156
Jul	\$32,278	\$19,367	\$3,227	\$16,140
Aug	\$28,864	\$17,319	\$2,886	\$14,433
Sep	\$33,399	\$20,040	\$3,339	\$16,701
Oct	\$32,603	\$19,562	\$3,260	\$16,302
Nov	\$25,855	\$15,513	\$2,585	\$12,928
Dec	\$23,888	\$14,333	\$2,388	\$11,945
Totals	\$354,466	\$212,683	\$35,440	\$177,243

Explanatory Notes to the Financial Information:

1. Basis of Information. This table presents the actual average monthly operating results of our affiliate, K & N Electric, Inc. on an average-truck basis from the operation of its trucks. The average-truck figures sales and gross profits figures were calculated by dividing the actual aggregate sales

and gross profits of K & N Electric, Inc. from operation of the trucks by the number of trucks in operation during the relevant month. Due to the nature of averaging, some of K & N Electric, Inc.'s trucks were more profitable than the average, and some trucks were less profitable than the average. The figures shown for royalties are pro forma figures. See the additional note regarding royalty.

2. Affiliate's Operating Experience. K & N Electric, Inc. has more than 35 years' experience in operating a mobile parts store business that markets and sells electrical parts. It has engaged in this business since 1974. In 2014, K & N Electric, Inc. had a fleet of 9 trucks operating in 9 territories in 3 states. These types of businesses typically take some time to become established. You should expect that your revenues may be substantially lower for your Franchised Business – especially during the first year of operations. As a result of its experience, K & N Electric, Inc. has achieved a high level of efficiency. We will help you learn how to efficiently operate the Business. However, you should expect that your revenues may be lower and your expenses may be higher for your Business during the first few years of operation.

3. Sales. The sales figures shown in the table represent actual average gross revenues from the operation of trucks, and do not include other sources of revenues.

4. Cost of Goods Sold. The figures for cost of goods sold shown in the table represent actual average cost of goods sold.

5. Gross Profit. Gross profits are actual average gross sales minus the actual average cost of goods sold.

6. Royalty. K & N Electric, Inc. does not pay any Royalty Fee or Marketing Fees to us. The Franchise Agreement requires you to pay a Royalty Fee of the greater of 9% of your Gross Sales or the applicable minimum royalty, plus an additional 1% of your Gross Sales for Marketing Fees. The table includes pro forma figures for the royalty fee and marketing fee to show what K & N Electric, Inc. would have paid in royalties and marketing fees if it were a franchisee.

7. Operating Expenses. The table does not include any operating expenses. Once your business is established, we estimate that your ongoing monthly operating expenses will be approximately:

Item	Expense
Truck Payments	\$1,200
Truck Fuel	\$1,100
Freight	\$250
Truck Insurance	\$200
Cell Phone Service	\$75
Miscellaneous	\$100
Total	\$2,925

Your business may have ongoing expenses not reflected in this estimate, such as for truck maintenance, business licenses, Internet service, taxes, payroll, local marketing, etc. If you

borrowed money to finance the start-up costs of the business, you will also likely have interest expenses. You should consider the effect of all expenses on your expected revenues.

8. Sales Tax. The table does not include any revenue or expenses relating to state or local sales taxes. The collection and payment of sales tax should have no net effect on your bottom line because all sales taxes you collect should be paid to the relevant governmental unit.

9. Owner's Compensation. The table does not include any compensation or other payments to the business owners.

10. Other Considerations. In preparing financial projections and an overall business plan for your Franchise Business, it is important to keep in mind that each individual franchisee's experience is unique, and each individual franchise will experience sales and expenses different from all other franchises in the system due to the many factors which will impact the Franchised Business. These factors include general economic condition of the area, competition in the market, physical location, availability of supplies and labor, expenses or levels of expenses peculiar to the area, effectiveness of the franchisee in the management of the business and the overall efficiency of the operation. A franchisee's energy and dedication to the business will also affect the results of the operation. Our affiliate's salesmen work 40 hours per week. If you do not spend 40 hours per week on sales, then your revenues will likely be less. Our affiliate's salesmen focus primarily on medium to large accounts. If you devote substantial effort to small accounts, then your revenues will likely be less.

Written substantiation for the financial performance representation will be made available to prospective franchisees on reasonable request.

Some trucks have sold the amount shown in this table. Your individual results may differ. There is no assurance you will sell as much.

We do not represent or guarantee that you will have the same level of revenues for your Franchised Business. A variety of factors, including those described in this Item 19, will likely cause your financial results to be different than the financial information in this Item. Actual results vary among Franchised Businesses, and we cannot estimate the results of any particular franchise.

Other than the preceding financial performance representation, K & N Mobile Franchises, 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 the franchisor's management by contacting Curtis Nelson, 4909 Rondo Drive, Fort Worth, Texas 76106, 817-626-2885, the Federal Trade Commission, and the appropriate state regulatory agencies.