

What You Need To Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if You are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without Your consent. These changes may require You to make additional investments in Your franchise business or may harm Your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items You could buy on Your own.

Operating restrictions. The franchise agreement may prohibit You from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling Your location, Your access to customers, what You sell, how You market, and Your hours of operation.

Competition from franchisor. Even if the franchise agreement grants You a territory, the franchisor may have the right to compete with You in Your territory.

Renewal. Your franchise agreement may not permit You to renew. Even if it does, You may have to sign a new agreement with different terms and conditions in order to continue to operate Your franchise business.

When Your franchise ends. The franchise agreement may prohibit You from operating a similar business after Your franchise ends even if You still have obligations to Your landlord or other creditors.

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if Your state has a registration requirement, or to contact Your state, use the agency information in [Exhibit G](#).

Your state also may have laws that require special disclosures or amendments be made to Your franchise agreement. If so, You should check the State Specific Addenda at [Exhibit E](#).

solely responsible to investigate and determine licensing requirements in the area You would like to service before signing the Franchise Agreement. It is Your sole responsibility to investigate and comply with these laws and regulations.

You must comply with all federal, state and local regulations regarding disposal of waste products and unused cleaning products. Some states may require specific licensing or certification for applying disinfectants, sanitizers and other anti-microbials that are Environmental Protection Agency (EPA) registered. Some localities may require Your Franchise to be bonded for certain work.

The details of these state and local laws and regulations vary from place to place. These federal, state and local laws and regulations may affect Your operation of the Franchise. Certain companies who may refer work to You require that no one perform work who has been convicted of, or pleaded guilty to, a felony involving dishonesty or breach of trust, theft, or any type of violence against a person whether misdemeanor or felony, subject to applicable law. Background checks will be required for verification. You may not own a Franchise if You are or ever were convicted of, or pleaded guilty to, a felony involving dishonesty or breach of trust, theft, or any type of violence against a person, and You may not employ anyone who has been so convicted, subject to applicable law.

ITEM 2 - BUSINESS EXPERIENCE

Les Clow, Chief Executive Officer, Founder and Chief Duct Cleaning Officer: Les founded Mr. Duct Cleaner in July 2020 after a career as a general contractor serving as owner, partner, Vice President for several local and national restoration and reconstruction companies. ~~As the owner of our affiliate Mr. Duct Cleaner Collin County, he and his crews have completed over twenty thousand (20,000) jobs, and counting, of residential and commercial projects.~~

Joseph D. Rei, PhD, Director of Training and Coaching: Dr. Rei has his PHD in education from Kansas State University. He is an independent leadership and franchise Coach located in Dallas, Texas, from September 2000 until present. ~~He is a retired Colonel from the Army Reserve and has over 25 years of strategic development, training and operations, design theory, planning and leadership coaching. Dr. Rei also served as Dean of the School of Franchising, a franchise development company located in DeSoto, Kansas, from May 2014 to March 2017.~~ Joe joined Mr. Duct Cleaner Franchise Systems, Inc., in July 2020.

Georgia Rei, Director of Marketing: Georgia serves as a Texas area franchise financial, marketing and customer service officer since October 2019. ~~Georgia opened the first Mr. Duct Cleaner franchise in Arlington Texas in 2020, which she later sold.~~—She is the current owner of Gencon LLC, a business development consulting business since 2011. Georgia joined Mr. Duct Cleaner Franchise Systems, Inc., in July 2020.

Russell Kruse, General Counsel. Mr. Kruse has served as General Counsel for Mr. Duct Cleaner Franchise Systems, Inc. since January 2025. Prior to that, Mr. Kruse served as General Counsel for Propelled Brands Franchising, LLC, FASTSIGNS International, Inc., GTN Capital Group, LLC, Suite Management Franchising, LLC, and Camp Bow Wow Franchising, Inc., each located

v. Choice of Law	Section 13.10	State in which our principal place of business is located, which is currently in Texas, subject to applicable state law.
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Some states may have laws or legal precedent that may supersede the Franchise Agreement concerning Your relationship with us including the areas of termination and renewal of the Franchise.

ITEM 18 - PUBLIC FIGURES

We do not use any public figure to promote Our Franchise.

ITEM 19 - FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits us to provide information about the actual or potential financial performance of our Franchised Businesses, 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) we provide the actual records of an existing Franchised Business You are considering buying; or (2) we supplement the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

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

Table 1 – AFFILIATE GROSS VOLUME - 2020-2024

Mr. Duct Cleaner’s Affiliate’s historical performance is provided here as a sole proprietor (e.g., not franchise). Mr. Duct Cleaner Affiliate has operated in the Dallas – Fort Worth, Texas, metro area for the past 15 years. During the past three years, Mr. Duct Cleaner’s Affiliate has operated one of the franchise territories, Collin County, with two crews with vans to serve this area. ~~There is no assurance You’ll do as well. If You rely on our figures, You must accept the risk of not doing as well. We do not make any representations about a franchisee’s future financial performance or the past financial performance of company owned or franchised outlets. We also do not authorize Our employees or representatives to make any such representations either orally or in writing.~~

This operation has had Annual Gross Sales as follows:

2024 - \$549,161.79
2023 -- \$595,869
2022 -- \$766,531
2021 -- \$644,009
2020 – \$485,527

Note 1: “Annual Gross Sales” is defined as all revenue received from operating the Franchised Business.

Table 2 – AFFILIATE PROFIT & LOSS - 2024

The Profit and Loss for our affiliate, Mr. Duct Cleaner Collin County, for 2024 is provided below.

<u>Job Income</u>	
<u>Duct Cleaning and Related Income</u>	<u>\$548,036.57</u>
<u>Product and Other Income</u>	<u>\$1,125.22</u>
<u>Total for Income</u>	<u>\$549,161.79</u>
<u>Cost of Goods Sold</u>	
<u>Job Materials Purchased</u>	<u>\$27,602.32</u>
<u>Royalties (6%)</u>	<u>\$32,949.71</u>
<u>Marketing Fee (2%)</u>	<u>\$10,983.24</u>
<u>Referral Fees</u>	<u>\$1,467.00</u>
<u>Subcontractors Expense</u>	<u>\$24,729.56</u>
<u>Merchant Account Fees</u>	<u>\$4,101.11</u>
<u>Total for Cost of Goods Sold</u>	<u>\$101,832.93</u>
<u>Gross Profit</u>	<u>\$447,328.86</u>
<u>Expenses</u>	
<u>Advertising and Promotion</u>	
<u>Advertising</u>	<u>\$718.13</u>
<u>Business Meals</u>	<u>\$1,131.59</u>
<u>Business Promotions</u>	<u>\$113.79</u>
<u>Online Lead Companies</u>	<u>\$4,830.21</u>
<u>Total Advertising and Promotion</u>	<u>\$6,793.72</u>
<u>Office and Admin Expense</u>	
<u>Office supplies, license, and admin</u>	<u>\$4,778.31</u>
<u>Dues and Subscriptions</u>	<u>\$2,157.24</u>
<u>Telephone Expense</u>	<u>\$3,510.13</u>
<u>Rent Expense</u>	<u>\$2,700.00</u>
<u>Storage Fee</u>	<u>\$2,412.63</u>
<u>Office and Admin Expense Total</u>	<u>\$15,558.31</u>
<u>Insurance Expense</u>	
<u>Insurance (Key Man)</u>	<u>\$1,211.12</u>
<u>General Liability Insurance</u>	<u>\$15,430.66</u>
<u>Life and Disability Insurance</u>	<u>\$519.07</u>
<u>Total Insurance Expense</u>	<u>\$17,160.85</u>
<u>Fleet Expenses</u>	
<u>Auto Insurance</u>	<u>\$20,013.90</u>
<u>Auto Repairs and Maintenance</u>	<u>\$9,901.38</u>
<u>Gas & Fuel</u>	<u>\$16,934.47</u>
<u>Tolls/Parking/Licenses</u>	<u>\$4,420.27</u>
<u>Vehicle Registration</u>	<u>\$211.50</u>
<u>Repairs and Maintenance</u>	<u>\$2,000.00</u>

<u>Total for Fleet Related</u>	<u>\$53,481.52</u>
<u>Payroll Expenses</u>	
Payroll	\$151,367.50
Payroll Taxes	\$16,239.88
<u>Total for Payroll Expenses</u>	<u>\$167,607.38</u>
<u>Professional Services</u>	
Legal & Accounting	\$3,872.00
<u>Total for Professional Services</u>	<u>\$3,872.00</u>
<u>Total for Expenses</u>	<u>\$264,473.78</u>
-	-
<u>ADJUSTED EBITDA</u>	<u>\$182,855.08</u>

~~There is no assurance You'll do as well. If You rely on our figures, You must accept the risk of not doing as well. Our Affiliate does not pay all of the royalties and other fees that Franchisees are required to pay. We do not make any representations about a franchisee's future financial performance or the past financial performance of company owned or franchised outlets. We also do not authorize Our employees or representatives to make any such representations either orally or in writing.~~

Table 3 – FRANCHISE BUSINESS GROSS VOLUME - 2024

In 2024, Mr. Duct Cleaner had eleven (11) franchise territories that operated for the full fiscal year and reported Gross Volume for all periods in 2024. These 11 franchise territories were operated by six (6) franchisees. The average Gross Volume of these eleven (11) territories was \$187,313.92 and the median Gross Volume was \$157,139.76. The high territory was \$504,790.25 and the low territory was \$66,387.77.

Note 1: The Franchised Businesses included above operate under the same marks and offer the same services that you will offer. The FRANCHISEEs under the Mr. Duct Cleaner Franchise System are directly responsible for all costs and expenses associated with their independently owned and operated businesses.

Note 2: Territories vary in size across the Mr. Duct Cleaner franchise system. In situations, where a franchisee reports combined Gross Volume collectively across multiple territories, We have divided the reported Gross Volume by the number of territories producing that Gross Volume.

~~There is no assurance You'll do as well. If You rely on our figures, You must accept the risk of not doing as well. We do not make any representations about a franchisee's future financial performance or the past financial performance of company owned or franchised outlets. We also do not authorize Our employees or representatives to make any such representations either orally or in writing.~~

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable written request. We strongly recommend that you conduct your own independent investigation to determine whether a Franchised Business may be profitable for you. The above information is only a reference point, and we strongly suggest that you make your own analysis and prepare your own projections. We strongly encourage you to consult with your professional advisors regarding your financial projections and federal, state, and local tax and other laws that may impact the performance and operations of a Franchised Business.

Other than the preceding financial performance representation, Mr. Duct Cleaner Franchise Systems, 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 Les Clow, CEO/Chief Duct Cleaner of Mr. Duct Cleaner Franchise Systems, Inc, 190 East Stacy Road, Suite 306-224, Allen, TX 75002, 844-444-DUCT or 469-260-6500, the Federal Trade Commission, and the appropriate state regulatory agencies.

~~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 Les Clow, CEO/Chief Duct Cleaner of Mr. Duct Cleaner Franchise Systems, Inc, 190 East Stacy Road, Suite 306-224, Allen, TX 75002, 844-444-DUCT or 469-260-6500, the Federal Trade Commission, and the appropriate state regulatory agencies.~~

ITEM 20 - OUTLETS AND FRANCHISEE INFORMATION

Systemwide Outlet Summary For Years 2022 to 2024

Table No. 1
System-wide Outlet Summary
For Years 2022–2024

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	4	7	3
	2023	7	10	4
	2024	10	11	1
Company Owned	2022	2	2	0
	2023	2	3	1
	2024	3	2	-1
	2022	6	9	3

(3) Any limitations of claims must comply with Minnesota Statutes, Section 80C.17, and Subd.5.

(4) Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum, or remedies that the laws of the jurisdiction provide.

(5) Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by the Minnesota Franchises Law.

(6) Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

(7) No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

(8) NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

NEW YORK

(1) The following information is added to the State Cover Page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT G OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

(2) The following paragraphs are added at the beginning of Item 3 of the Franchise Disclosure Document:

80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

(2) Each provision of this Franchise Agreement shall be effective only to the extent that the jurisdictional requirements of the Minnesota law applicable to the provision are met independently of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.

(3) No Waiver of Disclaimer of Reliance. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the Franchise.

(4) NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.