

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in South Dakota. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in South Dakota than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement even though your spouse has no ownership interest in the franchise. This Guarantee will place both your and your spouse's marital and personal assets (perhaps including your house), at risk if your franchise fails.
- ~~3. **Short Operating History.** This franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.~~
- ~~43. **Minimum Mandatory Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.~~
- ~~54. **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.~~
5. **Turnover rate.** During the last 3 years, 51 outlets were terminated, not renewed, reacquired, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

investigate the state and local laws that will apply to you. You should consult with your attorney about laws and regulations that may affect your franchised business.

ITEM 2. BUSINESS EXPERIENCE

HFC KTU LLC:

Heidi Morrissey – President

Heidi Morrissey has been our President since January 2021 in Aberdeen, South Dakota. From January 2017 to December 2020, she was President of KTUW in Aberdeen, South Dakota.

Larry Bishop – Senior Director of Operations

Larry Bishop has been our Senior Director of Operations since November ~~of~~ 2022 in Fort Lauderdale, Florida. From June 2021 until September 2022, Mr. Bishop was Director of Operations at Shades by Design in Miami, Florida and Regional Logistics Leader for Restoration Hardware in Fort Lauderdale, Florida from November 2017 until May 2021.

~~Bruce Morgan – Director of Core Service Excellence~~

~~- Bruce Morgan has been our Lead Trainer/Launch Coach since January 2023. From January 2022 to January 2023, he was our Director of Tune Up Innovation. He has also been a KTU franchisee since June, 1994 in Colorado Springs, Colorado.~~

~~Brandy Ward~~Amanda Twete – Director of ~~Sales~~ Operations, Bath Tune-Up

~~Brandy Ward~~Amanda Twete has been our Director of ~~Sales since February 2024. Prior to that, she was our Senior Sales and Marketing Specialist and an Operations Manager since July, 2021~~ in Aberdeen, South Dakota. From January 2021 ~~until July 2021~~, Ms. Ward was Kitchen and Bath Designer and Sales Manager at Studio M in Plymouth, Minnesota and General Manager of the California Closets franchise in Bloomington, Minnesota from August 2008 to July 2019. to July 2022, she was an Operations Manager for KTU and us in Aberdeen, South Dakota. From April 2019 to December 2020, she was a Director of KTUW in Aberdeen, South Dakota.

~~Maria Haan – Operations Manager~~

~~Maria Haan has been an Operations Manager since July 2021. From February 2018 until December 2018, Ms. Haan was Franchise Business Consultant and Franchise Relations Manager for Office Pride Commercial Cleaning Services in Palm Harbor, Florida. From December 2018 until March 2020, Ms. Haan was Director of Operations for Office Pride Commercial Cleaning Services in Palm Harbor, Florida.~~

~~Kendall Emerson – Operations Manager~~

~~Kendal Emerson has been an Operations Manager since April 2024. From March 2022 until January 2024 Ms. Emerson was a Franchise Business Coach for the CarePatrol franchise system in Coolidge, Arizona and a Region Trainer for Fantastic Sam's franchise system in Tempe, Arizona.~~

~~Laura Ramirez – Sales Manager~~

~~Laura Ramirez has been our Sales Manager since January 2025. From April 2023 until December 2024, she was an Operations Manager for us. From June 2014 to March 2023, Ms. Ramirez was an Account Manager for Indirect Sales for T-Mobile US, Inc. in San Antonio, Texas.~~

Sarah Eisenbeisz – Marketing Director

Ms. Eisenbeisz has been our Marketing Director since January 2021 in Aberdeen, South Dakota.

From June 2010 to December 2020, she was Marketing Director for KTUW in Aberdeen, South Dakota.

Pam Hajicek – Director of Training

Ms. Hajicek has been our Director of Training since January 2021 [in Aberdeen, South Dakota](#). From September 2020 to December 2020, she was Director of Training for KTUW in Aberdeen, South Dakota. From June 2014 to September 2020, Ms. Hajicek worked for Carters | Oshkosh in Oshkosh, Wisconsin, leading training and development for new store managers.

Jill Hansen – Director of Technology

Ms. Hansen has been our Director of Technology since January 2021 [in Sioux Falls, South Dakota](#). From May 2010 to December 2020, she was Director of Technology for KTUW in Aberdeen, South Dakota.

Amber Allen – Director of Procurement and Supplier Relations

Ms. Allen has been our Director of Procurement and Supplier Relations since April 2022 [in Flower Mound, Texas](#). From August 2021 until April 2022, Ms. Allen was Subcontract Manager for L3Harris in Fort Worth, Texas. From January 2020 until August 2021 Ms. Allen was employed by Lockheed Martin in Fort Worth, Texas as a Senior Subcontract Manager and from October 2018 until January 2020, she was an Executive Assistant for Aijlon Staffing in Fort Worth, Texas.

Dave Lentz – Operations Manager

Dave Lentz has been an Operations Manager since April 2023 in Redmond, Oregon. From October 2020 until April 2023, Mr. Lentz was a KTU franchise owner in Redmond, Oregon and a BTU franchise owner in Redmond, Oregon from February 2022 until April 2023.

Home Franchise Concepts, LLC:

Andrew G. Skehan – Chief Executive Officer and Director

Andrew Skehan has been HFC's Chief Executive Officer and a director of HFC since August 1, 2022 [in Flower Mound, Texas](#). Prior to joining HFC, Mr. Skehan was President – North America of Krispy Kreme, Incorporated in Charlotte, North Carolina from November 1, 2017 to July 31, 2022.

Jennie Amante – Executive Vice President, General Counsel and Secretary

Jennie Amante has been HFC's Executive Vice President and Secretary since December 2015 [in Irvine, California](#). She has been General Counsel for HFC and its subsidiaries since October 2004 [in Aberdeen, South Dakota](#). Ms. Amante has also been our Secretary since January 2021 [in Aberdeen, South Dakota](#).

Heather Cates – Chief Marketing Officer

Heather Cates has been HFC's Chief Marketing Officer since April 1, 2021 [in Irvine, California](#). Prior to assuming this role, Ms. Cates was BB's Senior Marketing Director since January 2021 [in Aberdeen, South Dakota](#). From October 2018 until December 2020, Ms. Cates was Executive Director of Consumer Marketing, Facial Aesthetics for Allergan (now Abbvie) in Irvine, California.

Amir Yeganehjoo – Chief Financial Officer

Amir Yeganehjoo has been HFC's Chief Financial Officer since January 3, 2023 [in Flower Mound, Texas](#). Prior to assuming this role, Mr. Yeganehjoo was Senior Vice President, Finance, Treasury and Investor Relations for European Wax Center in Dallas, Texas from October 2020 until December 2022, Head of Corporate Finance for Chewy.com in Fort Lauderdale, Florida from December 2019 until September 2020, Senior Director, Corporate Finance with Gamestop Corp. in Grapevine, Texas from May 2019 to December 2019 and Director, FP&A and Financial Strategy with Gamestop Corp. in Grapevine, Texas from August 2017 to November 2019.

Aaron Cady – Vice President, Franchise Development

Aaron Cady has been Vice President ~~of~~ Franchise Development ~~for~~[of](#) HFC since March 2023 [in Irvine, California](#). Prior to assuming this role, Mr. Cady was HFC's Director of Franchise Development from March 2019 until February 2023 [in Aberdeen, South Dakota](#).

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
	transfer fee per territory.		
Transfer Lead Referral Fee	Our then-applicable lead referral fee, currently \$15,000 or the amount of any broker fees that we must pay a third party (not an employee of ours).	On a transfer of your franchise agreement to a buyer who was already listed in our sale database at the time you and the buyer began discussing a sale.	Intended to partially reimburse us for our costs in developing leads who then purchase from existing franchisees.
Renewal Fee	\$5,000	When you sign a renewal franchise agreement.	
Insufficient or Late Payment Fee	Currently \$300, subject to change.	On due date of Royalty, National Advertising Fee, Technology Fee, or any other amounts due if payment not made in full.	Payable if there are insufficient funds in your account to cover withdrawal of amounts due or payment is late.
Convention Fee	Currently \$750 plus travel, accommodation and some meals. Fee will vary depending on venue and location but will not exceed \$2,000 annually.	Same as Royalty. Paid in monthly installments, in advance. Travel, accommodation and meals are due as required by service providers.	Attendance at Annual Convention is mandatory.
Optional Meetings and Trainings	As determined by us, but generally \$100 - \$1,500 depending on venue and mode of delivery.	By registration date. Travel, accommodation and meals are due as required by service providers.	
Additional Training Requested by You	Currently \$500 - \$1,000 per day, plus travel and expenses.	Immediately after notice from us.	Paid to us if, at your request, we send one of our staff members to the Franchised Business to provide further assistance. We will charge you a daily rate for that assistance, plus

OBLIGATION	SECTION IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
u. Renewal	Section 5	Item 17
v. Post-termination obligations	Section 12	Item 17
w. Non-competition covenants	Section 8 and Exhibit H	Items 15 and 17
x. Dispute resolution	Section 11	Item 17
y. Personal guaranties of agreements	Schedule 1	Items 15 and 22

ITEM 10. FINANCING

If you meet our credit standards, we will, at your request, provide financing as shown below.

To obtain financing, you must sign a Secured Promissory Note and General Security Agreement substantially in the form of Exhibits J and K to this disclosure document. No separate personal guaranty is required to obtain financing. Payments begin with the first royalty due date. The note can be prepaid without penalty at any time during its term. The General Security Agreement grants us a security interest in substantially all of your assets to secure your payments under the Secured Promissory Note. You waive your right to notice of a collection action and to assert any defenses to collection against us.

Key terms are as follows:

Item Financed	Amount Financed	Min. Down Payment	Term (months)	Rate of Interest Plus Finance Charge	Monthly Payment	Prepay Penalty	Liability On Default	Loss of Legal Right
Initial Franchise Fee and Part of Initial Territory Fee	\$48,000	\$0	60	10%	\$1,019.86	None	Lose franchise, pay unpaid balance, attorney fees, and costs	Waive notice

We do not receive any direct or indirect payments or other consideration from any person for the placement of financing.

Although we have never done so, we have a right to sell your promissory note at a discount rate to a third party which may be immune under the law to any defenses to payment you may have against us. We do not guarantee any notes, leases, or obligations.

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The following unaudited data ~~are~~is for the 141 franchisees (representing 234 territories) who were open for business for all of calendar year 2024 (78 single territory franchisees and 62 multiple territory franchisees, representing an aggregate total of 234 territories, or 90% of the territories open for all of 2024), as reported by our franchisees via our CRM System for 2024. ~~We excluded the CRM System data of franchisees who were not open for all of 2024. The following data are for the 141 franchisees (representing 234~~The following unaudited data excludes a total of 27 territories that were open and operating at the end of calendar year 2024 for the following reasons: (1) new territories purchased by new franchisees opening during calendar year 2024 since those territories were not open for a full 12 months; and (2) transferred territories) because neither the original or new franchisees were open for all of 2024a full 12 months.

B. Cost of Goods Sold/Gross Profit

The average cost of goods sold (that is, the cost to franchisees of Kitchen Improvements products and consumables sold by the franchisees) as a percentage of the price at which the franchisees sold those products and consumables to their customers) was 45% of the gross (retail) sales price with an average gross profit of 55%. The average cost of goods comprises average labor costs of 14% of the gross (retail) sales price and average products cost of 31%. ~~We have not independently verified the amount reported by our franchisees, but that figure is consistent with information concerning suggested mark-ups that is discussed during franchisee training classes.~~

In addition to the cost of goods sold, you will also incur other expenses that are not included in this calculation, such as monthly payments (lease or financing) for the required vehicle, labor costs for anyone you hire, rent for office/warehouse space, telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, state and local taxes, and financing expenses if you finance any part of your investment. You may also incur other expenses, depending upon the manner in which you operate the business. You should consult with your advisors and with other business owners concerning the other types and amounts of expenses you will incur.

C. Average Sale Amount and Gross Profit by Service Line

SERVICE LINE	AVERAGE SALE AMOUNT	MEDIAN SALE AMOUNT	HIGHEST SALE AMOUNT	LOWEST SALE AMOUNT	AVERAGE GROSS PROFIT	MEDIAN GROSS PROFIT
Countertop	\$7,607	\$6,868	\$43,356	\$68	43.0%	37.2%
Full Custom Kitchen	\$25,543	\$21,648	\$151,094	\$5,000	53.2%	50.1%
Misc.	\$2,946	\$122	\$158,650	\$15	59.6%	59.2%
Painting/ Recoloring	\$9,815	\$7,257	\$75,948	\$1,300	55.3%	53.2%
Redoor	\$14,881	\$12,120	\$133,512	\$2,522	60.6%	60.2%
Refacing	\$18,047	\$15,954	\$82,250	\$2,575	57.5%	56.1%
Tune-Up	\$4,453	\$2,936	\$47,721	\$500	67.1%	69.7%

TABLE NO. 4

**Status of Company- Owned Outlets
For Years 2022, 2023 and 2024**

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Re-Acquired From Franchisees	Outlets Closed	Outlets Sold To Franchisees	Outlets At End Of Year
All States	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0

TABLE NO. 5

Projected Openings in Fiscal Year Ending December 31, [2024, for 2025](#)

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	1	0
Arkansas	0	0	0
California	0	2	0
Colorado	0	1	0
Connecticut	0	0	0
Delaware	0	0	0
Florida	1	2	0
Georgia	0	2	0
Hawaii	0	0	0
Idaho	0	1	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Illinois	0	2	0
Indiana	0	1	0
Iowa	0	1	0
Kansas	0	1	0
Kentucky	0	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	1	0
Massachusetts	0	0	0
Michigan	0	1	0
Minnesota	0	0	0
Mississippi	0	0	0
Missouri	0	0	0
Montana	0	0	0
Nebraska	0	0	0
Nevada	0	1	0
New Hampshire	0	0	0
New Jersey	0	1	0
New Mexico	0	0	0
New York	0	2	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	0	0
Oklahoma	0	1	0
Oregon	0	1	0
Pennsylvania	0	2	0
Rhode Island	0	0	0
South Carolina	0	1	0
South Dakota	0	0	0

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Tennessee	0	1	0
Texas	1	2	0
Utah	0	2	0
Vermont	0	0	0
Virginia	0	1	0
Washington	0	1	0
Washington, DC	0	0	0
West Virginia	0	1	0
Wisconsin	0	1	0
Wyoming	0	0	0
Totals	2	35	0

Exhibit C is a list of the names, outlet business addresses and outlet business telephone numbers of our franchisees as of December 31, 2024. For franchisees operating multiple territories, Exhibit C shows the numbers of territories they were operating.

Exhibit D is a list of the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of KITCHEN TUNE-UP® franchisees: who transferred territories in 2024 (13 territories); who had territories terminated, not renewed or reacquired by us in 2024 (16 territories); who otherwise voluntarily or involuntarily ceased to operate territories in 2024 (12 territories); or who had not communicated with us within 10 weeks of the issuance date of this disclosure document (no franchisees).

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Minnesota

~~The franchise agreement requires binding arbitration. The arbitration will occur in a state other than Minnesota, with costs being borne by the non-prevailing party. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this provision may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.~~

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

~~The franchise agreement requires application of the laws of a state other than Minnesota. Under Minnesota Statutes § 80C.21 and Minnesota Rule Part 2860.4400J, this may not in any way invalidate or reduce any of the franchise owner's rights that are listed in Chapter 80C of the Minnesota Statutes.~~

With respect to franchises governed by Minnesota law, the franchiser will comply with Minn. ~~Minnesota~~ Statute ~~Sec. 80C.14, Subds. 3, 4, and 5~~ Subd. 3-5, which require, (except in certain specified cases,) that a franchisee be given 90 days notice of termination (with 60 days to cure) ~~and 180 and 180~~ days notice ~~offor~~ non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld.

~~The franchise agreement requires you to sign a release of claims as a condition of renewing or transferring a franchise. Minn. Rule 2860.4400J prohibits us from requiring you to sign a release of claims arising under the Minnesota Franchise Law. Therefore, any release we require you to sign will exclude claims arising under the Minnesota Franchise Law.~~

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

~~The franchise agreement provides that we are entitled to a temporary injunction or decree of specific performance without bond if we can demonstrate to a court of competent jurisdiction that there is substantial likelihood of your breach or threatened breach of any of the terms of the agreement. The franchise agreement is amended to provide that we are entitled to seek a temporary injunction or decree of specific performance under these circumstances, not that we are necessarily entitled to obtain this relief.~~

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

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

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--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 other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

North Dakota

1. The Summary column of Item 17(c) of this Disclosure Document is modified to read as follows:

You may renew your license, subject to **HFC KTU LLC** approving the location of your restaurant or store during the renewal period, if you: give advance written notice of intent to renew; sign then-current form of operating agreement; have complied with modernization and replacement provisions; have been in good standing for at least 6 months; have right to maintain possession; pay renewal fee; and sign (together with each Principal Owner) general release, except as to claims arising under the North Dakota Franchise Investment Law.

2. The Summary column of Item 17(r) of this Disclosure Document is modified by adding the following sentence:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

Washington

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~C~~chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede ~~the Franchise Agreement in~~provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~ supersede the ~~F~~franchise ~~A~~greement ~~in~~or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including the areas of termination and renewal of your those summarized in Item 17 of the ~~f~~Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights ~~executed by a~~in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights~~to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder ~~is void~~ except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel-, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions ~~such as those which~~contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they ~~reflect~~reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that

requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). As a result, any provisions contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from

- (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

~~**Use of Franchise Brokers.** The franchisor may use the services of franchise brokers to assist it in selling franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. Do not rely only on the information provided by a franchise broker about a franchise. Do your own investigation by contacting the franchisor's current and former franchisees and ask them about their expertise with the franchisor.~~

16. **Questionnaires and Acknowledgments.** 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 other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).
18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

i. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

j. The last two paragraphs of Section 16.1 in the Franchise Agreement are deleted in their entirety and not applicable in the State of California.

2.2 Hawaii

The following provisions apply to you if your State is Hawaii:

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2.3 Illinois

The following provisions apply to you if your State is Illinois:

Illinois law governs the franchise agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

THE FRANCHISOR RESERVES THE RIGHT TO IDENTIFY "KEY ACCOUNTS" WITHIN YOUR TERRITORY. THE FRANCHISOR, ITS AFFILIATES AND OTHER FRANCHISEES MAY SERVICE A "KEY ACCOUNT" WITHIN YOUR TERRITORY – WITH NO COMPENSATION TO YOU – IF YOU DECLINE TO PARTICIPATE IN KEY ACCOUNT REFERRALS.

See the last page of this Addendum for your signature.

2.4 Maryland

the franchise may not be enforceable under Title 11, United States Code Section 101.

2.7.5 Governing Law

Section 14.1 of the Agreement (Governing Law) is revised to read as follows:

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non-competition provisions. Otherwise, except as to matters within the purview of the North Dakota franchise law, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of South Dakota.

2.8 Rhode Island

The following provisions apply to you if your State is Rhode Island:

Governing Law

Section 14.1 of the Agreement (Governing Law) is revised to read as follows:

The United States Arbitration Act (9 U.S.C. 1 et seq.) will govern jurisdictional issues respecting arbitration of disputes under this Agreement. The Lanham Act (15 U.S.C. 1051 et seq.) will govern any issue involving the Marks. To the extent applicable, the laws of the state where Franchisee is domiciled will govern all issues involving (i) modification of this Agreement while it is in effect, (ii) the maximum rate of interest that may be charged under this Agreement, and (iii) enforcement of post-termination non-competition provisions. Otherwise, except as to matters within the purview of the Rhode Island Franchise Investment Act, this Agreement and the legal relations among the parties will be governed by and construed in accordance with the laws of the State of South Dakota.

2.9 Washington

~~The following provisions apply to you if your State is Washington:~~

WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE FRANCHISE AGREEMENT, AND ALL RELATED AGREEMENTS

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, ~~C~~chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede ~~the Franchise Agreement in~~ provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions ~~which may that~~

supersede the ~~F~~franchise ~~A~~greement ~~in or related agreements concerning~~ your relationship with the franchisor. Franchise agreement provisions, including the areas of termination and renewal of your those summarized in Item 17 of the fFranchise Disclosure Document, are subject to state law.

3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights ~~executed by a~~ in the franchise agreement or related agreements purporting to bind the franchisee ~~may not include rights to waive compliance with any provision~~ under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions ~~such as those which~~ contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they ~~reflect~~ reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.
8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such

that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for ~~inflation~~inflation). As a result, any provisions contained in the franchise agreement or elsewhere that ~~conflict~~conflicts with these limitations ~~are~~is void and unenforceable in Washington.

15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

16. **Questionnaires and Acknowledgments.** 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 other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

Further, Section 16.1 of the Franchise Agreement is deleted and replaced with the following:

16.1 Certain Acknowledgments and Representations of Franchisee

If required, Franchisee is a duly licensed state contractor under the laws of the state within which the Territory is situated (or has otherwise made arrangements to operate under an existing state contractor's license in accordance with applicable law) and is in compliance with all applicable laws, rules, and regulations of authorities having jurisdiction.

Franchisee understands and acknowledges (i) that all people operating under the Marks and the System benefit from uniform and ethical standards of quality, appearance, and service described in and required by the Manuals, and (ii) the necessity of operating the Franchised