

FRANCHISE DISCLOSURE DOCUMENT



Home Clean Heroes Franchising, LLC
A Virginia Limited Liability Company
2829 Guardian Lane, Suite 100
Virginia Beach, VA 23452
(757) 215-4253
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www.homecleanheroes.com

The franchisee will establish and operate a business offering high-quality cleaning services on a one-time or recurring basis, including initial, weekly, bi-weekly, monthly, one-time and move in/move out, for both residential and light commercial customers using the trademark HOME CLEAN HEROES®.

The total investment necessary to begin operation of a single Home Clean Heroes® franchise business is \$112,745 to \$196,049, including \$80,345 to \$85,385 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of two or three Home Clean Heroes franchised businesses under an area development agreement is \$195,945 to \$~~441,477~~441,677, including \$131,445 to \$196,285 that must be paid to the franchisor.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Joe Delatte at 2829 Guardian Lane, Suite 100, Virginia Beach, VA 23452, (757) 215-4253.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

The Issuance Date of this Disclosure Document: April 8, 2024.

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 litigation only in the Commonwealth of Virginia. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with the franchisor in Virginia than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
3. **General Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.
4. **Turnover Rate.** In the last year, a high percentage of franchised outlets were transferred 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.
5. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

competitive advertising costs to require as much as \$60,000 in additional funds to provide sufficient operating capital for the first three months.

15. Cost will vary widely, and you should review these figures carefully with a business advisor before making any decision to purchase a franchise.

Area Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT MADE
Cumulative Franchise Fee ¹	\$75,000 to \$100,000	Lump Sum	On signing the Area Development Agreement	Us
Initial Investment for 2-3 Franchised Businesses	\$120,945 to \$341,677	See Previous Chart	See Previous Chart	See Previous Chart
TOTALS²	\$195,945 to \$441,477 <u>441,677</u>			

Notes:

Except as otherwise described in Item 5 above, all payments are nonrefundable.

1. Cumulative Franchise Fees vary depending on whether you acquire the rights to open 2 or 3 Franchised Businesses, as more fully described in Item 5.
2. If you sign an Area Development Agreement, you will incur the full cost of opening your first Franchised Business within 120 days of the Effective Date of the Area Development Agreement, as shown in the prior table for a single Franchised Business. We have provided a cumulative estimate of the initial investment for 2 to 3 Franchised Businesses. You should be aware that the amounts for the second and third Franchised Businesses may change and will be as set forth in the Franchise Agreement that you sign for each of those Franchised Businesses.

The initial investment range for 2 or 3 Franchised Businesses takes into consideration that certain fees may not be applicable to, or may be lower for, the second and third Franchised Businesses, including the SEO Fee, Integrated Business Management Fee and National Call Center Set Up Fee. The SEO Fee of \$300 per month is payable if your Franchised Businesses are in contiguous territories, regardless of the number of Franchised Businesses you open, and you do not pay an additional amount for your second or third Franchised Business. The Integrated Business Management Fee for the first Franchised Business is \$395 per month and you will pay an additional \$50 per month for the second Franchised Business and an additional \$50 per month for the third Franchised Business. The National Call Center Set Up Fee of \$300 is only paid once, regardless of the number of Franchised Businesses you open, and you do not pay an additional amount for your second or third

(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 Home Clean Heroes Business Model

Home Clean Heroes provides two types of residential cleaning services, recurring and one-time. “Recurring Services” are performed for customers requesting ongoing service on a weekly, bi-weekly or monthly basis. The first service of a recurring service plan is called the “Initial Clean.” “One-time Services” are performed upon request by customers who are moving in or out of a home, or who just desire an individual service with no recurrence. Our cleaning teams most often work in teams of two cleaning specialists, with one of those being designated the “lead” for that team. Daily routes consist of a varying number of homes determined by the amount of time it will take to clean each home. Prices are established on a per-home basis and are determined by each franchisee at the point of sale. No contract is required for recurring service plans.

This Financial Performance Representation includes detailed information for the following:

1. **Home Clean Heroes Local Operations, LLC.** Our affiliate, HCH Local Operations, has been in operation since May 2017. The information includes the following key financial metrics for HCH Local Operations during calendar year 2023:

Table 1 – Income Statement

Table 2 – Revenue, Customer and Service Performance

Table 3 – Sales Metrics

Table 4 – Operational Metrics

2. **Home Clean Heroes Franchising, LLC.** We began offering franchises on May 1, 2018. As of December 31, 2023, we had 24 franchisees who signed franchise agreements or area development agreements for a total of 45 Franchised Businesses. As of December 31, 2023, ~~17~~16 of these 45 Franchised Businesses were open, with 6 of them operational for 12 or more months. Detailed information for these 6 Franchised Businesses is provided below.

Table 5 – Business Metrics

Table 6 – Sales Metrics

Table 7 – Operational Metrics

HCH Local Operations

HCH Local Operations began providing services in the cities of Chesapeake, Norfolk and Virginia Beach, Virginia, in May 2017. Since it began operations, the Home Clean Heroes model has been adjusted periodically to respond and adapt to market challenges and opportunities.

Although HCH Local Operations serviced the cities of Chesapeake, Norfolk and Virginia Beach, its focus in its first year was largely on Virginia Beach, the territory known as VA-001,

**ADDENDUM TO THE
HOME CLEAN HEROES FRANCHISING, LLC
FRANCHISE DISCLOSURE DOCUMENT**

FOR THE STATE OF ILLINOIS

ITEM 17 of the Disclosure Document is amended as follows:

Illinois law shall apply to and govern the Franchise Agreements.

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.

The Disclosure Document is amended to include the following:

FRANCHISOR MAY ESTABLISH, IDENTIFY AND SERVICE "NATIONAL ACCOUNTS" WITHIN YOUR TERRITORY UNDER THE TERMS OF A SERVICE AGREEMENT. IF YOU REFUSE TO SERVICE THE NATIONAL ACCOUNT UNDER THE TERMS OF THE SERVICE AGREEMENT ~ FRANCHISOR, ITS AFFILIATE(S) OR ANOTHER FRANCHISEE MAY PROVIDE PRODUCTS & SERVICES TO THAT "NATIONAL ACCOUNT" WITH NO COMPENSATION PAID TO YOU.

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 of fraud 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.

~~The Illinois Administrator has required the Franchisor to assure its financial capability. Accordingly, we defer the payment of the Initial Franchise Fee until we have satisfied our pre-opening obligations and the Franchised Business opens for business. Upon the occurrence of these conditions, you must pay to us the Initial Franchise Fee.~~

Payment of Initial Franchise and Development Fees will be deferred until the Franchisor has met its initial obligations to franchisee, and franchisee has commenced business operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

**ADDENDUM TO THE FRANCHISE AGREEMENT
HOME CLEAN HEROES FRANCHISING, LLC**

FOR THE STATE OF ILLINOIS

This Addendum to the Franchise Agreement is entered into this ___ day of _____, 20___, between **HOME CLEAN HEROES FRANCHISING, LLC** (“we”, “us” or “Franchisor”) and _____ (“you” or “Franchisee”) to amend and revise the Franchise Agreement as follows:

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement for Home Clean Heroes Franchising, LLC shall be amended as follows:

a. Section 4.a. of the Franchise Agreement shall be amended to add:

~~Notwithstanding the foregoing, the Illinois Office of the Attorney General requires us to defer payment of the Initial Franchise Fee until we have completed pre-opening obligations contained in this Agreement and the Franchised Business is open for business.~~

Payment of Initial Franchise and Development Fees will be deferred until the Franchisor has met its initial obligations to franchisee, and franchisee has commenced business operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.

b. Section 8 of the Franchise Agreement shall be amended to add:

Franchisees’ rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

c. Section 15.a of the Franchise Agreement shall be amended to add:

Illinois law governs the Franchise Agreement.

d. Section 15.c of the Franchise Agreement shall be amended to add:

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.

2. The following paragraph shall be included in Section 3, Territory, as part of the Franchise Agreement:

**ADDENDUM TO THE AREA DEVELOPMENT AGREEMENT
HOME CLEAN HEROES FRANCHISING, LLC**

FOR THE STATE OF ILLINOIS

This Addendum to the Area Development Agreement is entered into this ___ day of _____, 20___, between **HOME CLEAN HEROES FRANCHISING, LLC** (“we”, “us” or “Franchisor”) and _____ (“you” or “Area Developer”) to amend and revise the Area Development Agreement as follows:

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Area Development Agreement for Home Clean Heroes Franchising, LLC shall be amended as follows:

a. Section 2.1 of the Area Development Agreement shall be amended to add:

~~Notwithstanding the foregoing, the Illinois Office of the Attorney General requires us to defer payment of the Cumulative Fee until we have completed pre-opening obligations as set forth in the applicable Franchise Agreement for a Franchised Business and the Franchised Business is open for business. The Cumulative Fee must be paid proportionally with respect to each Franchised Business.~~

Payment of Initial Franchise and Development Fees will be deferred until the Franchisor has met its initial obligations to franchisee, and franchisee has commenced business operations. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor’s financial condition.

b. Section 6 of the Area Development Agreement shall be amended to add:

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

c. Section 16.1 of the Area Development Agreement shall be amended to add:

Illinois law governs the Area Development Agreement.

d. Section 16.2 of the Area Development Agreement shall be amended to add:

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.