

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 Alabama. 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 Alabama than in your own state.
2. **Spousal Liability**. The franchisee's spouse, and the spouses of the franchisee's shareholders, partners, and members, as the case may be, are required to sign a spousal consent whereby each spouse unconditionally guarantees each and every obligation of the franchise agreement and agrees to be jointly and severally liable for all debts of the franchise. This requirement places the personal and marital assets of the franchise owners and spouses at risk.
3. **Mandatory Minimum 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.
4. **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. ~~**Unregistered Trademark**. The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.~~

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.

Chart 2
2023 Locations Open 2 Years or More
Quintile Two
(Next 16 Territories by Gross Revenues)

2023 2nd Quintile				
Description	Low	Average	Median	High
Gross Revenues ²	\$564,931	\$672,782	\$673,427	\$393,510 <u>00,874</u>
Direct Labor	\$254,219	\$313,477	\$311,089	\$381,908
Cleaning Materials	\$14,123	\$17,773	\$21,836	\$11,601
Total Cost of Sales	\$268,342	\$331,250	\$332,926	\$393,510
Gross Margin \$	\$296,589	\$341,532	\$340,501	\$407,364
Gross Margin %	53%	51%	51%	51%
Web Leads Per Month	183	144	155	233
Lead Conversion %	20%	19%	21%	14%
Recurring Customer %	72%	79%	77%	81%
Avg Price - Recurring	\$159	\$158	\$154	\$198
Avg Price - Single	\$241	\$239	\$173	\$301
Avg Price - All	\$176	\$169	\$153	\$212

Note 2: Chart reflects second top 16 of 80 territories (second quintile) by Gross Revenues.

Of the 16 territories represented, 8 or 50% attained or surpassed the average gross revenues and 8 or 50% attained or surpassed the median gross revenues.

Minn. Rule 2860.4400D, we are prohibited from requiring you to sign a general release.

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.

New York

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR 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 ANYTHING IN THIS 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 THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations. C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable

Section 16.1 of the Franchise Agreement shall hereby be amended as follows:

- (1) The last sentence of subsection (b) is deleted.
- (2) Subsection (f) is deleted.
- (3) The third and last sentences of subsection (g) are deleted.

2.3 Minnesota

Section 14.1 of the Franchise Agreement is amended by the inclusion of the following:

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. Sec. 80C, 14 Subds. 3, 4, and 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 days' notice for non-renewal of the franchise agreement.

Section 11 of the Franchise Agreement is supplemented by the inclusion of the following:

Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the DISCLOSURE DOCUMENT or agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

Section 11 of the Franchise Agreement is amended by the inclusion of the following:

Under Minn. Rule 2860.4400J, a franchisee cannot waive any rights, the franchisee cannot consent to the franchisor obtaining injunctive relief, although the franchisor may seek injunctive relief and a franchisee cannot be required to consent to waiver of a jury trial. In addition, a court will determine if a bind is required.

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.

2.4 North Dakota

Section 11.4 of the franchise agreement provides that the franchisee must agree to the arbitration or mediation of disputes in Alabama. Section 11.4 of the franchise agreement is amended to delete any reference to the location of mediation or arbitration.

Section 11.6 of the franchise agreement provides that the franchisee must consent to the jurisdiction of courts in Alabama. Section 11.6 of the franchise agreement is amended to replace "Alabama" with "North Dakota".

Section 14.1 of the franchise agreement provides that the governing law of the franchise agreement is Alabama. Section 14.1 of the franchise agreement is amended to