

		reduction of the scope of a restrictive covenant that we may make in our discretion.
t. Integration/merger clauses	18.M.	Only the terms of the Franchise Agreement and schedules to the Franchise Agreement and the respective signed exhibits to the Franchise Agreement are binding, subject to state law. Nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	18.G.	Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in San Mateo County, California and, if mediation is unsuccessful, then to binding arbitration in San Mateo County, California. This provision is subject to applicable state law.
v. Choice of forum	18.G.	All mediation, arbitration and, if applicable, litigation proceedings must be conducted in, or closest to, State court of general jurisdiction that is within or closest to San Mateo County, California or, if appropriate, the United States District Court nearest to our corporate headquarters at the time such action is filed. This provision is subject to applicable state law.
w. Choice of law	18.F.	California law will govern. However, this provision is subject to state law and as otherwise disclosed in <u>Exhibit I</u> to this Disclosure Document.

ITEM 18

PUBLIC FIGURES

We do not currently use any public figure to promote our franchise. No public figure is currently involved in our management.

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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 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) 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.

DEFINITIONS

(a) Calendar Year – means, as to each respective year, the 12 month period commencing on January 1 and ending on December 31.

(b) Company Owned Outlet – means an Outlet owned either directly or indirectly by us, our affiliate or any person identified in Item 2 of this Disclosure Document. A Company Owned Outlet also includes any Outlet that is operated as a joint venture owned in part by us, our affiliate or any person identified in Item 2 of this Disclosure Document, or that is managed by us our affiliate or any person identified in Item 2.

(c) Direct Cost of Goods and Services Sold – means the direct non-managerial and non-administrative cost of goods sold and labor incurred by an Outlet in directly providing the Approved Services and Products, comprised of the following expenses: direct labor cost for gross wages and taxes, direct labor cost for workers' compensation and general liability insurance, job materials and sundries, and equipment, small tools, and rentals. Direct Cost of Goods and Services Sold does not include operating expenses or general expenses including, but not limited to interest, taxes, depreciation, amortization, and Franchise Related Expenses.

(d) Direct Gross Profit – means Gross Sales less Direct Cost of Goods and Services Sold. Direct Gross Profit is not net profit or income and, except as to Direct Cost of Goods and Services Sold, does not include the deduction of all other expenses incurred by a HomeSmiles Business including, but not limited to, operating expenses or general expenses including, but not limited to interest, taxes, depreciation, amortization, and Franchise Related Expenses.

(e) Disclosed Expenses – means the following select expenses: banking/credit card processing, marketing, and Service Vehicle Cost.

(f) Franchise Outlet – refers to a HomeSmiles Business operated under a Franchise Agreement that is not a Company Owned Outlet.

(g) Franchise Related Expenses – means the following select fees currently required under the Franchise Agreements: Royalty Fees, Technology Fees, Brand Development Fund Fees, Sales Center Fees, Business Management System Fees, and local marketing. Franchise Related Expenses do not include all fee and payment obligations required under a Franchise Agreement.

(h) Gross Sales – means the total revenue derived by each HomeSmiles Business less only sales tax, discounts, allowances, and returns.

(i) New Franchise Outlet – means, as to a particular Calendar Year, a Franchise Outlet that for the first time opened and commenced operations during the Calendar Year. For example, if a Franchise Outlet first opened for business in February 2021, as to the 2021 Calendar Year, the Franchise Outlet would qualify as a New Franchise Outlet and not as an Operational Franchise Outlet, see definition below. If this Franchise Outlet remained in operation throughout the 2022 Calendar Year, it would qualify as an Operational Franchise Outlet during the 2022 Calendar Year.

(j) Operational Franchise Outlet – means, as to a particular Calendar Year, a Franchise Outlet that was open and in operation on or prior to the commencement of the Calendar Year. For example, if a Franchise Outlet first opened for business in February 2021, as to the 2021 Calendar Year, the Franchise Outlet would qualify as a New Franchise Outlet, see definition above, and not as an Operational Franchise Outlet. If this Franchise Outlet remained in operation throughout the 2022 Calendar Year, it would qualify as an Operational Franchise Outlet during the 2022 Calendar Year.

(k) Outlet – refers to a HomeSmiles Business that is either a Company Owned Outlet or a Franchise Outlet, as the context requires.

(l) Service Vehicle Cost – means the cost incurred by an Outlet for finance or lease installment payments, if any, for the service vehicles used by the Outlet in providing the Approved Services and Products. Service Vehicle Cost also includes fuel expenses, service vehicle maintenance costs, and business automobile insurance. Service Vehicle Cost does not include the purchase price of a service vehicle or the prior acquisition cost or depreciation cost of a service vehicle if it is owned by an Outlet and is not subject to lease finance charges or installment payments during the Calendar Year period for which financial information is provided in this Item 19.

BASES AND ASSUMPTIONS

The financial information was not prepared on a basis consistent with generally accepted accounting principles. Data for our Company Owned Outlet is based on information reported to us by our affiliate. Data for the Franchise Outlets is based on financial information reported to us by our franchisees. The information in this analysis has not been audited, is based on historical financial data and is not a forecast or projection of future financial performance.

ANALYSIS OF RESULTS OF COMPANY OWNED OUTLET

We have one Company Owned Outlet located in San Mateo, California. Our Company Owned Outlet has been in operation since January 2017 and operates in a market where the HomeSmiles brand maintains significant awareness among consumers and a significant market presence. The territory in which this Company Owned Outlet operates includes approximately 800,000 people, which qualifies as an Operating Territory comprising three Territories. Below we report select financial performance data of our Company Owned Outlet for the 2023 Calendar Year.

Table 1 – San Mateo, CA – Corporate-owned Location – 2023 Performance

Gross Sales by category			
Gutter Cleaning	\$	76,112.00	0.21
Power Washing	\$	20,596.00	0.06
Window Cleaning	\$	46,362.00	0.13
Dryer Vent Cleaning	\$	23,898.00	0.06
18 Point full service	\$	149,072.00	0.40
Custom Package	\$	53,577.00	0.14
			100
Total	\$	369,617.00	%
Specialty Item Sales	\$	-	

Less:

Direct Labor Gross Wages & Taxes	\$	157,660.90	0.43
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Direct Labor Workers' Comp/GL	\$	27,333.00	0.07
Job Materials & Sundries	\$	25,156.46	0.07
Equipment, Small Tools, Rentals	\$	11,321.06	0.03
Direct Cost of Goods and Services Sold	\$	221,471.42	0.60
Direct Gross Profit	\$	148,145.58	40%
Less: Disclosed Expenses			
Banking/Credit Card Processing	\$	6,264.00	0.02
Marketing	\$	9,238.09	0.02
Service Vehicle Cost	\$	8,463.61	0.02
Royalty Fee*	\$	22,177.02	0.06
Brand Development Fee*	\$	3,696.17	0.01
Technology Fee*	\$	-	
Sales Center Fee*	\$	7,392.34	0.02
Business Management System Fee*	\$	3,569.28	0.01
Direct Gross profit after disclosed expense and Franchise related expenses	\$	87,345.07	24%

*These are not actually charged to San Mateo as they are the Corporate store but are presented as imputed amounts so as to present a more accurate representation of performance compared with franchised outlets.

ANALYSIS OF RESULTS OF OPERATIONAL FRANCHISE OUTLETS

During the 2023 Calendar Year we had a total of four Operational Franchise Outlets and zero New Franchise Outlets. We have excluded data for one of our Operational Franchise Outlets which was not operating for a significant part of the 2023 Calendar Year due to personal reasons and, as such, is not representative of a full Calendar Year performance. Table 1 below summarizes the three Operational Franchise Outlets disclosed in this Item 19.

Table 2

Operational Franchise Outlet Summary	
Operational Franchise Outlet	Description and Territory Size
Santa Clara County Outlet	The Santa Clara County Outlet commenced operations in February 2020. The Santa Clara County Outlet operates in an Operating Territory consisting of 2,000,000 people, which is the equivalent of eight Territories.
Contra Costa County Outlet	The Contra Costa County Outlet commenced operations in March 2021. The Contra Costa County Outlet operates in an Operating Territory consisting of 1,000,000 people, which is the equivalent of four Territories.

Table 3

Santa Clara

	2023 Calendar Year	
	Total	%
Gross Sales	\$ 433,579.00	0.48
Specialty Item Sales	\$ 474,575.00	0.52
Total Sales	\$ 908,154.00	100%
Less: *		
Direct Labor Gross Wages & Taxes	\$ 382,484.69	0.42
Direct Labor Workers' Comp/GL	\$ 19,037.54	0.02
Job Materials & Sundries	\$ 46,834.80	0.05
Equipment, Small Tools, Rentals	\$ 19,737.80	0.02
Direct Cost of Goods and Services Sold	\$ 468,094.83	0.52
Direct Gross Profit	\$ 440,059.17	48%
Less: Disclosed Expenses		
Banking/Credit Card Processing*	\$ 8,379.62	0.02
Marketing**	\$ 10,942.00	0.03
Service Vehicle Cost**	\$ 21,997.84	0.05
Royalty Fee**	\$ 29,740.57	0.07
Brand Development Fee**	\$ 3,647.33	0.01
Technology Fee**	0	
Sales Center Fee**	\$ 25,531.35	0.06
Business Management System Fee**	\$ 4,463.43	0.01
Direct Gross profit after disclosed expense and		
Franchise related expenses	\$ 335,357.03	37%
*This includes costs for both Gross Sales & Specialty Items combined		
**This is based only on Gross Sales as fees were not charged on Sepcialty Items in 2023		

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Table 4

Contra Costa		
	2023 Calendar Year	
	Total	%
Gross Sales	\$ 138,131.00	0.62
Specialty Item Sales	\$ 83,978.00	0.38
Total Sales	\$ 222,109.00	100%
Less:*		
Direct Labor Gross Wages & Taxes	\$ 7,096.00	0.03
Direct Labor Workers' Comp/GL	\$ 2,901.00	0.62
Job Materials & Sundries	\$ 601.00	0.00
Equipment, Small Tools, Rentals	\$ 15,193.73	0.07
Direct Cost of Goods and Services Sold	\$ 25,791.73	0.12
Direct Gross Profit	\$ 112,339.27	51%
Less: Disclosed Expenses		
Banking/Credit Card Processing*	\$ 455.10	0.00
Marketing**	\$ 7,659.87	0.06
Service Vehicle Cost**	\$ 12,058.00	0.09
Royalty Fee**	\$ 9,902.83	0.07
Brand Development Fee**	\$ 770.29	0.01
Technology Fee**	0	
Sales Center Fee**	\$ 5,392.03	0.04
Business Management System Fee**	\$ 2,657.61	0.02
Direct Gross profit after disclosed expense and		
Franchise related expenses	\$ 73,443.54	33%
*This includes costs for both Gross Sales & Specialty Items combined		
**This is based only on Gross Sales as fees were not charged on Sepcialty Items in 2023		

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DISCLAIMER

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

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. 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 Jesshill E. Love, Home Smiles Franchising, LLC at 1526 Stafford Street, Redwood City, California 94063 and (650) 260-2018, the Federal Trade Commission, and the appropriate state regulatory agencies.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	2	4	+2
	2022	4	6	+2
	2023	6	77	+71
Company Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Totals	2021	3	5	+2
	2022	5	7	+2
	2023	7	78	+71

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2021 to 2023

State	Year	Number of Transfers
California	2021	1
	2022	0
	2023	0
Totals	2021	1
	2022	0
	2023	0

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