

<b>Provision</b>		<b>Section in Agreement</b>	<b>Summary</b>
t.	Integration/merger clause	Franchise Agreement § 7.18	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Franchise Agreement § 6.3	You must first submit all disputes and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes must be submitted to non-binding mediation in Charlotte, North Carolina. If not resolved, most disputes must be resolved by binding arbitration in North Carolina. The fees and expenses of arbitration, not including attorneys' fees, generally will be shared equally by the parties. Subject to State law.
v.	Choice of forum	Franchise Agreement § 7.2	Charlotte, North Carolina. Subject to State law.
w.	Choice of law	Franchise Agreement § 7.1	North Carolina law applies. Subject to State Law.

## **ITEM 18 PUBLIC FIGURES**

The Company does not use any public figure to promote its franchise.

## **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) 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.

## **BACKGROUND**

This Item sets forth certain historical data submitted by our affiliate-owned business substantially similar to the business offered in this disclosure document.

The tables below set forth the affiliate-owned business' total revenue and certain costs and expenses. The information presented is for January 1, 2023 through December 31, 2023 (the "Measurement Period"). The affiliate has been operating the business for over 10 years and operates in a territory that is three times as large as the territory offered in this disclosure document. The affiliate also operates two physical locations to service its trading area, one in Escondido, CA and a satellite location in Commerce City, CA. The Escondido location services the equivalent of two territories offered in this disclosure document and the Commerce City location services the equivalent of a single territory.

While our affiliate reports both locations as a single business, it does track sales. Part I of this Item sets forth the percentage of Gross Receipts generated by each of its locations during the Measurement Period. Part II of this Item sets forth the combined operation's Gross Receipts, cost of sale and gross profit, and certain operating expenses and operating income, as well as their respective percentage of sales. The affiliate did not pay royalty, a technology fee, or make promotional fund contributions in 2023 but this Item imputes those charges to the business and the Item reports the affiliate's net income after all of the presented costs and expenses. Part III of this Item sets forth our Affiliate's Gross Revenue generated by new customers and generated by "upsells" to existing customers for each of calendar year 2022 and calendar year 2023.

We have not audited this information, nor independently verified this information. Written substantiation of the data used in preparing this information will be made available upon reasonable request.

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

## **Part I**

The table below sets forth our Affiliate's Gross Receipts for the Measurement Period generated by each of its two locations:

Escondido:	67%
Commerce City (Satellite):	33%

## **Part II**

The Table below sets forth our Affiliate's Gross Receipts, Cost of Sale and Gross Profit, Certain Operating Expenses and Operating Income, imputed Royalty, Technology Fees, and Promotional Fund Contribution, and the Affiliate's Net Income after payment of the imputed fees for the Measurement Period.

### **January 1, 2023 to December 31, 2023**

#### **REVENUES**

Kitchen Exhaust Cleaning	\$4,691,945
Filter Exchange	1,021,946
Green Steam	86,021
Services	41,965
Vapor Cleaning	25,154
Repairs	934,941
Chemical/Soak Tank Sales	150,701
Fees Billed	211,092
Loyalty Discount	(88,579)

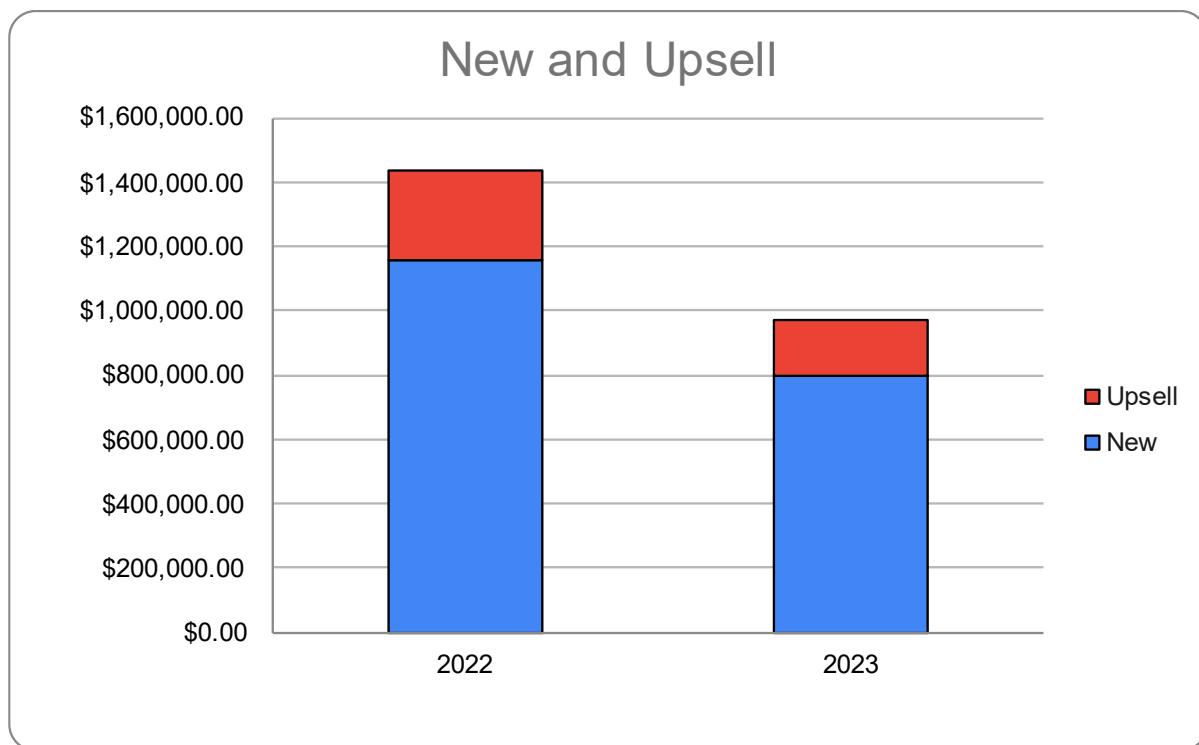
<u>Customer Credits</u>	(6,172)	
<b>Gross Receipts<sup>1</sup></b>	<b>\$7,069,015</b>	<b>100%</b>
<b><u>COST OF SALES AND GROSS PROFIT</u></b>		
Cost of labor - COS	\$(2,633,702)	
Freight	(15,939)	
Subcontractors - COS	(208,316)	
Supplies & Materials - COS	(109,597)	
Chemicals - COS	(39,681)	
Gasoline/Parking/Travel - COS	(281,320)	
Uniforms	(45,111)	
Repairs, Maintenance	(445,960)	
Equipment Rental - COS	(141)	
<b>Total Cost of Sales<sup>2</sup></b>	<b>\$3,784,066</b>	<b>(53.5%)</b>
<b>Gross Profit<sup>3</sup></b>	<b>\$3,284,950</b>	<b>46.5%</b>
<b><u>CERTAIN EXPENSES AND OPERATING INCOME</u></b>		
Marketing	\$(72,784)	
Payroll	(559,557)	
Insurance Health	(40,082)	
Employee Benefits	(3,910)	
Recruiting & Human Resources	(38,650)	
Insurance	(111,669)	
Vehicle Registrations	(9,568)	
Automobile Expenses	(18,399)	
Office Expenses	(39,716)	
Postage & Shipping	(11,049)	
Dues & Subscriptions	(14,334)	
Repair & Maintenance	(67,569)	
Janitorial Expense	(8,824)	
Warehouse Supplies	(41,308)	
Security Expense	(1,625)	
Rent or Lease	(330,331)	
Utilities	(101,016)	
Telephone	(68,524)	
Licenses	(2,506)	
Permits	(6,634)	
Bad Debt	(96,453)	
Misc Fees	(586)	
<b>Total Operating Expenses<sup>4</sup></b>	<b>\$1,645,092</b>	<b>(23.3%)</b>
<b>Operating Income<sup>5</sup></b>	<b>\$1,639,857</b>	<b>23.2%</b>

### Imputed Royalty, Technology Fee, and Promotional Fund

Royalty <sup>6</sup>	\$ (610,521)
Technology Fee <sup>7</sup>	(141,380)
Promotional Fund <sup>8</sup>	(5,988)
<hr/>	
<b>Net Income after Royalties Technology Fees, and Promotional Fund<sup>9</sup></b>	<b>\$881,968</b>
	<b>12.5%</b>

### Part III

The chart below sets forth Affiliate's Gross Revenue generated by new customers and generated by "upsells" to existing customers for each of calendar year 2022 and Calendar year 2023.



### Notes:

1. Gross Receipts means all revenues of the business less discounts and credits.
2. Cost of Sales means the labor, materials, and overhead directly tied to the delivery of Services.
3. Gross Profit means the Gross Receipts less the Cost of Sales.
4. Operating Expenses may vary substantially from business to business. The above figures exclude owners' salary and administrative payroll, payroll taxes and processing costs, workers compensation, freelancers, legal and other professional fees, IT consulting, accounting, administrative support, collection services, travel, software, bank charges and processing fees, financing expenses, interest expense, interest

income, depreciation, and amortization expenses; and related expenses which you will incur as a franchisee.

5. Operating Income means Gross Profit less those disclosed Operating Expenses.

6. Royalty Fee is imputed based on the royalty fee set forth in this disclosure document - 10% of annual Gross Receipts up to \$1,499,999, 9% between \$1,500,000 and \$2,999,999, and 8% of above \$3,000,000.

7. The Technology fee is imputed based on \$499 per month set forth in this disclosure document.

8. Promotional Fund Contribution is imputed based on the promotional fund contribution (2%) set forth in this disclosure document.

9. Net Income after Royalties, Technology Fees, and Promotional Fund Contributions means Operating Income less those imputed expenses.

10. Operating Income and Net Income after Royalties, Technology Fees, and Promotional Fund Contributions are before interest, tax, depreciation and amortization. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your business may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation.

11. Percentages are determined by dividing the category by Gross Receipts. Percentages may not add up to 100% due to rounding.

### **General Notes to Item 19**

We suggest strongly that you consult your financial advisor or personal accountant concerning the preparation of your financial projections and federal, including any applicable taxes that you may incur in operating a Franchised Business.

Other than the preceding financial performance representation, Kitchen Guard Franchising, 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 the franchisor's management by contacting Stephen Schiller at Kitchen Guard Franchising, Inc., 1515 Mockingbird Lane, Suite 401, Charlotte, NC 28209 or 254-718-6981, the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20**

### **OUTLETS AND FRANCHISEE INFORMATION**

The first four tables below present information for our fiscal years 2021, 2022 and 2023.