

Provision	Section in Franchise Agreement (“FA”)	Section in Area Development Agreement (“ADA”)	Summary
v. Choice of forum	Section 15	Section 16	FA: Court of proper jurisdiction in the Commonwealth of Virginia (subject to applicable state law). ADA: Court of proper jurisdiction in the Commonwealth of Virginia (subject to applicable state law).
w. Choice of law	Section 15	Section 16	FA: The Commonwealth of Virginia (subject to applicable state law). ADA: The Commonwealth of Virginia (subject to applicable state law).

ITEM 18 PUBLIC FIGURES

As of the date of this disclosure document, we do not use any public figures to promote our 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.

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 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, which consists of 40,957 targeted households across 7 zip codes. In 2018, HCH Local Operations fully expanded its efforts in Chesapeake and Norfolk, the territory known as VA-002, which consists of 34,899 targeted households in 19 zip codes. Calendar year 2023 represents the sixth full year of operation for HCH Local Operations.

TABLE 1 – INCOME STATEMENT

The Income Statement below illustrates the revenue, cost of goods sold, and disclosed expenses associated with HCH Local Operations for the period from January 1 through December 31, 2023.

In 2023, HCH Local Operations generated \$1,355,599 in Total Revenue which resulted in \$704,353 in Gross Profit corresponding to a 52% Gross Margin. Total Itemized Expenses of

\$430,718 represented 32% of Total Revenue and provided an Operating Cash Flow of \$273,635 or an Operating Cash Flow Margin of 20%, before non-disclosed expenses as described in the notes below.

Home Clean Heroes Local Operations, LLC
Income Statement¹
January 1-December 31, 2023

	Total	Percent of Total Revenue
Total Revenue²	\$ 1,355,599	
Cost of Goods Sold		
Technician Labor ³	\$ 611,103	45.1%
Materials Costs ⁴	<u>\$ 3,518</u>	0.3%
Total Cost of Goods Sold	<u>\$ 651,246</u>	48.0%
 Gross Profit (\$)	 \$ 704,353	
Gross Margin		52.0%
 Itemized Expenses		
Royer and Service Fee ⁵	\$ 81,336	6.0%
Marketing Fee	\$ 27,112	2.0%
Advertising - Consumer	\$ 75,126	5.5%
Automobile Expense	\$ 65,327	4.8%
Fuel Expense	\$ 15,187	1.1%
Credit Card Fees	\$ 34,999	2.6%
Insurance Expense	\$ 28,912	2.1%
Charitable Contributions ⁶	\$ 6,072	0.4%
Field Supplies and Safety Gear	\$ 27,612	2.0%
Repairs and Maintenance	\$ 4,727	0.3%
Office Supplies	\$ 1,235	0.1%
Integrated Business System Fees	\$ 4,740	0.3%
Call Center Costs	\$ 11,807	0.9%
Professional Fees	\$ 5,833	0.4%
Wages and Benefits ⁷	\$ 40,693	3.0%
 Itemized Expenses⁸	 <u>\$ 430,718</u>	31.8%
 Operating Cash Flow Before Non-Disclosed Expenses	 <u>\$ 273,635</u>	
Operating Cash Flow Margin		20.2%

Notes for Table 1:

1. The information set forth in the Income Statement summarizes the combined financial performance for HCH Local Operations' two territories, VA-001 and VA-002, from January 1, 2023 through December 31, 2023.
2. "Total Revenue" means the revenue invoiced for Initial Cleans, Recurring Services and One-time Services.
3. "Technician Labor" includes all costs (wages, taxes, etc.) for the cleaning specialists that performed the services. For 2023, these employees were paid a wage between \$11.00-19.50 per hour, with an average wage paid equal to \$15.31 per hour. The median wage paid was \$15.00 per hour.
4. "Materials Costs" includes the actual cost of cleaning products and consumables required to complete the total services for the year.
5. HCH Local Operations did not pay us any royalty fees during 2023. We supplemented HCH Local Operations' Income Statements by including an entry for a "Royalty and Service Fee" of 6% that you will have to pay. You will be required to pay to us, our affiliates or our designated suppliers all of the fees described in this disclosure document. Other than the Royalty and Service Fee, HCH Local Operations incurs the same costs for these items as our franchisees will incur.
6. As part of our "Heroes First" Charitable Contribution initiative, you will be required to contribute \$0.50 from each Recurring Service and One-time Service to us. We will match your contribution and remit the total donation monthly to our national partner, First Responders Children's Foundation.
7. HCH Local Operations employs a field supervisor whose primary role is performing quality service inspections and managing technicians in the field. These non-revenue-generating wages are listed as an Operating Expense.
8. The above information is stated as Operating Cash Flow Before Non-Itemized Disclosed Expenses. Non-itemized expenses may include but are not limited to (a) rent and utilities should you decide to operate the business from a commercial location, (b) professional expenses such as accounting services should you decide to outsource this function, and (c) discretionary expenses such as office supplies, meals and entertainment, professional dues/subscriptions or charitable contributions to such organizations as Cleaning For A Reason™.

TABLE 2 – REVENUE, CUSTOMER AND SERVICE METRICS ^{1,2,3}

Total Revenue by Territory			
	2022	2023	YoY Growth Rate (%)

VA-001	\$ 801,346	\$ 858,293	7%
VA-002	\$ 431,552	\$ 479,608	11%
Entity	\$ 1,232,898	\$ 1,337,901	9%

Recurring Service Revenue by Territory			
	2022	2023	YoY Growth Rate (%)
VA-001	\$ 748,039	\$ 804,313	8%
VA-002	\$ 409,369	\$ 459,835	12%
Entity	\$ 1,157,408	\$ 1,264,148	9%

Total Customer Count by Territory			
	2022	2023	YoY Growth Rate (%)
VA-001	574	524	-9%
VA-002	284	261	-8%
Entity	858	785	-9%

Recurring Customer Count by Territory			
	2022	2023	YoY Growth Rate (%)
VA-001	410	384	-6%
VA-002	306	301	-2%
Entity	716	685	-4%

Total Services by Territory			
	2022	2023	YoY Growth Rate (%)
VA-001	4,665	4,667	0%
VA-002	2,462	2,642	7%
Entity	7,127	7,309	3%

Recurring Services by Territory			
	2022	2023	YoY Growth Rate (%)
VA-001	4,483	4,486	0%
VA-002	2,394	2,572	7%

Entity	6,877	7,058	3%
--------	-------	-------	----

Notes for Table 2:

1. This table provides performance for calendar years 2022 and 2023, for each territory operated by HCH Local Operations and for HCH Local Operations as a whole, which is referred to as “Entity.”
2. The growth rate represents the change in territory performance for revenue, customers and services, respectively, for calendar years 2022 and 2023.
3. Revenue, customers and services located in ZIP Codes not assigned to either the VA-001 territory or the VA-002 territory are included in the table and allocated equally across both territories.

TABLE 3 – SALES METRICS ¹

Sales Metric	Entity Performance
Leads received requesting proposal for new service ²	1,089
New customers served for the first time ³	373
Cost per lead acquired	\$62
Percentage of leads that became customers	34%
Number of in-home estimates completed for prospective recurring customers ⁴	353
Prospects receiving in-home estimates that became recurring customers	212
Percentage of recurring prospects that became recurring customers	60%

Notes for Table 3:

1. This data represents the combined performance of the two territories operated by HCH Local Operations.
2. Leads are requests for service proposals received from prospective customers between January 1, 2023 and December 31, 2023.
3. New customers served are any new customer served and invoiced during the same period.
4. Recurring customers are those customers who receive regular weekly, bi-weekly, or monthly services during the measured period. All recurring customers receive an in-home estimate for service price.

TABLE 4 – OPERATIONAL METRICS ¹

Operational Metric	Entity Performance
Total services completed ²	7,299
Total services completed for recurring customers	6,849
Percent of total services completed that were Recurring Services	94%
Number of unique recurring customers served	594
Average number of services per month provided to each recurring customer ³	1.7
Average revenue per One-time Service provided ⁴	\$316
Average revenue per Recurring Service provided ⁵	\$176
Percent of total revenue from Recurring Services	97%
Average daily revenue generated by each team ⁶	\$728

Notes for Table 4:

1. This data represents the combined performance of the two territories operated by HCH Local Operations.
2. Services include Recurring Services and One-time Services.
3. HCH Local Operations had a median of 1 service per recurring customer per month.
4. HCH Local Operations invoiced a high of \$750, a low of \$50 and a median of \$350 per one-time service.
5. HCH Local Operations invoiced a high of \$650, a low of \$60 and a median of \$170 per recurring service.
6. HCH Local Operations invoiced a high of \$1,425, a low of \$70 and a median of \$713 per team per single day.

* * *

Home Clean Heroes Franchising, LLC

As of December 31, 2023, we had six Franchised Businesses which were open and operating for 12 months or longer. Tables 5, 6 and 7 contain information for these Franchised Businesses.

TABLE 5 – BUSINESS METRICS^{1,2,3}

Table 5a. All Services Business Metrics: Average and Median

Metric	2023 Average (# above average)	2023 Median	2022 Average	2022-2023 Growth (%) ⁴
Revenue	\$291,041 (2)	\$238,002	\$289,911	0%
Customers	230 (2)	198	302	-24%
Services	1,639 (2)	1,395	1,655	-1%

Table 5b. All Services Business Metrics: High and Low⁵

Metric	2023 High	2023 Low	2022 High	2022 Low
Revenue	\$658,208	\$100,025	\$563,173	\$172,61
Customers	478	119	517	165
Services	3,695	528	3,173	896

Table 5c. Recurring Services Business Metrics: Average and Median

Metric	2023 Average (# above average)	2023 Median	2022 Average	2022-2023 Growth (%) ⁴
Revenue	\$265,226 (2)	\$218,771	\$250,528	6%
Customers	166 (2)	149	205	-19%
Services	1,551 (2)	1,325	1,524	2%

Table 5d. Recurring Services Business Metrics: High and Low⁶

Metric	2023 High	2023 Low	2022 High	2022 Low
Revenue	\$595,773	\$85,665	\$491,018	\$1,425
Customers	326	82	334	12
Services	3,493	475	2,928	14

Notes for Table 5:

1. “All Services” data represent the performance metrics for all services provided to customers, including Recurring Services and One-time Services.
2. Revenue, customers and services from out of territory zip codes are included in the table for all franchise locations.
3. The 2022 information presented in Table 5 was derived from the five Franchised Businesses that were open and operating for at least 12 months as of December 31, 2022.
4. The growth rate represents the change in the average revenue, customers and services, respectively, for calendar years 2022 and 2023.
5. For 2022, the all service revenue median is \$189,696, customers median is 232 and services median is 1,133.
6. For 2022, the Recurring Service revenue median is \$167,571, customers median is 169 and services median is 1,325.

TABLE 6 – SALES METRICS

Sales Metric	Average Performance Per Franchised Business
Leads received requesting proposal for new service ¹	453
New customers served for the first time ²	173
Cost per lead acquired ³	\$107
Percentage of leads that became customers ⁴	38%
Number of in-home estimates completed for prospective recurring customers ⁵	118
Prospects receiving in-home estimates that became recurring customers ⁶	70
Percentage of recurring prospects that became recurring customers ⁷	59%

Notes for Table 6:

1. Leads are requests for service proposals received from prospective customers. The median was 392 leads.

2. The median was 158 new customers.
3. Reflects costs tracked through corporately managed programs and local marketing expenses reported to us, with a median of \$97 per lead.
4. The median percentage of leads was 38%.
5. The median was 114 in-home estimates for prospective recurring customers.
6. The median was 68 prospects that became recurring customers.
7. The median was 61% of these prospects became recurring customers.

TABLE 7 – OPERATIONAL METRICS

Key Metric	Average Performance Per Franchised Business
Total services completed ¹	1,639
Total recurring services completed for recurring customers ²	1,551
Percent of total services completed that were Recurring Services ³	95%
Average number of services per month provided to each recurring customer ⁴	1.6
Average revenue per One-time Service provided ⁵	\$299
Average revenue per Recurring Service provided ⁶	\$190
Percent of total revenue from Recurring Services ⁷	96%
Average daily revenue generated by each team ⁸	\$529

Notes for Table 7:

1. The median was 1,395 total services.
2. The median was 1,325 recurring services.
3. The median was 95% of services were Recurring Services.
4. The median was 1 service per recurring customer per month.
5. These Franchised Businesses invoiced a high of \$750, a low of \$50 and a median of \$350 per One-time Service.
6. These Franchised Businesses invoiced a high of \$660, a low of \$22 and a median of \$170 per Recurring Service.
7. These Franchised Businesses received a high of 96%, a low of 77% and a median of 91% of total revenue from Recurring Services.
8. These Franchised Businesses invoiced a high of \$1,425, a low of \$60 and a median of \$575 daily revenue per team per single day.

* * *

Additional Notes:

1. The information set forth in this Item 19 summarizes financial information of historic operations of HCH Local Operations and six franchise locations that were open and operating for 12 or more months as of December 31, 2023, as obtained from our field