

PROVISION	SECTION IN AGREEMENT	SUMMARY
w. Choice of law	14.1	Federal law applies to arbitration and trademark issues. The law of your state applies to amendment of your franchise agreement, the maximum rate of interest that can be charged, and post-termination non-competition issues. Except as required by applicable state law, South Dakota law applies to all other issues.

## **ITEM 18. PUBLIC FIGURES**

We do not use any public figure 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 following is historical financial information concerning the unaudited reported annual sales of a subset of our existing outlets, namely, those franchisees who reported gross sales and who were open for business for all of calendar year 2024 (78 single territory franchisees and 62 multiple territory franchisees, representing an aggregate total of 234 territories, or 90% of the territories open for all of 2024).

The following historical financial information excludes a total of 27 territories that were open and operating at the end of calendar year 2024 for the following reasons: (1) new territories purchased by new franchisees opening during calendar year 2024 since those territories were not open for a full 12 months; and (2) transferred territories because neither the original or new franchisees were open for a full 12 months.

### **A. Annual Sales Levels**

The following table shows annual gross sales reported by franchisees with a single territory and with multiple territories, that were in business throughout calendar year 2024. Figures for franchisees that had multiple territories are total sales for all territories – not average per territory – and if a franchisee's additional territory opened during 2024, the total sales do not represent a full year of sales for the additional territory. All gross sales figures are presented without regard to the size of the territory. Although we currently grant territories that include approximately 41,000 households, not all territories are that size. These variations in size arise both because we formerly sold territories of differing sizes and because territories can experience either growth or contraction after a franchise is sold.

During 2024 there were 79 reporting franchisees who operated a single territory throughout the year, and 62 reporting franchisees who operated multiple territories each throughout the year.

These sales results are based upon the sales reported to us by the franchisees.

MEASURE	2024
Average Sales – One Territory <sup>1</sup>	\$479,767
Average Sales – Two or More Territories <sup>2</sup>	\$999,648
Median Sales – One Territory <sup>3</sup>	\$358,151
Median Sales – Two or More Territories <sup>3</sup>	\$736,022
75 <sup>th</sup> Percentile – One Territory <sup>4</sup>	\$665,922
75 <sup>th</sup> Percentile – Two or More Territories <sup>4</sup>	\$1,398,852
Average Sales of Middle 50% - One Territory <sup>5</sup>	\$379,314
Average Sales of Middle 50% - Two or More Territories <sup>5</sup>	\$790,849
25 <sup>th</sup> Percentile – One Territory <sup>6</sup>	\$188,867
25 <sup>th</sup> Percentile – Two or More Territories <sup>6</sup>	\$512,355

Notes:

1. Represents 79 single territory franchisees and 79 territories in 2024. 31 or 39% of the single territory franchisees attained or surpassed the stated average results for 2024. The lowest amount reported for a single territory franchisee was \$38,003 and the highest was \$1,844,467.
2. Represents 62 multiple territory franchisees and 155 territories in 2024. 22 or 35% of the multiple territory franchisees attained or surpassed the stated average results for 2024. The lowest amount reported for a multiple territory franchisee was \$7,634 and the highest was \$3,396,190.
3. Shows the midpoint of annual sales. 40 or 51% of the single territory franchisees attained or surpassed the stated median results for 2024. 31 or 50% of the multiple territory franchisees attained or surpassed the stated median results for the year.
4. Reported sales by the 75<sup>th</sup> percentile of franchisees; only 25% of franchisees reported sales higher than this level.
5. Equals the mean (average) annual gross sales of those franchisees whose reported sales fell between the top 25% and the bottom 25%.
6. Reported sales by the 25<sup>th</sup> percentile of franchisees; only 25% of franchisees reported sales lower than this level.

The following unaudited data are as reported by our franchisees via our CRM System for 2024. We excluded the CRM System data of franchisees who were not open for all of 2024. The following data are

for the 141 franchisees (representing 234 territories) open for all of 2024.

### **B. Cost of Goods Sold/Gross Profit**

The average cost of goods sold (that is, the cost to franchisees of Kitchen Improvements products and consumables sold by the franchisees) as a percentage of the price at which the franchisees sold those products and consumables to their customers) was 45% of the gross (retail) sales price with an average gross profit of 55%. The average cost of goods comprises average labor costs of 14% of the gross (retail) sales price and average products cost of 31%. We have not independently verified the amount reported by our franchisees, but that figure is consistent with information concerning suggested mark-ups that is discussed during franchisee training classes.

In addition to the cost of goods sold, you will also incur other expenses that are not included in this calculation, such as monthly payments (lease or financing) for the required vehicle, labor costs for anyone you hire, rent for office/warehouse space, telephone and other utility expenses, automobile, general liability, and other types of insurance, royalties and advertising expenses, federal, state and local taxes, and financing expenses if you finance any part of your investment. You may also incur other expenses, depending upon the manner in which you operate the business. You should consult with your advisors and with other business owners concerning the other types and amounts of expenses you will incur.

### **C. Average Sale Amount and Gross Profit by Service Line**

SERVICE LINE	AVERAGE SALE AMOUNT	MEDIAN SALE AMOUNT	HIGHEST SALE AMOUNT	LOWEST SALE AMOUNT	AVERAGE GROSS PROFIT	MEDIAN GROSS PROFIT
Countertop	\$7,607	\$6,868	\$43,356	\$68	43.0%	37.2%
Full Custom Kitchen	\$25,543	\$21,648	\$151,094	\$5,000	53.2%	50.1%
Misc.	\$2,946	\$122	\$158,650	\$15	59.6%	59.2%
Painting/ Recoloring	\$9,815	\$7,257	\$75,948	\$1,300	55.3%	53.2%
Redoor	\$14,881	\$12,120	\$133,512	\$2,522	60.6%	60.2%
Refacing	\$18,047	\$15,954	\$82,250	\$2,575	57.5%	56.1%
Tune-Up	\$4,453	\$2,936	\$47,721	\$500	67.1%	69.7%

#### **D. Product Mix**

<b>SERVICE LINE</b>	<b>%</b>
Wood Restoration	3.8
Refacing	44.0
Redooring	17.2
Cabinets	25.2
Painting	9.8

#### **E. Closing Rate**

The average of all franchisees was 50%. The median was 44%.

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

We will make written substantiation for these Financial Performance Representations available to you on your reasonable request.

Other than the preceding financial performance representation, we do 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 Heidi Morrissey at 14 S. Main Street, Suite 1C, Aberdeen, South Dakota 57401, (605) 225-4049, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20. OUTLETS AND FRANCHISEE INFORMATION****TABLE NO. 1****Systemwide Outlet Summary for 2022, 2023 and 2024**

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets At Start Of Year</b>	<b>Outlets At End Of Year</b>	<b>Net Change</b>
Franchised	2022	233	257	+24
	2023	257	274	+17
	2024	274	261	-13
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
<b>Total Outlets</b>	<b>2022</b>	<b>233</b>	<b>257</b>	<b>+24</b>
	<b>2023</b>	<b>257</b>	<b>274</b>	<b>+17</b>
	<b>2024</b>	<b>274</b>	<b>261</b>	<b>-13</b>

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