



July 2015
Issue 7

STATE OWNER NEWSLETTER

I want to thank those State Owners who attended our webinar on June 24th. I know everyone's life is busy, and for many of you this is not your main livelihood. I know it does require effort in order to attend. I also realize that in this world of technology we live in, glitches occur that are beyond anyone's control. I do appreciate your efforts as state owners.

We asked each of you what you felt would be a good phase-in time for those potential franchisees that you are currently working with. We suggested a 30, 60, or 90 day phase-in. So far I have only heard back from one of you.

I also asked that you let me know what packages you feel would be the most beneficial for operators in your state. The feedback I am looking for is what enhanced old services, or what new services do you think potential franchisees in your state would be looking for. I am still waiting to hear from all of you on that.

A couple of you seem a little confused regarding the increase of the base population for a Licensed Territory. In the past, all of the city owner disclosures stated that a licensed territory will be a minimum population of 20,000. The new city owner disclosures (FDD), states that a licensed territory will be a minimum population of 30,000.

This is copied from a 2015 Sublicense FDD for a new city owner:

The Subfranchise Agreement provides that you will operate the Subfranchise within a designated Territory. This restriction has been imposed to permit CSHB to properly structure the Heaven's Best Subfranchise system. The Territory is chosen by you and approved by CSHB based on such considerations associated with the proposed territory. Most often the Territory consists of one or more political subdivisions like towns, cities, or counties with a minimum population of 30,000 for one licensed territory. Within larger metropolitan areas the Territory may be described by using streets or highways as boundaries. The Territory description is inserted into the Subfranchise Agreement prior to execution. Except for the requirement that the Subfranchise be operated only within the territory, you are not limited in any way as to customers you can offer carpet cleaning, floor cleaning, upholstery cleaning, window cleaning, dryer vent cleaning, air duct cleaning, and water restoration services and products.

As a general practice in the past, we have put a population cap of approximately 100,000 to define a licensed territory. In our state owner webinar, I stated that the cap of a licensed territory would be raised to a population of 150,000. We have always made this flexible for the state owner to determine the actual population size of a licensed territory depending on the makeup of their state. Some states are comprised of a lot of small cities, while others have cities of much larger population that would be difficult to split up between two or more Subfranchisees. A minimum population

base has always been listed in the FDD, and the contract. We have never listed the maximum population base in either the FDD or the contract, which continues to be the case now.

The higher population cap of 150,000 to 200,000 per licensed territory will be more appealing to a businessman who would like to own a large territory and grow a great business. Consider a large city with a population of 1,000,000. Rather than having 10 licensed territories at the old cap, he would only have 5 or 6 licensed territories at the new cap. The number of fees would continue to come on line one each year until all fees would be paid. This is the same way we have always been doing it. We feel that this will be very attractive to a new buyer. We have added a lot of new services which makes our franchise a great opportunity for someone who wants a small area that can be run with just one person, or a person who wants a large operation with many vans and employees.

These changes will help us sell more franchises, and we all need to sell more franchises. These changes will be financially beneficial to everyone—our cleaning customers, the city owners, the state owners and the corporate office.

Our next state owner webinar will be **Wednesday July 22, 2015 at 4:00pm MDT**.

We will send a link out a day or two before the meeting.