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STATE OWNER NEWSLETTER

Changes

I realize that change is very hard for many people to accept. We as humans always want things to be the way we are used to, and are comfortable with. We hate it when Microsoft comes out with a new updated operating system. We hate it when Quick Books comes out with a new version of their accounting program. We hate it because it is new and we are forced to do things differently than we did in the past. The changes prove to be better, however, even though we did not like it at first.

Change requires us to do some things we are not use to. I remember the reaction we got from some of our state owners when we talked about introducing a new Heaven's Best Logo. I remember the reaction of some of our city operators when we introduced our new logo for the Vans and the new shirts. Some thought it would be the end of the world and that we would lose a bunch of our franchisees. They thought the cost of the logos for the van would put our city operators under. The logo change turned out to be a very good thing for our company.

I remember the first time we increased the monthly fee. It doubled from \$40 to \$80 per month for new franchise sales. Our existing operators experienced the fee doubling from \$40 to \$80 over the course of four years at \$10 per month per year. We lost very few operators from that action. The ones that we did lose were poor operators and we would have lost them in the near future anyway.

Our monthly fee per licensed territory has always been determined by an average ticket sale. What we are doing now in the business has been done in the past and will more than likely occur again in the future. When we increased the fee to \$80 per month our average ticket sale was \$80. Our average ticket sale is now around \$200.

One of the responsibilities of all state owners is to sell franchises in their state, and that responsibility will continue until all areas are sold or opened as employee-based areas.

Every business needs to adapt and make changes in order to stay in business. Six and a half years ago I addressed changes that needed to happen. I have allowed you the time from then until now to make changes in your state without raising the monthly fees or costing you anything more.

Some of you feel that you may have a better solution to meeting the needs that our company has. I will give you seven more days to submit your suggestions to me in writing. I have considered the needs of all potential customers, city operators, state owners, and the corporate office, and the

legal ramifications of each. Your suggestions should address all of these issues as well. The following is a recap of the issues that need to be addressed.

1. We need to provide our existing and new cleaning customers with the services they need with high quality at a reasonable price.
2. We need to protect our city and state owners with things written in the contracts that will insure their continued operation.
3. We need to have a way for our state owners and the corporate office to make more money in both the short and long term to meet the needs of future growth and success.
4. We need to do things to show a profit for the corporate office before the end of this year so that next year's disclosure will show a company that is in the black instead of the red, and we need enough money coming into the corporate office to insure that the corporate office can continue in the black from here on out.

Of course there are many things that are included in the four general areas listed above.

I appreciate all that each of you have done to make this company successful. It is a great company and we have a lot of great people involved in it.