BrightStar® Independent Franchisee Association
P.O. Box 10158
Palm Desert, CA 92255

October 31, 2016

Dear BrightStar Franchisee:

You may be aware of a BrightStar owners group who has retained counsel to negotiate the terms of the Early Renewal Agreement. Today, there are 73 owners with 130 territories and 47% of system revenue actively participating.

We are a group of owners committed to building a healthy franchise system through open and honest dialogue. We subscribe to the principal of Total Quality Franchising (TQF): Collaboration of franchisees and the franchisor with a focus on unit profitability and growing a healthy brand. After asking ourselves whether we had achieved what we had expected at the time we signed our original Franchise Agreements, we agreed now is the time to change unit economics.

It begins with unit profitability. As a BrightStar owner, you assume significant legal, compliance and financial risk. You should expect a pre tax income commensurate with the risk you have taken. Certainly, Greg Crabtree would counsel you that your pre tax profit should be in the 10% - 15% range. If you have pre tax profits of 5% or less, you are on “life support”.

In a recent survey of 55 owners and 102 territories with annual revenue ranging from $1MM to $6.7MM, we found:

- Average Pre Tax Profit: 6.3%
- Respondents with less than $3MM revenue have a Pre Tax Profit average of 4.98%
- 34% of Respondents are on life support (PreTax Profit of 5% or less)
- 42% of Respondents are between life support and breakeven (5.1% to 10%)
- 24% of Respondents are achieving a 10% or better Pre Tax Profit

We asked ourselves how could this be a healthy franchise, with so many owners achieving returns that you could get in an equity index mutual fund? You’re better advised to invest in the mutual fund and get a job. (There is very little legal and compliance risk as an employee.)
We discovered our franchise system overly burdens individual franchisees with mandatory fees, a high-overhead operating model and inadequate systems provided by the franchisor.. Yet, our franchisor enjoys 44% - 54% Pre Tax Income over the last 3 years.

After evaluating the terms of the Early Renewal Agreement, we mapped the financial consequences of survey respondents with $1MM - $3MM annual revenue:

- 47% of Respondents would have a negative pre tax profit or be on life support
- 42% of Respondents would be somewhere between life support and breakeven
- Only 11% would achieve sustainable pre tax profits.

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What can you do to improve the health of BrightStar franchisees?

- Join the group of owners leading the effort to improve unit profitability.

Ask yourself- Why has your franchisor come to you during the term of your 10 year agreement, asking you to sign an early renewal contract authorizing paying her even more of your revenue. If the person from whom you bought your home came to you after you purchased and saying, "sign this addendum authorizing $100,000 more for the sales price and pay me that money", you are certainly free to sign the addendum and pay the money, but why would you do that?

Learn more about unit profitability and Total Quality Franchising:

Go to www.CaringOwners.com or email us at info@CaringOwners.com

Sincerely,

/s/ *Steering Committee*

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